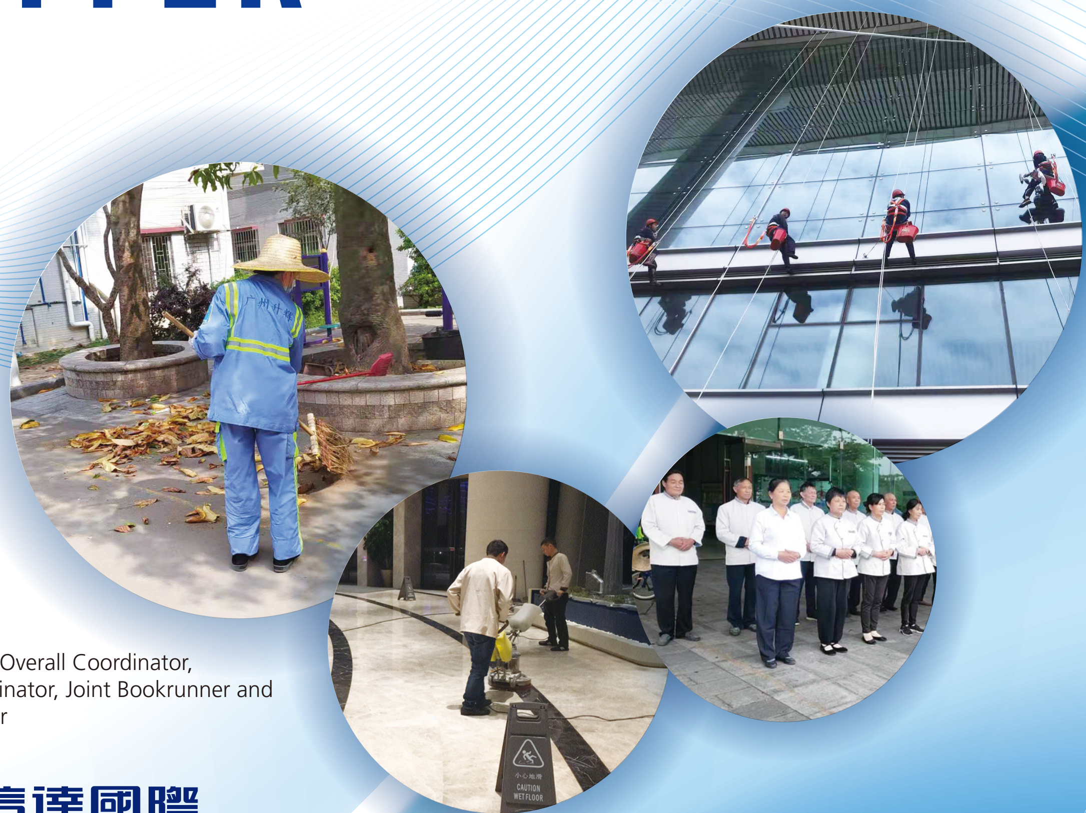
Shenghui Cleanness Group Holdings Limited
升輝清潔集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2521

SHARE OFFER



Sole Sponsor, Sole Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

信達國際 CINDA INTERNATIONAL

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

ICBC 工银国际 | 建银国际 CCB International | 元宇宙(國際)證券有限公司 Yuen Meta (International) Securities Limited | 華升證券 CHINA SOARING SECURITIES

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Shenghui Cleanness Group Holdings Limited
升輝清潔集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares under the Share Offer	:	**414,375,000 Shares comprising 373,750,000 new Shares and 40,625,000 Sale Shares**
Number of Public Offer Shares	:	**41,437,500 Shares (subject to reallocation)**
Number of Placing Shares	:	**372,937,500 Shares comprising 332,312,500 new Shares and 40,625,000 Sale Shares (subject to reallocation)**
Offer Price	:	**Not more than HK$0.40 per Offer Share and expected to be not less than HK$0.32 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**2521**

Sole Sponsor, Sole Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

信達國際 CINDA INTERNATIONAL

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ICBC 工银国际 建银国际 CCB International 元宇宙(國際)證券有限公司 Yuen Meta (International) Securities Limited 華升證券 CHINA SUNRISE SECURITIES

Joint Bookrunners and Joint Lead Managers

農銀國際 ABC INTERNATIONAL 光銀國際 CEB INTERNATIONAL 光大證券 國際 EVERBRIGHT SECURITIES INTERNATIONAL 兴证国际 招銀国际 CMB INTERNATIONAL 民銀資本 CMBC CAPITAL HOLDINGS LIMITED 東吳證券(香港) SOOCHOW SECURITIES (HK) 浦銀國際 SPDB INTERNATIONAL 浙商國際 ZHESHANG INTERNATIONAL ZTSC 中泰國際 EDDID FINANCIAL GEAR INVESTMENT 中毅資本有限公司 Grand Moore Capital Limited 利弗莫尔证券 LIVERMORE HOLDINGS LIMITED 偉祿亞太證券 REALORD ASIA PACIFIC SECURITIES 軟庫中華 SBI China Capital

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available on display – Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of our Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 1 December 2023. The Offer Price will be not more than HK$0.40 and is currently expected to be not less than HK$0.32 unless otherwise announced. Applicants for Public Offer Shares are required to pay, on application, the maximum Offer Price of HK$0.40 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% subject to refund if the Offer Price as finally determined should be lower than HK$0.40.

The Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent (for ourselves and on behalf of our Selling Shareholders), reduce the number of Offer Shares in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus (which is HK$0.32 to HK$0.40 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the number of Offer Shares in the Share Offer and/or the indicative offer price range will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.gzshqj.com** not later than the morning of the day which is the last day for lodging applications under the Public Offer. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of our Selling Shareholders), the Share Offer (including the Public Offer) will lapse and will not proceed. For further details, please refer to the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of any U.S. persons.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" of this prospectus.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Public Offer Shares, are subject to termination by the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting – Underwriting arrangements and expenses – Grounds for termination" of this prospectus. It is important that you refer to that section for further details.

ATTENTION

We have adopted a fully electronic application process for the Public Offer. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Public Offer. This prospectus is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.gzshqj.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

27 November 2023

Your application must be for a minimum of 7,500 Public Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Public Offer Shares applied for	Amount payable on application *HK$*	No. of Public Offer Shares applied for	Amount payable on application *HK$*	No. of Public Offer Shares applied for	Amount payable on application *HK$*	No. of Public Offer Shares applied for	Amount payable on application *HK$*
7,500	3,030.25	67,500	27,272.30	600,000	242,420.40	5,250,000	2,121,178.50
15,000	6,060.51	75,000	30,302.56	675,000	272,722.96	6,000,000	2,424,204.00
22,500	9,090.76	150,000	60,605.10	750,000	303,025.50	6,750,000	2,727,229.50
30,000	12,121.02	225,000	90,907.66	1,500,000	606,051.00	7,500,000	3,030,255.00
37,500	15,151.28	300,000	121,210.20	2,250,000	909,076.50	15,000,000	6,060,510.00
45,000	18,181.54	375,000	151,512.76	3,000,000	1,212,102.00	20,715,000*	8,369,564.31
52,500	21,211.79	450,000	181,815.30	3,750,000	1,515,127.50		
60,000	24,242.05	525,000	212,117.86	4,500,000	1,818,153.00		

* Maximum number of Public Offer Shares you may apply for.

No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

If there is any change for the following expected timetable of the Share Offer, we will issue an announcement on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.gzshqj.com**:

Date*(Note 1)*

Public Offer commences . . . . 9:00 a.m. on Monday, 27 November 2023

Latest time for completing electronic applications under the **HK eIPO White Form** service through one of the below ways:(2)

(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

(2) the designated website **www.hkeipo.hk**. . . . . 11:30 a.m. on Thursday, 30 November 2023

Application lists for the Public Offer open*(Note 2)* . . . . 11:45 a.m. on Thursday, 30 November 2023

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)(2) . . . . 12:00 noon on Thursday, 30 November 2023

Latest time to give **electronic application instructions** to HKSCC*(Note 3)* . . . . 12:00 noon on Thursday, 30 November 2023

If you are instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Public Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists for the Public Offer close*(Note 2)* . . . . 12:00 noon on Thursday, 30 November 2023

(1) Expected Price Determination Date on or before*(Note 4)* . . . . Friday, 1 December 2023

Announcement of the Offer Price, indication of the levels of interest in the Placing, the levels of applications of the Public Offer, the basis of allotment of applications in the Public Offer to be published on our Company's website at **www.gzshqj.com** and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Monday, 4 December 2023
(2) Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at **www.gzshqj.com** and the website of the Stock Exchange at **www.hkexnews.hk** (for further details, please refer to the section headed "How to apply for the Public Offer Shares – B. Publication of results" of this prospectus) on or before	Monday, 4 December 2023
Announcement of the Public Offer containing (1) and (2) above to be published on the websites of the Company and the Stock Exchange at **www.gzshqj.com** and **www.hkexnews.hk** from	Monday, 4 December 2023
Results of allocation in the Public Offer will be available at "IPO Results" function in the **IPO App** or at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function	Monday, 4 December 2023
Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or about *(Notes 5 to 8)*	Monday, 4 December 2023
HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before *(Notes 6 and 7)*	Tuesday, 5 December 2023
Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Tuesday, 5 December 2023

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structures of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus.

2. You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO App** or the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning, Extreme Conditions and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 30 November 2023, the application lists will not open on that day. For further details, please refer to the section headed "How to apply for the Public Offer Shares – E. Severe Weather Arrangements.

4. The Price Determination Date is expected to be on or about Friday, 1 December 2023. If, for any reason, the Offer Price is not agreed by Friday, 1 December 2023 between our Company (for ourselves and on behalf of our Selling Shareholders) and the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.

5. Share certificates for the Public Offer Shares are expected to be issued on Monday, 4 December 2023 but will only become valid evidence of title at 8:00 a.m. on Tuesday, 5 December 2023 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

6. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

7. Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

8. **Share certificates will only become valid evidence of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their share certificates or prior to the share certificates becoming valid evidence of title do so entirely at their own risk.**

For further details of the structure and conditions of the Share Offer, you should refer to the section headed "Structure and conditions of the Share Offer" of this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, our Selling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, our Selling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer.

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OVERVIEW

We are a cleaning and maintenance services provider in the PRC and one of the well-established property cleaning service providers in Guangdong province. With industry experience of over 20 years and foothold in Guangdong province, we have steadily developed our business since our establishment in 2000 to offer a wide range of services to over 700 customers and extend the coverage of our operations to 14 provincial-level regions in the PRC. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the total revenue of the Group was approximately RMB465.7 million, RMB563.5 million, RMB594.2 million, RMB289.2 million and RMB298.3 million, respectively, while profit for the year was approximately RMB31.3 million, RMB39.9 million, RMB34.4 million, RMB15.4 million and RMB15.3 million, respectively.

We serve a wide range of premises including commercial buildings, transportation hub such as airports, residential premises, shopping malls and commercial complex, streets, parks and other public space. Our cleaning and maintenance services cover high-end commercial properties such as Guangzhou International Finance Center (廣州國際金融中心), Guangzhou Taikoo Hui (廣州太古匯), Leatop Plaza (利通廣場), Pearl River Tower (珠江城大廈), Raffles City Chongqing (重慶來福士廣場), Raffles City Shenzhen (深圳來福士廣場); public transportation hubs such as Chongqing Jiangbei International Airport (重慶江北國際機場), Guangzhou Baiyun International Airport (廣州白雲國際機場), Zhengzhou Xinzheng International Airport (鄭州新鄭國際機場), Hong Kong Zhuhai-Macao Bridge Zhuhai port (港珠澳大橋珠海口岸); high-end residential premises such as One Shenzhen Bay (深圳灣一號); and shopping malls such as Yue City (悦滙城).

Our service variety is one of our competitive advantages in providing comprehensive and one-stop services to our customers. Our service capabilities include the provision of basic cleaning and maintenance service, garbage collection and transportation service, waste collection and transportation service, water tank cleaning service and ancillary services. We also offer specialised cleaning services such as stone cleaning and restoration and high-altitude cleaning with mobile elevated platforms.

The following table sets out a breakdown of our revenue, gross profit and gross profit margin by principal service categories during the years/periods indicated:

	Year ended 31 December												Six months ended 30 June							
	2020				2021				2022				2022				2023			
	RMB'000	*%*	*Gross profit*	*Gross profit margin*	*RMB'000*	*%*	*Gross profit*	*Gross profit margin*	*RMB'000*	*%*	*Gross profit*	*Gross profit margin*	*RMB'000* (Unaudited)	*%*	*Gross profit* (Unaudited)	*Gross profit margin*	*RMB'000*	*%*	*Gross profit*	*Gross profit margin*
Property cleaning																				
– Commercial building	211,433	45.4	38,637	18.3	249,927	44.3	44,303	17.7	289,624	48.7	51,126	17.7	133,863	46.3	23,546	17.6	159,780	53.6	27,765	17.4
– Residential building	96,078	20.6	12,918	13.4	135,813	24.1	14,761	10.9	143,721	24.2	15,727	10.9	70,255	24.3	7,755	11.0	64,446	21.6	6,798	10.5
– Transportation hub	63,362	13.6	10,338	16.3	61,384	10.9	9,602	15.6	52,029	8.8	8,367	16.1	28,913	10.0	4,573	15.8	16,759	5.6	2,600	15.5
– Shopping mall	52,749	11.3	10,515	19.9	71,171	12.6	12,138	17.1	64,372	10.8	10,985	17.1	34,721	12.0	5,886	17.0	27,228	9.1	4,623	17.0
– Public utilities[Note 1]	16,691	3.6	2,787	16.7	12,696	2.3	2,052	16.2	11,981	2.0	1,961	16.4	4,724	1.6	770	16.3	9,122	3.1	1,459	16.0
– Industrial park	6,624	1.4	1,345	20.3	12,981	2.3	2,672	20.6	12,339	2.1	2,536	20.6	6,453	2.2	1,260	19.5	8,276	2.8	1,658	20.0
Public space cleaning[Note 2]	18,360	3.9	3,367	18.3	19,569	3.5	3,717	19.0	20,138	3.4	3,707	18.4	10,244	3.6	1,950	19.0	12,640	4.2	2,274	18.0
Other cleaning[Note 3]	367	0.1	11	3.1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	465,664	100.0	79,918	17.2	563,541	100.0	89,245	15.8	594,204	100.0	94,409	15.9	289,173	100.0	45,739	15.8	298,251	100.0	47,177	15.8

Notes:

(1) Public utilities cleaning primarily consists of government offices and school cleaning.

(2) Public space cleaning primarily consists of road sweeping and cityscape cleaning.

(3) Other cleaning primarily consists of river cleaning.

Our Guangzhou Headquarters was established in 2000 and is situated at Panyu District, Guangzhou City, Guangdong province. In May 2017, we established our Haikou Branch with a view to allocate more resources and business focus to the provision of cleaning services in Hainan Province. Significant projects include general cleaning service for Sanya Phoenix International Airport (三亞鳳凰國際機場) and various high-end residential properties in Hainan province managed by an integrated conglomerate specialised in property development with operations in over 200 cities in Hainan province. In December 2020, following the success in Hainan Province, our Chongqing Branch was established as the second branch office of the Group. Significant projects in Chongqing include Chongqing Jiangbei International Airport (重慶江北國際機場) and Raffles City Chongqing (重慶來福士廣場), the award-winning commercial complex which features a 300-metre-long horizontal skybridge. In May 2023, our Zhengzhou Branch was established as the third branch office of the Group, and was able to secure a project in Zhengzhou Xinzheng International Airport (鄭州新鄭國際機場), the principal airport serving Zhengzhou, the central city of Henan province.

Our contracts, tender success rates and our projects

We secure our contracts with customers through the tender process or by direct engagement. Most of our revenue is derived from contracts awarded through competitive tendering. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our tender success rate was approximately 33.8%, 28.1%, 50.8%, 39.2% and 48.3%, respectively, for all tenders and approximately 87.0%, 73.5%, 77.3%, 81.0% and 78.7%, respectively, for tenders involving new contracts for existing projects. Moreover, our Group's tender success rate for new customers within the Track Record Period was approximately 28.2%, 25.6%, 41.3% and 43.9% for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively.

The following table sets forth the breakdown of the number and approximate value offered by our Group in the tender documents in relation to successful tenders/quotations by business segments during the Track Record Period. The value of the tenders/quotations refers to the tender/quotation price offered by our Group in the tender documents (without including the tenders which only provide the unit prices that are subject to actual staff involved/service area covered/service hours involved), based on the assumption that our Group will enter into contracts with the tender offerors for one year for tenders/quotations with monthly/yearly quotation should the tender/quotation price be accepted:

	For the years ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
	No. tender/ quotations	Approximate value of tender/ quotations	No. tender/ quotations	Approximate value of tender/ quotations	No. tender/ quotations	Approximate value of tender/ quotations	No. tender/ quotations	Approximate value of tender/ quotations	No. tender/ quotations	Approximate value of tender/ quotations
		(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*
Property cleaning	107	651,813	108	420,828	121	464,042	39	93,137	79	194,146
Public space cleaning	3	67,725	6	25,032	–	–	–	–	4	26,899
Total	110	719,538	114	445,860	121	464,042	39	93,137	83	221,045

Our customer retention rates in each year/period during the Track Record Period amounted to 61.8%, 62.0%, 64.7% and 73.3% for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively.

For further details of our tender strategy, tender success rate and overall contracts awarded, please refer to the section headed "Business – Operation flow – Tender strategy, tender success rate and overall contracts awarded" of this prospectus.

Marketing strategy and pricing policy

During the Track Record Period, we did not conduct any major marketing activities as we currently rely on publicly available tender information, direct engagements, referrals and our reputation for obtaining new business opportunities. As we expand to new geographic markets and enhance our capabilities in the public space cleaning sector, we intend to pursue additional promotional efforts.

Our pricing policy takes into account the following major factors: (i) scope of services; (ii) service location(s) and area of coverage; (iii) timetable; (iv) prevailing market rates; (v) labour costs; (vi) management costs; (vii) tax; and (viii) determination of a reasonable profit margin.

COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

According to the Industry Report, the environmental cleaning and maintenance service market is largely dominated by two major sectors, namely the property cleaning and public space cleaning. The overall market is highly competitive, and the competitive landscapes of those two sectors are different primarily due to the nature of their services. The top five market participants in 2022, accounting for an aggregated market share of 15.7%, are all primarily working in the public space cleaning sector. Our Group had a market share of approximately 0.1% of the environmental cleaning and maintenance industry in the PRC in 2022 in terms of revenue.

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

- We are one of the well-established service providers for property cleaning in Guangdong province with a strong brand recognition and proven track record

- We are able to provide a variety of cleaning and maintenance services and have strong capabilities to support our service offering

- We have a diversified customer base and strong relationship with our major customers

- We are committed to the management of risks and adopted stringent quality, safety and environmental management systems

- We are led by a seasoned and stable management team

Despite the adverse impact of COVID-19 on the PRC's economy, we continued to receive new contracts. In fact, the rising public awareness and standard of hygiene during the pandemic has boosted demand for our cleaning and maintenance services, as reflected in the steady increase in the number of our projects and increasing revenue during the Track Record Period. However, adverse impact may arise from the macroeconomic shutdown due to the pandemic or inefficiency in service delivery, which could contribute to the downturn in property development and property management industries in the PRC, bringing negative impacts to our Group's business.

OUR BUSINESS STRATEGIES

Our principal business objectives are to further strengthen the position and overall competitiveness of our cleaning and maintenance business in the PRC and increase our market share in the industry. We intend to achieve our business objectives with the following business strategies: (i) continue to increase our market share by expanding our presence in the PRC in both existing and new markets; (ii) enhance our capabilities to capture additional opportunities in the public space cleaning sector; (iii) adopt technological advances in the industry and upgrade our information technology systems to improve our service quality and efficiency; and (iv) enhance our brand recognition through strengthening our human resources and promotional activities.

OUR CUSTOMERS AND SUPPLIERS

Our customers

We have a diversified customer base for our services including government authorities and institutions, state-owned enterprises, companies (or subsidiaries thereof) listed on the Stock Exchange or other major stock exchanges and private enterprises. Our five largest customers for each year during the Track Record Period were (i) property management companies in the PRC; (ii) airport management and operation companies; (iii) companies (or subsidiaries thereof) listed on the Stock Exchange, the London Stock Exchange or stock exchanges in the PRC; or (iv) companies falling within more than one of the above categories. Revenue from our five largest customers for each year during the Track Record Period amounted to approximately RMB119.9 million, RMB137.6 million, RMB152.0 million, RMB74.5 million and RMB67.7 million, representing approximately 25.6%, 24.4%, 25.6%, 25.8% and 22.6% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

Our suppliers

Our five largest suppliers for each year during the Track Record Period were third party service providers, a substantial portion of which were subcontractors assisting our workforce in the provision of our services. Other than the above, we also have suppliers of insurance services and recruitment and administration services given the size and fluctuation in the numbers of our workforce as well as the cross-provincial and labour-intensive nature of our operations. The purchases from our five largest suppliers for each year amounted to approximately RMB136.2 million, RMB173.5 million, RMB153.6 million, RMB74.6 million and RMB81.0 million, representing approximately 35.3%, 36.5%, 30.7%, 30.6% and 32.3% of the cost of services for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. The major risks generally associated with our business and industry include the following: (i) there is no guarantee that our customers will award new contracts to us in the future or that we will be able to secure contracts on commercially attractive terms;(ii) our projects are subject to risks such as cost overrun, reduction in service scope and early termination; (iii) there is no guarantee that our business strategies and future plans will be successfully implemented or bring us the amount of revenue or other benefits as planned; (iv) our business operations are labour-intensive, labour shortages and labour strikes may materially and adversely affect our reputation and business operation; and (v) we may be liable for any sub standard service or misconduct of our employees and third party service providers and we may incur substantial costs to remedy any defects caused by them.

You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific risks set forth in the section headed "Risk factors" of this prospectus in deciding whether to invest in our Shares.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), 36.095% of the issued share capital of our Company will be owned by Prosperity Cleanness, which is a company wholly-owned by Mr. Li; and 36.095% of the issued share capital of our Company will be owned by Sunrise Cleanness, which is a company wholly-owned by Mr. Chen. Mr. Li and Mr. Chen have confirmed that they are a group of Controlling Shareholders. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" of this prospectus.

OUR PRE-IPO INVESTOR

Mr. Tam Yat Kin Ken is the Pre-IPO Investor of our Company. Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any new Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the Pre-IPO Investor through his nominee company, Dash Dazzling, will hold 2.31% of our Company's entire issued share capital. For further details of the Pre-IPO Investment, please refer to the section headed "History, Reorganisation and Group structure – Pre-IPO Investment" of this prospectus.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The selected financial data from our consolidated financial statements (the details of which are set out in Appendix I to this prospectus) set forth in the table below should be read in conjunction with the financial information (including related notes) set out in Appendix I to this prospectus and the information set out in the section headed "Financial information" of this prospectus.

Summary of consolidated statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	465,664	563,541	594,204	289,173	298,251
Cost of services	(385,746)	(474,296)	(499,795)	(243,433)	(251,074)
Gross profit	79,918	89,245	94,409	45,740	47,177
Operating profit	39,438	45,955	40,290	18,679	17,624
Profit and total comprehensive income for the year/period attributable to owners of our Company	31,312	39,921	34,389	15,392	15,308

Our revenue increased by approximately 21.0% from approximately RMB465.7 million for the year ended 31 December 2020 to approximately RMB563.5 million for the year ended 31 December 2021, whereas our gross profit increased by approximately 11.6% from approximately RMB79.9 million for the year ended 31 December 2020 to approximately RMB89.2 million for the year ended 31 December 2021. Our gross profit margin decreased from approximately 17.2% for the year ended 31 December 2020 to approximately 15.8% for the year ended 31 December 2021, primarily due to the decrease in gross profit margin of our property cleaning service for shopping malls and residential buildings during the year ended 31 December 2021. During the year ended 31 December 2020, there was a decrease in cleaning workforce required in residential buildings and shopping malls as the PRC government announced and encouraged the public to reduce outdoor activities in order to control the outbreak of COVID-19, therefore, the cost of services for the cleaning of residential buildings and shopping malls decreased. With COVID-19 being effectively controlled, viable treatments became commercially available along with the relaxation of the restrictions and subsequent normalised economic activities in 2021, the cleaning workforce required during the year ended 31 December 2021 increased leading to a decrease in gross profit margin.

Our revenue increased by approximately 5.4% from approximately RMB563.5 million for the year ended 31 December 2021 to approximately RMB594.2 million for the year ended 31 December 2022, whereas our gross profit increased by approximately 5.8% from approximately RMB89.2 million for the year ended 31 December 2021 to approximately RMB94.4 million for the year ended 31 December 2022. Our gross profit margin remained relatively stable at 15.8% and 15.9% for the year ended 31 December 2021 and 2022, respectively.

Our revenue increased by approximately 3.1% from approximately RMB289.2 million for the six months ended 30 June 2022 to approximately RMB298.3 million for the six months ended 30 June 2023, whereas our gross profit increased by 3.3% from approximately RMB45.7 million for the six months ended 30 June 2022 to approximately RMB47.2 million for the six months ended 30 June 2023. Our gross profit margin remained relatively stable at 15.8% and 15.8% for the six months ended 30 June 2022 and 2023, respectively.

Movement in the value of backlog of our projects during the Track Record Period and up to the Latest Practicable Date

The following table sets out the movement in the value of backlog of the projects during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 December			Six months ended 30 June		From 1 July 2023 up to the Latest Practicable Date
	2020	**2021**	**2022**	**2022**	**2023**	**Date**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*
Opening value of backlog	285,694	417,657	494,949	494,949	537,646	717,975
Total value of new confirmed contracts	597,627	640,833	636,901	244,614	478,580	129,713
Revenue recognised	(465,664)	(563,541)	(594,204)	(289,173)	(298,251)	(278,385)
Ending value of backlog	417,657	494,949	537,646	450,390	717,975	569,303

The following table sets out the ending value of backlog of the projects by business segments during the Track Record Period and up to the Latest Practicable Date and from 1 January 2023 up to the Latest Practicable Date:

	Year ended 31 December			Six months ended 30 June		From 1 July 2023 up to the Latest Practicable Date
	2020	2021	2022	2022	2023	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*
Property cleaning						
Commercial building	144,163	242,964	267,162	195,144	385,747	290,199
Residential building	105,274	84,955	126,214	96,330	170,550	136,864
Transportation hub	75,496	64,975	27,111	38,567	28,018	15,468
Shopping mall	61,116	57,086	40,633	34,358	44,437	42,631
Public Utilities	7,692	14,384	13,123	8,730	12,790	26,306
Industrial Park	5,870	7,776	5,676	8,793	14,730	9,401
Public space cleaning	18,046	22,809	57,727	68,468	61,703	48,434
Other cleaning	–	–	–	–	–	–
Total	417,657	494,949	537,646	450,390	717,975	569,303

The following table sets out a breakdown of our revenue generated from the sales by provincial-level regions in the PRC of the customers for the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Guangdong	390,973	84.0	459,108	81.5	467,337	78.6	224,353	77.6	234,692	78.7
Hainan	45,382	9.7	43,287	7.7	42,936	7.2	25,303	8.8	15,870	5.3
Chongqing	9,047	1.9	21,200	3.8	24,384	4.1	12,247	4.2	13,036	4.4
Guangxi	8,767	1.9	10,100	1.8	10,545	1.8	5,107	1.7	5,527	1.8
Others*Note*	11,495	2.5	29,846	5.2	49.002	8.3	22,163	7.7	29,126	9.8
	465,664	100.0	563,541	100.0	594,204	100.0	289,173	100.0	298,251	100.0

Note: Others include Anhui, Fujian, Guizhou, Heilongjiang, Henan, Hubei, Hunan, Jiangxi, Shaanxi and Yunan.

During the Track Record Period, we generated majority of our sales from Guangdong which contributed approximately 84.0%, 81.5%, 78.6%, 77.6% and 78.7% of the total sales for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively. Following Guangdong, Hainan contributed the second largest sales to our Group. Approximately 9.7%, 7.7%, 7.2%, 8.8% and 5.3% of the total sales were generated from Hainan for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively. During the Track Record Period, our total revenue from Guangxi, Chongqing, Hainan and provincial-level regions other than Guangdong was approximately RMB74.7 million, RMB104.4 million, RMB126.9 million, RMB64.8 million and RMB63.6 million, respectively, representing a CAGR of approximately 30.3% from 2020 to 2022 and a slightly decrease of approximately 1.9% from the six months ended 30 June 2022 to 30 June 2023..

Other income and other gain/(loss), net

Our other income mainly comprised (i) rental income earned from the lease or sub-lease of our owned or leased properties in the PRC to Independent Third Parties, one of which is Guangzhou Pengsheng, in which we previously held a majority interest prior to its disposal in October 2020 to an Independent Third Party; (ii) penalty on late payment of rental income from the sub-lease of a leased property to Guangzhou Pengsheng; (iii) non-recurring income from the provision of ancillary services for a road construction project in 2020 and 2021; and (iv) value added tax refund. Our other gain/(loss), net comprised (i) fair value gain/(loss) on financial assets at fair value through profit or loss; (ii) loss on disposal of investments in associates; and (iii) loss on disposal of property, plant and equipment. For details, please refer to the paragraphs headed "Financial information – Description on selected items of the consolidated statements of comprehensive income – Other income" and "Financial information – Description on selected items of the consolidated statements of comprehensive income" of this prospectus.

Net profit

Our net profit increased by approximately RMB8.6 million or 27.5% from approximately RMB31.3 million for the year ended 31 December 2020 to approximately RMB39.9 million for the year ended 31 December 2021. The increase is mainly due to (i) the increase in gross profit by RMB9.3 million; (ii) the decrease in other losses by RMB7.3 million; (iii) the decrease in impairment losses on financial assets by RMB2.2 million; and partially offset by (iv) the increase in general and administrative expenses by RMB11.4 million.

Our net profit decreased by approximately RMB5.5 million or 13.8% from approximately RMB39.9 million for the year ended 31 December 2021 to approximately RMB34.4 million for the year ended 31 December 2022. The decrease is mainly due to (i) the increase in general and administrative expenses by approximately RMB6.1 million; (ii) the decrease in other income by approximately RMB2.0 million; (iii) the increase in net impairment losses on financial assets by approximately RMB2.1 million; and partially offset by (iv) the increase in gross profit by approximately RMB5.2 million.

Our net profit slightly decreased by approximately RMB0.1 million or 0.6% from approximately RMB15.4 million for the six months ended 30 June 2022 to approximately RMB15.3 million for the six months ended 30 June 2023. The decrease is mainly due to (i) the increase in selling and marketing expenses by approximately RMB0.7 million; (ii) the increase in impairment losses on financial assets by approximately RMB3.1 million; (iii) the decrease in other income by approximately RMB1.2 million; partially offset by (iv) the decrease in general and administrative expense by approximately RMB2.6 million and (v) the increase in gross profit by approximately RMB1.5 million.

Summary of consolidated statements of financial position

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	31,705	30,246	30,749	33,598
Current assets	224,087	247,819	285,425	303,457
Total assets	255,792	278,065	316,174	337,055
Non-current liabilities	6,998	6,771	6,524	6,394
Current liabilities	107,359	128,651	132,618	138,321
Total liabilities	114,357	135,422	139,142	144,715
Total equity and liabilities	255,792	278,065	316,174	337,055
Net current assets	116,728	119,168	152,807	165,136
Net assets	141,435	142,643	177,032	192,340

Our net current assets increased from approximately RMB116.7 million as at 31 December 2020 to approximately RMB119.2 million as at 31 December 2021. The increase was mainly attributable to (i) the increase in trade and other receivables and prepayments by approximately RMB33.6 million which was in line with the growth in our revenue in 2021; (ii) the increase in restricted bank deposits by approximately RMB5.4 million; partially offset by (iii) the decrease in cash and cash equivalents by approximately RMB15.2 million; (iv) the increase in bank borrowings by approximately RMB10.0 million; (v) the increase in trade and other payables by approximately RMB9.3 million mainly due to the increase in amount due to Mr. Li as we had advances from Mr. Li in order to settle Listing expenses; and (vi) the increase in current income tax payable by approximately RMB2.0 million due to the VAT tax payable derived from our increase in revenue.

Our net current assets increased from approximately RMB119.2 million as at 31 December 2021 to approximately RMB152.8 million as at 31 December 2022. The increase was mainly due to (i) the increase in trade and other receivables and prepayments by approximately RMB38.7 million due to our increase in trade receivables; (ii) the decrease in bank borrowings by approximately RMB10.0 million; partially offset by (iii) the increase in trade and other payables by RMB13.0 million due to the increase in amount due to Mr. Li as we had advances from Mr. Li in order to settle Listing expenses and the increase in Listing expenses payable and (iv) the decrease in restricted bank deposits by approximately RMB3.6 million.

Our net current assets increased from approximately RMB152.8 million as at 31 December 2022 to approximately RMB165.1 million as at 30 June 2023. The increase was mainly attributable to (i) increase in trade receivables and other receivables and prepayments by approximately RMB23.2 million which was in line with the growth in our revenue; partially offset by (ii) the decrease in cash and cash equivalents by approximately RMB4.8 million; and (iii) the increase in trade and other payables by RMB6.2 million due to the increase in amount due to Mr. Li as we had advances from Mr. Li in order to settle Listing expenses and the increase in Listing expenses payable.

Our net assets increased from approximately RMB141.4 million as at 31 December 2020 to approximately RMB142.6 million as at 31 December 2021. The increase was mainly due to (i) the contribution of the profit for the year of 2021 of approximately RMB39.9 million; (ii) the issuance of shares of approximately RMB4.0 million; partially offset by (iii) the dividend paid to controlling shareholders of approximately RMB28.2 million and (iv) the capital reduction of a subsidiary of approximately RMB12.3 million.

Our net assets increased from approximately RMB142.6 million as at 31 December 2021 to approximately RMB177.0 million as at 31 December 2022. The increase was mainly due to the contribution of the profit for the year of 2022 of approximately RMB34.4 million.

Our net assets increased from approximately RMB177.0 million as at 31 December 2022 to approximately RMB192.3 million as at 30 June 2023. The increase was mainly due to the contribution of the profit for six months ended 30 June 2023 of approximately RMB15.3 million.

Summary of consolidated statements of cash flows

	As at 31 December			As at 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from operating activities					
Net cash generated from/(used in) operating activities	22,027	14,926	5,779	(26,633)	(4,563)
Cash flows from investing activities					
Net cash generated from/(used in) investing activities	(5,425)	(7,423)	1,823	3,079	(1,854)
Cash flows from financing activities					
Net cash generated from/(used in) financing activities	(5,215)	(22,749)	(5,071)	(6,529)	1,553
Net increase/(decrease) in cash and cash equivalents during the year/period	11,387	(15,246)	2,531	(30,083)	(4,864)
Cash and cash equivalents at end of the year/period	67,437	52,191	54,722	22,108	49,858

For the six months ended 30 June 2022 and 30 June 2023, our net cash used in operating activities was RMB26.6 million and RMB4.6 million, respectively, which was mainly attributable to the increase in account receivable. The increase was mainly because of the slow economic resurgence and delays in settlement of account receivable by some of our customers based in/or operated in provinces severely affected by the COVID-19 pandemic during the respective periods. Please refer to the section headed "Financial Information – Liquidity and Capital Resources" in this prospectus for further details.

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth certain financial ratios relating to our Group as at the dates or for the periods indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
Gross profit margin (%)	17.2	15.8	15.9	15.8
Net profit margin (%)	6.7	7.1	5.8	5.1
Return on equity *(%)* Note 1	22.1	28.0	19.4	N/A
Return on total assets *(%)* Note 2	12.2	14.4	10.9	N/A
Current ratio *(times)* Note 3	2.1	1.9	2.2	2.2
Gearing ratio *(%)* Note 4	5.5	12.2	4.1	3.7
Net debt to equity ratio *(%)* Note 5	Net Cash	Net Cash	Net Cash	Net Cash
Interest coverage *(times)* Note 6	30.4	92.8	70.3	65.8

Notes:

1. Return on equity is calculated based on the net profit divided by the total equity as at the end of the respective year and multiplied by 100.0%.

2. Return on total assets is calculated based on the net profit divided by the total assets as at the end of the respective year and multiplied by 100.0%.

3. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.

4. Gearing ratio is calculated based on the total borrowings and lease liabilities divided by total equity as at the end of the respective year and multiplied by 100.0%.

5. Net debt to equity ratio is calculated based on the net debts (total debts net of cash and cash equivalents) divided by total equity as at the end of the respective year and multiplied by 100.0%.

6. Interest coverage is calculated by dividing profit before taxation and interest by the finance cost as at the end of the respective year.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to 30 June 2023 (being the latest date of the consolidated financial information of our Group as set out in Appendix I to this prospectus) and up to the date of this prospectus, we continued our focus as a cleaning and maintenance services provider. Our business model, revenue structure, cost structure, and the industry, market and regulatory environment in which we operate remained substantially unchanged since 30 June 2023 and up to the date of this prospectus.

Our Directors consider that our projected net profit for the year ending 31 December 2023 is expected to record a decrease, compared to the net profit for the year ended 31 December 2022, which is affected by (i) an expected increase in general and administrative expenses and (ii) an expected increase in net impairment losses on financial assets. The expected increase in general and administrative expenses is primarily attributable to the expected increase in listing expenses, including underwriting commission in connection with the Share Offer. The expected increase in net impairment losses on financial assets is primarily attributable to our Group measures loss allowance for the trade receivables at an amount equal to lifetime expected credit loss and in view of the slowing economy in the PRC, for prudence's sake, our Group expected to increase the provision of impairment loss on financial assets in FY2023. Our Directors confirm that save for the estimated non-recurring Listing expenses as disclosed in the paragraph headed "Listing expenses" in this section, since 30 June 2023 (being the latest date of the consolidated financial information of our Group as set out in Appendix I to this prospectus) and up to the date of this prospectus, (i) there was no material adverse change on the market conditions and the industry and the regulatory environment in which our Group operates that affects our financial or operating position materially and adversely; (ii) there was no material adverse change in the business, revenue structure, trading, profitability, cost structure, financial position and prospects of our Group, and (iii) no event had occurred that would affect the information shown in our Accountant's Report in Appendix I to this prospectus materially and adversely.

As at the date of this prospectus, Shenghui Cleanness (Beijing) was established and we have successfully secured a project for provision of property cleaning service.

Impact of COVID-19

An outbreak of COVID-19 was first reported in December 2019, and the COVID-19 pandemic spread around the world during the Track Record Period. Since the beginning of 2022, another wave of COVID-19 broke out in the PRC, which caused surging numbers of COVID-19 cases in certain regions, such as Shenzhen, Guangzhou, Shanghai and Beijing. Local governments have taken certain lockdown measures at particular districts to prevent further spread of the virus. However, as confirmed by the Directors, such lockdown measures did not have significant impact on our Group's business operation, as cleaning services were essential services especially during the pandemic and our the Group was generally still able to provide services during the lockdown period. However, adverse impact may arise from the macroeconomic shutdown due to the pandemic or inefficiency in service delivery, which could contribute to the downturn in property development and property management industries in the PRC, bringing negative impacts to our Group's business.

In December 2022, the PRC government eased the restrictions previously imposed with respect to the control of the COVID-19 pandemic. In May 2023, the World Health Organisation ended the global emergency status for COVID-19, declaring that it is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern. As a result, regional lockdown, quarantine requirements and inter-region travel restrictions have been gradually lifted.

For further details on the impact of COVID-19 on our Group business operation and financial performance, please refer to the sections headed "Business – Impact of COVID-19" and "Financial information – Period-to-period comparison of results of operation" of this prospectus. Our Directors confirm that given the nature of our business, during the Track Record and up to the Latest Practicable Date, our projects had not been halted, delayed or cancelled due to the COVID-19 outbreak.

Despite the adverse impact of COVID-19 on the PRC's economy, we continued to receive new contracts. In fact, the rising public awareness and standard of hygiene during the pandemic has boosted demand for our cleaning and maintenance services, as reflected in the steady increase in the number of our projects and increasing revenue during the Track Record Period. According to the Industry Report, the growing demand in the environmental cleaning and maintenance service market in the PRC is anticipated to continue even at the post-pandemic stage. We cannot guarantee, however, that we will be able to effectively compete and capture new business opportunities in this highly competitive industry despite the expected growth, and that before the pandemic is effectively and continuously contained, it will not escalate to an extent that will disrupt our operations in any way.

For further details of the risk of COVID-19 or other natural disasters, please refer to the section headed "Risk factors – Market opportunities arising out of the COVID-19 outbreak may not be sustainable. Any material negative development of COVID-19 and any other unforeseeable market circumstances such as the occurrence of a natural disaster, economic changes and any other incidents may affect our business, financial conditions and results of operations" of this prospectus.

Regulations relating to overseas securities offering and listing by domestic companies

On 17 February 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the relevant supporting guidelines (collectively, the "**Listing Trial Measures**") which came effect on 31 March 2023. The Listing Trial Measures is formulated to regulate overseas securities offering and listing activities by domestic companies, either in direct or indirect form (hereinafter referred to as "**overseas offering and listing**"). The Listing Trial Measures not only list out the circumstances where overseas offering and listing is forbidden, but also set out the conditions for determining the overseas offering and listing in indirect form. Domestic companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with and report relevant information to the CSRC, and the filing shall be submitted within three business days after the application for an initial public offering is submitted. As advised by our PRC Legal Advisers, we have completed the filing procedures with the CSRC for the Listing and on 20 October 2023, the CSRC issued a notification to us confirming the completion of the filing procedures for the overseas listing on the Stock Exchange.

Material adverse changes

As far as our Directors are aware, there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operation position since 30 June 2023 and up to the date of this prospectus.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 June 2023, and there had been no events since 30 June 2023 which would materially affect the information shown in our consolidated financial statements included in the accountant's report set out in Appendix I to this prospectus.

OFFERING STATISTICS

	Based on an Offer Price of HK$0.32 per Offer Share	Based on an Offer Price of HK$0.40 per Offer Share
Market capitalisation of our Shares *Note 1*	HK$520 million	HK$650 million
Unaudited pro forma adjusted consolidated net tangible assets per Share *Notes 2 and 3*	HK$0.19	HK$0.21

Notes:

(1) The calculation of market capitalisation is based on 1,625,000,000 Shares expected to be in issue immediately following the completion of the Share Offer and the Capitalisation Issue without taking into account any Shares to be issued pursuant to the exercise of any options to be granted under the Share Option Scheme.

(2) Please refer to Appendix II to this prospectus for the bases and assumptions in calculating these figures.

(3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 June 2023.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately RMB42.1 million (equivalent to approximately HK$47.1 million), which amounted to 35.0% of gross proceeds of the initial public offering, based on an Offer Price of HK$0.36 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), of which (i) underwriting-related expenses, including underwriting commission and other expenses are approximately RMB8.4 million (equivalent to approximately HK$9.4 million) and (ii) non-underwriting-related expenses are approximately RMB33.7 million (equivalent to approximately HK$37.7 million), comprising (a) fees and expenses of legal advisers and accountants of approximately RMB18.7 million (equivalent to approximately HK$20.9 million) and (b) other fees and expenses, including sponsor fee, of approximately RMB15.0 million (equivalent to approximately HK$16.8 million). Out of the total expenses of approximately RMB42.1 million, approximately RMB13.9 million is directly attributable to the issue of the Listing and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately RMB28.2 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately RMB28.2 million that shall be charged to profit or loss, approximately RMB20.8 million has been charged during the Track Record Period and approximately RMB7.4 million is expected to be incurred for after the Track Record Period. Expenses in relation to the Listing are non-recurring in nature. Our financial performance and results of operations for the years after Track Record Period will be adversely affected by the estimated expenses in relation to the Listing.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$87.4 million from the Share Offer, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Share Offer, assuming an Offer Price of HK$0.36 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use such net proceeds from the Share Offer for the following purposes: (i) approximately 70.3% (approximately HK$61.4 million), for expanding our geographic presence across the PRC, particularly establishing new subsidiaries or opening new branches locally and strategic acquisition(s); (ii) approximately 19.4% (approximately HK$16.9 million) would be used for enhancing our service capabilities to capture opportunities in the public space cleaning sector; (iii) approximately 7.6% (approximately HK$6.7 million) would be used for adoption of technological advances in the industry and upgrading our information technology system; (iv) approximately 2.5% (approximately HK$2.3 million) would be used to expand our marketing department and strengthen our brand recognition through promotional activities; and (v) approximately 0.2% (approximately HK$0.1 million) would be used as our working capital and for general corporate purposes. We will not receive any of the proceeds from the sale of the Sale Shares by our Selling Shareholders in the Share Offer. For details, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, we declared and paid dividends of approximately RMB28.2 million in January 2021. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account, among others, our results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors our Board may deem relevant. Our Company currently does not have any predetermined dividend payout ratio. After the Track Record Period and up to the date of this prospectus, no dividend was declared or paid by the Company. For details, please refer to the section headed "Financial information – Dividend and dividend policy" of this prospectus.

HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, (i) we failed to make full contribution to the social security and housing provident funds for our employees as required by relevant PRC laws and regulations; (ii) we did not obtain the relevant qualification for a specific project prior to entering into the contract and (iii) we failed to register our lease agreements. For further details, please refer to the section headed "Business – Historical non-compliance incidents" of this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:

"Accountant's Report"	the accountant's report of our Group as set out in Appendix I to this prospectus
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, conditionally adopted on 14 November 2023 (as amended from time to time) and which will become effective on the Listing Date, a summary of which is set forth in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board of Directors" or "Board"	the board of Directors
"Business Day(s)" or "business day(s)"	any day on which licensed banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"Capital Market Intermediaries"	the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and other Capital Market Intermediaries (within the meaning ascribed thereto under the Listing Rules), participating in the Share Offer
"Capitalisation Issue"	the issue of 1,251,249,000 Shares (of which 40,625,000 Shares are Sale Shares) to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed "History, Reorganisation and Group structure" of this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"Chairman"	chairman of our Board
"China" or "PRC"	the People's Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
"Chongqing Branch"	Guangzhou Shenghui Cleanness Service Co., Ltd. Chongqing Branch* (廣州市升輝清潔服務有限公司重慶分公司), a branch company of Guangzhou Shenghui established in Yubei District, Chongqing municipality on 16 December 2020
"Circular 13"	the Circular of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by SAFE on 13 February 2015 and implemented on 1 June 2015
"Circular 37"	the Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated and implemented by SAFE on 4 July 2014
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Act" or "Cayman Companies Act"	the Companies Act (2022 Revision), as consolidated and revised of the Cayman Islands
"Companies (Miscellaneous Provisions) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time

"Company" or "our Company"	Shenghui Cleanness Group Holdings Limited (升輝清潔集團控股有限公司), an exempted company incorporated in the Cayman Islands on 4 January 2021 with limited liability and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 9 February 2021
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Mr. Chen, Mr. Li, Prosperity Cleanness and Sunrise Cleanness
"Controlling Shareholders' Confirmation"	the confirmation dated 16 March 2021 executed by Mr. Li and Mr. Chen, whereby they confirmed that they are a group of Controlling Shareholders, particulars of which are set out in the section headed "Relationship with our Controlling Shareholders" of this prospectus
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended, supplemented and/or otherwise modified from time to time
"COVID-19"	COVID-19 virus, a coronavirus identified as the cause of an outbreak of respiratory illness that was first detected in late 2019
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Dash Dazzling"	Dash Dazzling Investment Holdings Limited, a company incorporated in the BVI with limited liability on 12 January 2021 and wholly-owned by our Pre-IPO Investor

"Deed of Indemnity"	the deed of indemnity dated 14 November 2023 and entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the paragraph headed "F. Other information – 1. Tax and other indemnities" in Appendix V to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 14 November 2023 and entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the paragraph headed "Relationship with our Controlling Shareholders – Non-competition undertakings" of this prospectus
"Designated Bank"	HKSCC Participant's Designated Bank under FINI
"Director(s)" or "our Directors"	the director(s) of our Company
"Disposed Companies"	collectively, Guangzhou Mingyou, Guangzhou Pengsheng, Guangzhou Pinwaipin, Jinan Shenghui and Shaanxi Shenghui
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法)
"**electronic application instruction(s)**"	instruction(s) given by a HKSCC Participant electronically via HKSCC's FINI system to HKSCC, being one of the methods to apply for the Offer Shares
"Extreme Conditions"	any extreme conditions or events, the occurrence of which causes interruption to ordinary course of business operations in Hong Kong where an announcement may be made by the government of Hong Kong according to the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Labour Department of Hong Kong in July 2021
"financial year"	financial year of our Company ended or ending 31 December

"FINI"	"Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company, which is an Independent Third Party
"General Rules of HKSCC"	the terms and conditions regulating the use of HKSCC's services, as may be amended, supplemented and/or otherwise modified from time to time and where the context so permits, including the HKSCC Operational Procedures
"Greater Bay Area"	Guangdong-Hong Kong-Macao Bay Area, comprising Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, Zhaoqing, Hong Kong and Macao
"Group", "we", "us" or "our Group"	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guangxi Shenghui"	Guangxi Shenghui Cleanness Service Co., Ltd* (廣西升輝清潔服務有限公司), a limited liability company established in the PRC on 7 June 2016, a direct wholly-owned subsidiary of Guangzhou Shenghui and an indirect wholly-owned subsidiary of our Company upon completion of our Reorganisation
"Guangzhou Administration for Market Regulation"	Administration for Market Regulation of Guangzhou City of the PRC* (中國廣州市市場監督管理局)
"Guangzhou Headquarters"	the headquarters of Guangzhou Shenghui located at Panyu District, Guangzhou

"Guangzhou Mingyou"	Guangzhou Mingyou Education Technology Co., Ltd.* (廣州明佑教育科技有限公司, currently known as Guangdong Mingyou Education Technology Co., Ltd.* (廣東明佑教育科技有限公司)), a limited liability company established in the PRC on 21 January 2020, which was owned by Guangzhou Shenghui, Mr. Li and Ms. Kang Yiwen (康毅文), an Independent Third Party, as to 80%, 10% and 10% respectively, prior to our Reorganisation. Upon completion of our Reorganisation, Guangzhou Mingyou became owned as to 90% and 10% by Mr. Li and Ms. Kang Yiwen (康毅文) respectively and Guangzhou Shenghui ceased to hold any equity interest in Guangzhou Mingyou
"Guangzhou Pengsheng"	Guangzhou Pengsheng Sports Development Co., Ltd.* (廣州彭升體育發展有限公司), a limited liability company established in the PRC on 19 October 2016, which was owned by Guangzhou Shenghui as to 68.75% and two Independent Third Parties, namely Ms. Li Yan (黎燕) and Mr. Ling Shunsheng (淩順生) as to 15.625% and 15.625% respectively, prior to our Reorganisation. Upon completion of our Reorganisation, Guangzhou Pengsheng was owned as to 68.75%, 15.625% and 15.625% by Mr. Chen Qingrong (陳青榮), Ms. Li Yan (黎燕) and Mr. Ling Shunsheng (淩順生) respectively, all of whom are Independent Third Parties, and Guangzhou Shenghui ceased to hold any equity interest in Guangzhou Pengsheng
"Guangzhou Pinwaipin"	Guangzhou Pinwaipin Food Trading Co., Ltd.* (廣州品外品食品貿易有限公司), a limited liability company established in the PRC on 10 December 2014, which was owned by Guangzhou Shenghui, Mr. Li and Ms. Luo Wanhong (駱婉紅), an Independent Third Party, as to 40%, 30% and 30% respectively, prior to our Reorganisation. Upon completion of our Reorganisation, Guangzhou Pinwaipin was owned as to 70% and 30% by Mr. Li and Ms. Luo Wanhong (駱婉紅) respectively, and Guangzhou Shenghui ceased to hold any equity interest in Guangzhou Pinwaipin. Guangzhou Pinwaipin was subsequently deregistered on 23 November 2020

"Guangzhou Shengfeng"	Guangzhou Shengfeng Agricultural Technology Co., Ltd.* (廣州市升豐農業科技有限公司), a limited liability company established in the PRC on 12 July 2017, which was wholly-owned by Guangzhou Shenghui prior to its deregistration on 11 November 2020
"Guangzhou Shenghui"	Guangzhou Shenghui Cleanness Service Co., Ltd.* (廣州市升輝清潔服務有限公司), a limited liability company established in the PRC on 4 August 2000, which was owned as to 50% by each of Mr. Li and Mr. Chen prior to our Reorganisation, and became an indirect wholly-owned subsidiary of our Company upon completion of our Reorganisation
"Guangzhou Xinhui"	Guangzhou Xinhui Technology Property Co., Ltd.* (廣州市昕輝科技物業有限公司), a limited liability company established in the PRC on 14 November 2002, which was wholly-owned by Guangzhou Shenghui prior to our Reorganisation, and became an indirect wholly-owned subsidiary of our Company upon completion of our Reorganisation
"Guangzhou Yuneng"	Guangzhou Yuneng Environmental Technology Co., Ltd.* (廣州市鈺能環保科技有限公司), a company established in the PRC with limited liability on 4 May 2016, which is owned as to 70% and 30% by Mr. Chen Zhipeng (陳志鵬), the son of Mr. Chen, and Mr. Zou Hongjin (鄒鴻金), an Independent Third Party, respectively
"Haikou Branch"	Guangzhou Shenghui Cleanness Service Co., Ltd. Hainan Branch* (廣州市升輝清潔服務有限公司海南分公司), a branch company of Guangzhou Shenghui established in Haikou, Hainan province on 22 May 2017
"**HK eIPO White Form**"	the application for Public Offer Shares to be issued in the applicant's own name, submitted online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"HKFRS"	Hong Kong Financial Reporting Standards promulgated by HKICPA

"HKICPA"	The Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HKSCC EIPO**"	the application for the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Public Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, our Company's Hong Kong branch share registrar and transfer office
"Hong Kong dollars", "HKD" or "HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time from the International Accounting Standards Board

"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are independent and not connected with (within the meaning of the Listing Rules) any of the directors, chief executive, substantial shareholders of our Company or any of its subsidiaries, or any of their respective associates
"Industry Report"	an independent market research report commissioned by our Company on the environmental cleaning and maintenance service market in the PRC and prepared by Frost & Sullivan
"Investment Committee"	the investment committee of our Board
"**IPO App**"	the mobile application for the **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Joint Bookrunners"	the joint bookrunners as named in "Directors and Parties Involved in the Share Offer"
"Joint Global Coordinators"	the joint global coordinators as named in "Directors and Parties Involved in the Share Offer"
"Joint Lead Managers"	the joint lead managers as named in "Directors and Parties Involved in the Share Offer"
"Jinan Shenghui"	Jinan Shenghui Cleanness Services Co., Ltd.* (濟南升輝清潔服務有限公司), a limited liability company established in the PRC on 8 May 2014, which was owned by Guangzhou Shenghui as to 40% and two Independent Third Parties, namely, Ms. Zhao Yike (趙怡可) and Ms. Li Yinling (李銀玲) as to 30% and 30%, respectively, prior to our Reorganisation. Upon completion of our Reorganisation, Jinan Shenghui became owned as to 40%, 30% and 30% by Mr. Zheng Yong (鄭勇), Ms. Zhao Yike (趙怡可) and Ms. Li Yinling (李銀玲) respectively, all of whom are Independent Third Parties, and Guangzhou Shenghui ceased to hold any equity interest in Jinan Shenghui

"Latest Practicable Date"	19 November 2023, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of our Shares on the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Tuesday, 5 December 2023, on which dealings in our Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and/or otherwise modified from time to time
"M&A Rules"	the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investor* (《關於外國投資者併購境內企業的規定》) promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, SAMR, CSRC and SAFE on 8 August 2006 and amended by MOFCOM on 22 June 2009
"Main Board"	the Main Board of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company, adopted on 14 November 2023, (as amended from time to time) a summary of which is set out in Appendix IV to this prospectus
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Chen"	Mr. Chen Liming (陳黎明), an executive Director and one of our Controlling Shareholders
"Mr. Li"	Mr. Li Chenghua (李承華), an executive Director and one of our Controlling Shareholders
"Nomination Committee"	the nomination committee of our Board

"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) of not more than HK$0.40 and expected to be not less than HK$0.32 per Offer Share, to be agreed between us (for ourselves and on behalf of our Selling Shareholders) and the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date
"Offer Share(s)"	414,375,000 Shares being offered by our Company for subscription at the Offer Price under the Share Offer
"Panyu Administration for Market Regulation"	Administration for Market Regulation of Panyu District of Guangzhou City of the PRC* (中國廣州市番禺區市場監督管理局)
"person"	any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity
"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price in Hong Kong, as further described in the paragraph headed "Structure and conditions of the Share Offer – The Placing" of this prospectus
"Placing Shares"	the 372,937,500 Offer Shares comprising 332,312,500 new Shares and 40,625,000 Sale Shares initially being offered by our Company and our Selling Shareholders, respectively, for subscription at the Offer Price under the Placing
"Placing Underwriter(s)"	the underwriter(s) that is/are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares

"Placing Underwriting Agreement"	the underwriting agreement expected to be entered into on or around the Price Determination Date among our Company, Mr. Li and Mr. Chen (as executive Directors), our Controlling Shareholders, our Selling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriter(s) relating to the Placing
"PRC government"	the government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	China Commercial Law Firm, a qualified PRC law firm as the PRC legal advisers of our Company as to the laws of the PRC for the Listing
"Pre-IPO Investment"	investment by our Pre-IPO Investor as further described in the paragraph headed "History, Reorganisation and Group structure – Pre-IPO Investment" of this prospectus
"Pre-IPO Investor" or "Mr. Tam"	Mr. Tam Yat Kin Ken (譚日健), an Independent Third Party
"Price Determination Agreement"	the agreement to be entered into between our Company (for ourselves and on behalf of our Selling Shareholders) and the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date on which the final Offer Price is to be determined by our Company (for ourselves and on behalf of our Selling Shareholders) and the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), which is expected to be on or about Friday, 1 December 2023 or such later date as may be agreed between our Company (for ourselves and on behalf of our Selling Shareholders) and the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters)

"Prosperity Cleanness"	Prosperity Cleanness Investment Holdings Limited (豐盛清潔投資控股有限公司), a company incorporated in the BVI with limited liability on 10 December 2020 and wholly-owned by Mr. Li, being one of our Controlling Shareholders
"Public Offer"	the offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus, as further described in the section headed "Structure and conditions of the Share Offer" of this prospectus
"Public Offer Shares"	the 41,437,500 Offer Shares being initially offered by us for subscription at the Offer Price under the Public Offer (subject to reallocation as described in the section headed "Structure and conditions of the Share Offer" of this prospectus)
"Public Offer Underwriter(s)"	the underwriter(s) of the Public Offer, whose name(s) are set out in the paragraph headed "Underwriting – Public Offer Underwriters" of this prospectus
"Public Offer Underwriting Agreement"	the underwriting agreement dated 24 November 2023 entered into among our Company, Mr. Li and Mr. Chen (as executive Directors), our Controlling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters relating to the Public Offer
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Person(s)"	the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer
"Remuneration Committee"	the remuneration committee of our Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC

"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the paragraph headed "History, Reorganisation and Group structure – Reorganisation" of this prospectus
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which was changed to the State Administration for Market Regulation (國家市場監督管理總局) pursuant to the Circular of the State Council on Establishment of Institutions* (國務院關於機構設置的通知) (Guo Fa 2018 No. 6) issued by the State Council on 22 March 2018, and, if the context requires, includes its successor, the State Administration for Industry and Commerce of the PRC
"Sale Shares"	the 40,625,000 Shares to be offered by our Selling Shareholders for sale at the Offer Price under the Placing
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) or its local branch
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Selling Shareholders"	Prosperity Cleanness and Sunrise Cleanness, each being a Controlling Shareholder
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time

"Shaanxi Shenghui"	Shaanxi Shenghui Cleanness Services Co., Ltd.* (陝西升輝清潔服務有限公司), a limited liability company established in the PRC on 6 April 2017, which was owned by Guangzhou Shenghui as to 25% and three Independent Third Parties, namely Mr. Zhou Xiang (周祥), Mr. Zhang Jun (張軍) and Mr. Liang Guohui (梁國暉) as to 35%, 20% and 20% respectively, prior to our Reorganisation. Upon completion of our Reorganisation, Shaanxi Shenghui was owned as to 45%, 35% and 20% by Mr. Liang Guohui (梁國暉), Mr. Zhou Xiang (周祥) and Mr. Zhang Jun (張軍) respectively and Guangzhou Shenghui ceased to hold any equity interest in Shaanxi Shenghui
"Shandong Shenghui"	Shandong Shenghui Cleanness Service Co., Ltd.* (山東升輝清潔服務有限公司), a company established in the PRC with limited liability on 28 September 2016, which is wholly-owned by Jinan Shenghui. Upon completion of our Reorganisation, Guangzhou Shenghui ceased to hold any equity interest in Shandong Shenghui
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company, which are to be listed on the Stock Exchange and traded in Hong Kong dollars
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 14 November 2023, a summary of the principal terms of which is summarised in the paragraph headed "E. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of Shares
"Shenghui Cleanness (Beijing)"	Shenghui Cleanness (Beijing) Limited* (升輝清潔(北京)有限公司), a limited liability company established in the PRC on 20 July 2023, a direct wholly-owned subsidiary of Guangzhou Shenghui and an indirect wholly-owned subsidiary of the Company
"Shenghui Cleanness (BVI)"	Shenghui Cleanness (BVI) Limited (升輝清潔(英屬維爾京群島)有限公司), a company incorporated in the BVI with limited liability on 18 January 2021 and a direct wholly-owned subsidiary of our Company upon completion of our Reorganisation

"Shenghui Cleanness (HK)"	Shenghui Cleanness (HK) Limited (升輝清潔(香港)有限公司), a company incorporated in Hong Kong with limited liability on 27 January 2021 and an indirect wholly-owned subsidiary of our Company upon completion of our Reorganisation
"Sole Overall Coordinator"	Cinda International Capital Limited (信達國際融資有限公司), the sole overall coordinator for the Listing and a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
"Sole Sponsor" or "Cinda International"	Cinda International Capital Limited (信達國際融資有限公司), the sole sponsor for the Listing and a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber Share"	the initial one nil-paid subscriber Share in our Company subscribed by Conyers Trust Company (Cayman) Limited
"Subscription Agreement"	the subscription agreement dated 9 February 2021 and entered into among Dash Dazzling, Prosperity Cleanness, Sunrise Cleanness, our Company, Mr. Li and Mr. Chen, pursuant to which Dash Dazzling agreed to subscribe and our Company agreed to allot and issue to it 30 Shares at a consideration of RMB4,000,000 (equivalent to HK$4,800,000), and each of Prosperity Cleanness and Sunrise Cleanness agreed to subscribe and our Company agreed to allot and issue to each of them 484 Shares, and credited as fully paid the Subscriber Share and the one nil-paid Share held by Sunrise Cleanness, in consideration of the payment of HK$5 by each of them
"subsidiary(ies)"	has the meaning ascribed to it under the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, for the purpose of this prospectus, refers to our Shareholders disclosed in the section headed "Substantial Shareholders" of this prospectus or, where the context so requires, any one of them

"Sunrise Cleanness"	Sunrise Cleanness Investment Holdings Limited (日出清潔投資控股有限公司), a company incorporated in the BVI with limited liability on 10 December 2020 and wholly-owned by Mr. Chen, and being one of our Controlling Shareholders
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented and/or otherwise modified from time to time
"Track Record Period"	the period comprising the financial years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"U.S. dollars", "USD" or "US$"	U.S. dollars, the lawful currency of the United States of America
"U.S." or "United States"	the United States of America
"Wuhan Chuangsheng"	Wuhan Chuangsheng Environmental Technology Co., Ltd.* (武漢創盛環保科技有限公司), a company established in the PRC with limited liability on 5 November 2007, which is owned by Mr. Chen as to 30%, and three Independent Third Parties, namely Mr. Zhang Xiaonan (張小南) ("**Mr. Zhang**"), Mr. Sun Dalu (孫大路) and Ms. Zhou Chunfang (周春芳) as to 50%, 15% and 5% respectively during the Track Record Period. Mr. Zhang and Mr. Chen transferred their entire shareholdings of 50% and 30% respectively to Wuhan Hechang Mechanical Equipment Manufacture Company Limited* (武漢和昌機械設備製造有限公司) on 21 September 2022
"Xinhui Capital Contribution Agreement"	the capital contribution agreement (增資協議) dated 28 January 2021 and entered into among Guangzhou Xinhui, Guangzhou Shenghui and our Pre-IPO Investor, pursuant to which our Pre-IPO Investor obtained 3% of the enlarged equity interest of Guangzhou Xinhui at a consideration of RMB247,423

"Zhengzhou Branch"	Guangzhou Shenghui Cleanness Service Co., Ltd. Zhengzhou Branch* (廣州市升輝清潔服務有限公司鄭州分公司), a branch company of Guangzhou Shenghui established in Jinshui District, Zhengzhou municipality on 31 May 2023
"Zhujiang Sanitation"	Guangzhou Panyu Nancun Qikai Construction Engineering Services Department* (廣州市番禺區南村啟凱建築工程服務部) (formerly known as Guangzhou Panyu Nancun Zhujiang Sanitation Cleaning Services Department* (廣州市番禺區南村珠江環衛清潔服務部) is a sole proprietorship established in the PRC on 28 April 1999 with Mr. Chen as the sole proprietor
"%"	per cent

Unless expressly stated or the context requires otherwise:

- all dates and times in this prospectus refer to Hong Kong time unless otherwise stated.
- all data in this prospectus is as at the Latest Practicable Date.
- all references to any shareholdings in our Company assume no exercise of the options to be granted under the Share Option Scheme unless otherwise specified.
- For ease of reference, the names of the PRC established companies, entities, laws and regulations have been included in this prospectus in both Chinese and English. The name in Chinese is the official name of each such company, entity, law or regulation (as the case may be), while that in English is only an unofficial translation, and in the event of any inconsistency, the Chinese name shall prevail.

* *For identification purpose only*

This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

"CAGR"	Compound Annual Growth Rate
"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO9001"	ISO 9001 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
"ISO14001"	ISO 14001 is an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
"ISO45001"	ISO45001 is an internationally recognised standard for the occupational health and safety management systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
"provincial-level regions"	provincial-level regions include provinces, municipalities and autonomous regions of the PRC
"public spaces"	any urban and rural public areas (other than properties) that are accessible by the public
"sq.m."	square metre

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed "Summary", "Risk factors", "Industry overview", "Business", "Financial information" and "Future plans and use of proceeds" of this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed "Risk factors" of this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans to achieve these strategies;
- our future business development, financial condition and results of operation;
- our capital expenditure and expansion plans;
- our dividend policy;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain good relationships with business partners;
- our ability to identify and successfully take advantage of new business development opportunities;
- general economic, political and business conditions in the industry and markets in which we operate;
- the regulatory environment and industry outlook for the industry and markets in which our Group operates;
- the actions and development of our competitors; and
- our views with respect to future events, operations or performance.

The words "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC relating to any aspect of our business or operations;
- general economic, market and business conditions in China;
- macroeconomic policies of the PRC government;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed "Risk factors" of this prospectus.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of the following risks. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or the trading price of the Shares, and could cause you to lose all or part of your investment. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may arise or become material in the future and may have a material adverse effect on our Group.

Our operations involve certain risks and uncertainties, some of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the PRC; (iii) risks relating to the Share Offer and our Shares, and (iv) risks relating to statements in the prospectus. You should consider the performance and prospects of our business in the light of these risks and uncertainties.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We generally secure our major contracts with customers through a competitive process and there is no guarantee that our customers will award new contracts to us in the future or that we will be able to secure contracts on commercially attractive terms.

Given that our customers typically award contracts with a higher contract sum through a competitive process, we generally secure our major contracts with customers through the tender process. Most of our revenue is derived from contracts awarded through competitive tendering and for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the percentage of our revenue derived from projects from tendering was approximately 93.2%, 91.7%, 92.8%, 92.5% and 95.2%, respectively. In the event of direct engagement by our customers, we may still need to submit quotation proposals attractive enough to our customers in the event they are seeking quotes from multiple service providers. In both tender and direct engagement cases, the relevant customer contract may require certain qualifications to be held by the service providers. Therefore, in order to maintain or expand our business, we have to be qualified for such tenders and quotation submissions as well as submit competitive bids. There is no guarantee that we can successfully obtain contracts in the future as it is subject to our ability to meet the requirements imposed by our customers and offer competitive bids. If we are unable to fully satisfy customers' requirements and submit tenders and quotations on terms that are commercially attractive enough, we may be unable to secure new contracts and our business operations, financial results and profitability may be materially and adversely affected.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our tender success rate was approximately 33.8%, 28.1%, 50.8%, 39.2% and 48.3%, respectively, for all tenders and approximately 87.0%, 73.5%, 77.3%, 81.0% and 78.7%, respectively, for tenders involving new contracts for existing projects. Our past tender success rates were affected by our tender strategy to prioritise bidding for contracts involving our existing projects as well as contracts offered by existing customers, but, subject to available resources, we also bid for a relatively large number of contracts we find attractive each year (for further details of our tender strategy, please refer to the section headed "Business – Operation flow – Tender strategy, tender success rate and overall contracts awarded" of this prospectus). There is no guarantee that our tender strategy will not change or that we will be able to maintain the above tender success rates. Even if we succeed in maintaining or increasing our tender success rates, there is no assurance that the terms and conditions of the new service contracts will be comparable to our previous contracts and on commercially attractive terms. If we are unable to identify and secure sufficient new contracts on commercially attractive terms, our financial results and prospects may be materially and adversely affected and as such, our historical performance may not be indicative of our future performance.

Our projects are subject to risks such as cost overrun, reduction in service scope and early termination.

Our projects are subject to risks such as cost overrun, reduction in service scope and early termination. Cost overrun may occur from (i) inaccurate estimation of costs; (ii) change in local government regulations and policies; (iii) change in economic conditions; (iv) change in industry trends; and (v) other unforeseen circumstances. When we submit tenders or quotations to our customers, we generally determine our price after considering various factors including the timetable and our overall expected costs to complete the contract, such as costs for procuring consumables, equipment and services from suppliers. Each service contract usually sets out a fixed contract period but the contract sum may be a fixed amount, a variable amount or a combination of both. We generally do not have any price adjustment mechanisms in our service contracts and if we fail to estimate the costs accurately and ensure an appropriate profit margin, we may suffer cost overrun or even losses on the service contracts.

Other risks for our projects include early termination and reduction in service scope of individual service contracts. According to the terms and conditions of service contracts, our customers might terminate our service contracts by serving written notice to us if, for example, we are in breach of the terms and conditions of the service contracts or in some cases through a specific period of prior notice. During the course of our projects and subject to the specific terms of the relevant contracts, certain customers may also request to reduce their scope of our services than previously discussed due to unforeseen circumstances. We cannot assure that our customers will not terminate our service contracts prior to the end of the contract period or reduce our service scope during the course of the service period. In the event of the occurrence of the above risks, our business operations, financial results and profitability may be materially and adversely affected.

Market opportunities arising out of the COVID-19 outbreak may not be sustainable. Any material negative development of COVID-19 and any other unforeseeable market circumstances such as the occurrence of a natural disaster, economic changes and any other incidents may affect our business, financial conditions and results of operations.

The rising public awareness and standard of hygiene during the COVID-19 pandemic has boosted demand for our cleaning and maintenance services, as reflected in the steady increase in the number of our projects and increasing revenue during the Track Record Period. According to the Industry Report, even at the post-pandemic stage, the growing demand in the cleaning and maintenance service market in the PRC is anticipated to continue. However, there is no guarantee that we can effectively compete and capture the emerging business opportunities in the market given the highly competitive nature of the industry and that such expected growth will sustain.

Apart from an epidemic or outbreak of communicable diseases such as COVID-19, any occurrence of other unforeseeable circumstances, such as natural disasters, economic changes and any other incidents may adversely affect our business, prospects, financial conditions and results of operations. For further details of the effects of COVID-19 on our business and operations up to the Latest Practicable Date, please refer to the section headed "Business – Impact of COVID-19" of this prospectus. Our revenue and profitability may be materially affected if any health epidemic or virus outbreak affects the overall economic and market conditions.

There is no guarantee that our business strategies and future plans will be successfully implemented or bring us the amount of revenue or other benefits as planned.

In the past, we have adopted business strategies in pursuit of new business opportunities such as through establishment of branch offices. Going forward, our business strategies include expansion of our geographic presence in the PRC through establishment of new branch offices and strategic acquisitions, strengthening of our capabilities to capture opportunities in the public space cleaning sector and adoption of new technological advances in our industry including the purchase of cleaning robots, as detailed in the section headed "Business – Business strategies" of this prospectus. Our business strategies or other future plans from time to time and the implementation thereof will involve additional investments and involvement of our staff and use of our time and other resources. However, they are formulated based on certain assumptions, and the successful implementation thereof may be affected by a number of factors including the availability of sufficient funds, government policies relevant to and affecting our industry, micro- and macro-economic conditions, our ability to maintain our existing competitive strengths and our business relationships with customers, and the threat of established competitors and/or new market entrants. There is no assurance that our business strategies and future plans can be successfully implemented or bring us the amount of revenue or other benefits as planned. If they do not succeed as anticipated, our business, financial performance and prospects may be materially and adversely affected.

We recorded negative operating cash flows for the six months ended 30 June 2023 which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

For the six months ended 30 June 2023, we recorded net cash outflow in operating activities of approximately RMB4.7 million, primarily due to the increase in account receivables. For details, please refer to the section headed "Financial Information – Working capital sufficiency" in this prospectus. We cannot assure that we will not experience periods of net cash outflow from operating activities in the future. If we continue to record net operating cash outflow in the future, our working capital may be constrained, which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our depreciation expenses may increase as a result of the capital expenditure in connection with our business strategies and expansion plans which may materially and adversely affect our business, financial position and prospects.

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our depreciation expenses were approximately RMB3.4 million, RMB3.8 million, RMB3.7 million, RMB1.8 million and RMB1.9 million, respectively. Our depreciation expenses may increase as a result of the capital expenditure in connection with our business strategies and expansion plans such as intended purchase of additional machinery, equipment and specialised vehicles (including for garbage collection and for waste suction with vehicle treatment capabilities) which will be funded wholly or partly by the net proceeds from the Share Offer (for further detail, please refer to the section headed "Future plans and use of proceeds" of this prospectus).

There is no assurance that we will be able to obtain new projects due to our business strategies and expansion plans or that there will be a satisfactory increase in our operational and financial performance as a result from the above. If we are unable to successfully increase our profitability after such planned capital expenditures, our business, financial position and prospects may be materially and adversely affected.

Our business operations are labour-intensive, and labour shortages and labour strikes may materially and adversely affect our reputation and business operation.

As our business operation is labour-intensive, it is important to retain and attract suitable employees for our business operation and otherwise maintain a good relationship with them. As at 30 June 2023, we had 7,121 employees, 7,078 of whom were involved in operations. According to the Industry Report, one of the major challenges facing the environmental cleaning and maintenance industry is labour shortage. We cannot assure you that we will not face labour shortages in the future. In addition, we may encounter material disputes with our employees resulting in labour strikes or our relationships with them may otherwise deteriorate. If we experience labour shortage, labour strikes or our relationships with our employees deteriorate, we may be unable to deliver quality services or otherwise meet our contractual obligations. In such events, our reputation and business operation may be materially and adversely affected.

We may be liable for any substandard service or misconduct of our employees and third party service providers and we may incur substantial costs to remedy any defects caused by them.

In the performance of our services, we rely on our employees, such as operations staff, and our third party service providers, such as subcontractors, to carry out our services (for further details, please refer to the section headed "Business – Our suppliers" of this prospectus). Our project management centre and procurement department are responsible for monitoring and liaising with our employees and our third party service providers, respectively, and monitoring the service quality in our projects. However, we may not be effective in monitoring and managing our employees' and third party service providers' actions at all times and there is a risk that the services rendered by them will not be completed in a timely manner or of satisfactory quality or that they will commit misconduct. If the services rendered by them are not timely delivered or of acceptable quality or they commit any misconduct, we cannot assure you that we will be able to remedy such situations such as providing suitable alternative arrangements to undertake the remedial work on commercially acceptable terms or at all. As a result, we may incur substantial costs to remedy the circumstances. Furthermore, if any of our third party service providers experience financial or other difficulties, including labour disputes with their respective workers, they may be unable to arrange their workers to carry out work required on time or at all. This may lead to legal proceedings against us, resulting in negative impact on our reputation and in additional costs incurred. The occurrence of any of these events may materially and adversely affect our business, results of operations and reputation.

Our profitability depends on our ability to control our operating costs, in particular, employee benefit expenses and subcontracting labour costs, and there is no assurance that such costs will not increase in the future.

Given that our business operation is labour-intensive, a significant portion of our operating costs comprises employee benefit expenses and subcontracting labour costs. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our employee benefit expenses recorded in our cost of services were approximately RMB208.8 million, RMB254.5 million, RMB291.9 million, RMB142.4 million and RMB151.1 million, representing approximately 54.1%, 53.7%, 58.4%, 58.5% and 60.2% of our cost of services, respectively. Employee benefit expenses recorded in our administrative expenses amounted to approximately RMB23.3 million, RMB30.3 million, RMB32.1 million, RMB14.6 million and RMB14.8 million, representing approximately 69.2%, 67.3%, 62.9%, 54.8% and 61.8% of our administrative expenses, respectively. We have also outsourced certain general cleaning, high-altitude cleaning, water cleaning services and waste collection and transportation services which require the usage of waste suction vehicles to third party service providers. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, we incurred subcontracting labour costs of approximately RMB149.9 million, RMB188.9 million, RMB172.9 million, RMB84.4 million and RMB85.9 million, representing approximately 38.9%, 39.8%, 34.6%, 34.7% and 34.3% of our cost of services, respectively. For relevant sensitivity analysis, please refer to the section headed "Financial information – Key factors affecting our results of operations and financial condition – Our ability to mitigate the impact of employee benefit expenses and subcontracting labour costs" of this prospectus. Our employee benefit expenses is impacted by our strategy to offer attractive remuneration packages and bonuses to our workers. In the future, our employee benefit expenses and subcontracting labour costs may be affected by further increases in the size of our workforce, the costs charged by our third party service providers and the prescribed minimum wage and employee benefits in the provinces or regions which we operate. Our profitability is largely affected by our ability to control our operating costs, in particular, employee benefit expenses and subcontracting labour costs. We expect our employee benefit expenses to increase as we intend to hire additional staff in connection with our business strategies and expansion plans and there is no assurance that our other operating costs will not further increase in the future. If we are unable to control our operating costs or successfully pass on the cost impact to our customers, we may be unable to maintain our profitability and our business, financial condition and results of operation may be materially and adversely affected.

We had certain historical non-compliance incidents which may result in the relevant regulatory authorities imposing fines or other penalties on us or other negative consequences.

During the Track Record Period, we were not in full compliance with certain PRC laws and regulations leading to certain historical non-compliance incidents. Under the relevant PRC laws and regulations, we are required to make social insurance and housing provident fund contributions for our employees participating in social insurance and housing provident and who are eligible for the benefits under such schemes. During the Track Record Period, we did not make full social insurance and housing provident fund contributions for all eligible employees. As advised by our PRC Legal Advisers, in respect of outstanding social insurance contributions, the relevant PRC authorities may demand that we pay the outstanding social insurance within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delays; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. In respect of the outstanding housing provident fund contributions, we may be required by the relevant PRC authorities to pay the outstanding amount to the housing provident funds within a prescribed time frame. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. We made provisions in the total amount of approximately RMB2.9 million, nil, nil and nil for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively, in respect of our failure to make adequate social insurance and housing provident fund contributions. In addition, during the Track Record Period, we did not obtain the relevant qualification for a specific project in a timely manner prior to entering into the contract in accordance with the relevant PRC laws and regulations. As advised by the PRC Legal Advisers, the relevant authority may order cessation of the illegal activity, impose a fine of 2% to 4% of the contract sum, and confiscate the illegal income, if any.

For further details, please refer to the section headed "Business – Historical non-compliance incidents" of this prospectus. We cannot assure you that we will not be subject to any order in the future to rectify the above or other non-compliance incidents or that we will not be fined, or be subject to other penalties or negative consequences in connection thereto. If the above were to occur, it may materially and adversely affect our reputation, business, financial condition and results of operation.

We may experience delays or defaults in payments from our customers which may materially and adversely affected our business, results of operations and financial position.

We are subject to the credit risks of our customers. Typical credit period granted by us to our customers during the Track Record Period generally ranged from 30 days to 110 days and for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023, our average trade receivables turnover days were 99.8 days, 103.0 days, 121.7 days and 143.4 days, respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our trade receivables amounted to approximately RMB142.4 million, RMB175.6 million, RMB220.8 million and RMB252.0 million, respectively. Approximately 8.0%, 6.2%, 3.3% and 0.5% of such trade receivables are owed by Customer A, one of our five largest customers for the year ended 31 December 2020 during the Track Record Period (for further details of this customer, please refer to the section paragraph "Business – Our customers" of this prospectus). There is no guarantee that all of our customers will settle payment as it falls due in a timely manner or at all. Delays or defaults in settling payments of our service fees by our customers may affect our cash flows and increase pressure on our working capital. As at 31 December 2020, 2021 and 2022 and 30 June 2023, allowance for impairment of trade receivables amounted to approximately RMB6.7 million, RMB9.1 million, RMB13.3 million and RMB18.2 million, respectively. We measure the loss allowances for trade receivables using the simplified approach in HKFRS 9, which applies a lifetime expected credit loss model and assesses trade receivables for impairment on a collective group basis based on their historical default rates, past collection information and ageing profiles by using a provision matrix. If any of our customers becomes insolvent or delays or defaults on its payment of our service fees, our business, results of operations and financial position may be materially and adversely affected.

Our frontline workers are exposed to certain risks and there is no guarantee that our occupational health and safety management system and safety measures will successfully prevent accidents from occurring or that our frontline workers will fully comply with such system and measures.

Our frontline workers, who includes our employees and our third party service providers, may be required to perform certain tasks such as working at high altitudes or on slippery floor, being exposed to electrical equipment and moving vehicles, working in environments containing dust, viruses or bacteria and working with cleaning chemicals such as bleach and detergents and corrosive or inflammable chemicals. As such, our frontline workers are exposed during the course of operation to certain risks of injury, contracting disease or in extreme cases, even death. Due to the workers' age or individual health conditions, they might also be more susceptible to death or injuries such as heart attack or even be the cause of accidents.

There is no guarantee that our occupational health and safety management system and safety measures will successfully prevent accidents from occurring or that our workers will fully comply with such system or measures. During the Track Record Period, we had one fatal accident involving an employee falling from the ninth floor of a building and which resulted in the relevant regulatory authority imposing a fine of RMB230,000 on us (for further details, please refer to the section headed "Business – Environmental, occupational health and safety – Occupational health and safety" of this prospectus). If we cannot protect our workers from injuries or death as a result of accidents or contracting occupational diseases arising out of and in the course of their performance of work, we may be subject to claims from our frontline workers or their families or be fined or penalised by relevant regulatory authorities. In addition, if our frontline workers fail to comply with our occupational health and safety management system and safety measures and a third party gets injured due to their misconduct, we may be held vicariously liable for and face legal proceedings in connection with the conduct of such frontline workers. If the above were to occur, it may materially and adversely affect our business, financial condition, results of operations and reputation.

We may be involved in legal and other disputes from time to time arising out of our operations and they may materially and adversely affect our business, financial condition and results of operations.

We may from time to time be involved in legal or other disputes with various parties in our operations, including our subcontractors, suppliers, employees or other third parties. These disputes may arise from circumstances including accidents which occur on our project sites, treatment of workers, allegations by us or third parties against us for breaches of contracts or intellectual property rights such as in connection with the use of certain software. Disputes may lead to protests, claims and legal or other proceedings, which in turn may result in damage to our reputation, substantial costs to our operations, and diversion of our management's attention. During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any litigation or arbitration of material importance that would have a material adverse effect on our business, financial position or results of operations. However, we cannot assure you that we will not be involved in any major legal or other proceedings in the future. Any involvement on these disputes may materially and adversely affect our reputation, business, financial condition and results of operations.

There is no guarantee that our insurance coverage will adequately cover the risks related to our business and operations and that our insurance expenses will not rise.

We maintain insurance policies that are required under the PRC laws and regulations including pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance. We also maintain public liability insurance to cover liabilities for damages suffered by third parties arising out of our business operations such as in car accidents which may result in personal injury and/or property damage. We do not have insurance coverage for certain matters such as losses arising from acts of war or terrorism due to lack of availability or due to the reasonableness of the costs of such coverage. There is no guarantee that our insurance coverage will adequately cover the risks related to our business or operations.

In addition, we may not be able to renew these insurance policies on similar terms, if at all. Furthermore, given our large and growing workforce, our insurance expenses approximately RMB4.6 million, RMB2.3 million, RMB3.7 million, RMB2.0 million and RMB1.0 million, for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we have to bear such losses, damages or liabilities. If our insurance expenses rise, we may need to increase our prices or otherwise manage such costs which may negatively impact our competitiveness. If such events were to occur, our business operations and financial results may be materially and adversely affected.

During the Track Record Period, we relied on certain major suppliers (including our subcontractors) to assist us and major changes to our relationship could result in a material and adverse impact on our business, profitability and results of operations.

The purchases from our five largest suppliers for each year/period during the Track Record Period (including our subcontractors) amounted to approximately RMB136.2 million, RMB173.5 million, RMB153.6 million, RMB74.7 million and RMB81.0 million, representing approximately 74.9%, 71.0%, 67.3%, 67.4% and 72.3% of the total purchases for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively. The purchases from our five largest subcontractors amounted to approximately RMB124.8 million, RMB163.4 million, RMB153.6 million, RMB74.7 million and RMB79.7 million, representing approximately 68.7%, 66.8%, 67.3%, 67.4% and 44.6% of the total purchases for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

We did not enter into any long-term agreement with our major suppliers (including our subcontractors) during the Track Record Period and neither do we intend to enter into such arrangement with our major suppliers (including our subcontractors) in the future. There is no assurance that our relationship may not change in the future or that we are or will be able to secure alternative service providers with comparable skills and resources in a timely and cost-effective manner if our business relationship with one or more suppliers (including our subcontractors) are terminated such as due to their winding-up or dissolution or due to changes in our strategy such as our decision to rely more on our own workforce instead of labour dispatch services providers since December 2018. Even if our relationship continues, if our major suppliers (including our subcontractors) fail to provide services to us as required by our projects, in a timely manner, or on favourable terms due to reasons beyond our control, our business operations may be significantly interrupted and our business, financial condition, results of operations and prospects may be materially and adversely affected.

There is no guarantee that we can obtain, maintain or renew the licences and qualifications for our business and such failure may materially and adversely affect our business operations, financial condition and prospects.

We are required to obtain and maintain certain requisite licences and qualifications to conduct our business including Guangzhou Sanitation Industry Operating Service Company Industry Grade Certificate – A Grade (廣州環衛行業經營服務一企業資質等級證書) and Operational Cleaning, Collection and Transportation Services of Municipal Solid Waste Licence (城市生活垃圾經營性清掃、收集、運輸服務許可證) (for further details of our material licences and qualifications and certain applicable regulatory requirements to our operations, please refer to the sections headed "Business – Licences, certificates and qualifications" and "Regulatory overview – PRC laws and regulations – Laws and regulations on environmental cleaning and maintenance" of this prospectus). We must comply with the conditions imposed by the relevant authorities to maintain our licences and qualifications. There is no guarantee that we can obtain, maintain or renew the licences, and qualifications for our current business or future expansion in a timely manner, or at all. If we fail to identify the required licences and qualifications in a timely manner, experience delays in obtaining or renewing them, or are unable to obtain, maintain and renew them, our business operations, financial condition and prospects may be materially and adversely affected. We may also not be able to expand our service offering or commence new business segments if we fail to obtain the requisite licences, certificates and qualifications. Further, any change in the qualification requirements or conditions may require us to incur additional compliance costs or result in costly and time-consuming changes to our operations in order to fulfil the new requirements or conditions.

Loss of senior management team and other qualified employees may materially affect our business, financial condition and prospects.

Our success to date is largely attributable to the leadership and contributions of our senior management team as described in the section headed "Directors and senior management" of this prospectus. In particular, Mr. Li, our chairman, chief executive officer and executive Director, is one of our founders and has been serving our Group for more than 20 years and most members of our senior management team have over 12 years of experience in the environmental cleaning and maintenance industry. They play an important role in the daily operation of our Group, including overseeing the daily operation of our Group, formulating the overall strategies and planning business strategies of our Group and driving our business growth. Our continued success has therefore depended to a large extent on retaining our senior management team and being able to find suitable replacements where necessary. Any unanticipated departure of members of the management team without appropriate replacement in timely manner may have a material and adverse affect on our business, financial condition and prospects.

Our continued success and the implementation of our expansion plans also depend on our ability to attract and retain other qualified employees who have the necessary experience and expertise to provide our services to our customers, including those qualified to conduct high-altitude cleaning, stone cleaning and maintenance and water tank cleaning and pest control. There may be a limited local supply of adequately skilled workers to provide our specific cleaning and maintenance services. If we are unable to attract and retain a sufficient number of such qualified employees, our business, financial condition and prospects may be materially and adversely affected.

Damage to our brand name or failure to protect our brand name and intellectual property rights may adversely and materially affect our business, financial condition, reputation and prospects.

We operate under the brand of "廣州升輝" and our Directors believe that we have established our business goodwill and reputation by our high quality of service. As at the Latest Practicable Date, we registered 36 patents, 10 registered copyrights, two trademarks in the PRC and two trademarks in Hong Kong. However, our efforts to maintain and protect our intellectual property may be insufficient. If there is any misuse by third parties of our brand and we are unable to detect, deter and prevent misbehaviour and misconduct by our employees or fail to effectively protect our brand and trademarks, our reputation could be damaged. We may be unable to attract new and retain existing customers and our business and financial condition may be materially and adversely affected.

From time to time, we may get involved in litigation to protect and enforce our patents, registered copyrights, trademarks and other intellectual property rights, and to protect our brand and trade secrets. Such litigation could require us to incur substantial costs and divert our resources, which may adversely and materially affect our business operations, financial condition and profitability. Moreover, even if any of such litigation is resolved in our favour, there is no guarantee that any remedies granted may be adequate to compensate us for our actual or anticipated losses. Further, we may fail to enforce the judgement and remedies awarded by the court. In such an event, our reputation, business and prospects may be materially and adversely affected.

We may be materially and adversely affected if we are unable to detect and prevent misconduct committed by our employees or third parties in a timely manner such as in relation to misuse of customer data stored or collected by us and other confidential information.

We are exposed to the risk of misconduct committed by our employees and third parties that could subject us to litigation, penalties, financial losses as well as seriously harm our reputation. In particular, although we have established certain measures to manage our sensitive data such as details of our customers, our IT systems may be breached by hackers or due to misconduct by employees. Any accidental or wilful security breaches or other unauthorised access to our IT systems could cause confidential customer information to be stolen and used for unlawful purposes. Security breaches or unauthorised access to confidential information could also expose us to legal liability and damage our reputation. There is no guarantee that the internal control procedures adopted by us to oversee our operations and overall compliance will be able to detect and prevent misconduct conducted in a timely manner or at all. If we are unable to detect and prevent such misconduct, our business, financial condition, results of operations and reputation may suffer as a result.

The environmental cleaning and maintenance industry is highly competitive and if we cannot compete effectively, our business, financial condition, results of operations and prospects may be materially and adversely affected.

According to the Industry Report, the environmental cleaning and maintenance industry is highly competitive with competitors distinguishing themselves through effective operation management, professional and comprehensive service solutions offered and application of advanced technologies in addition to their reputation and track record. In addition, depending on the relevant sector in the industry, we may need to adjust our strategies to compete effectively against larger market players and smaller market players. According to the Industry Report, in relation to the public space cleaning sector, it is an industry norm that the local governments, which are the main clients in this sector, prefer large-scale service providers with good industry recognition. Consequentially, large-scale cleaning service providers could dominate this sector and obtain high value contracts. On the other hand, the property cleaning sector is much more labour-intensive and newcomers are not required to invest heavily in fixed assets, thus reducing the entry barriers of this sector. Thus, small and medium-scale businesses are still able to acquire the contracts with relatively lower rates and higher flexibility compare to large-scale service providers. Given the above, we may need to invest more heavily in building industry recognition for our bids in relation to larger projects in the public space cleaning sector and make more competitive bids by adjusting our prices for smaller projects in the property cleaning sector. If we do not adjust our tender strategies and business strategies effectively, we may lose business opportunities. Even if we are successful, our investments to secure our projects and our offer of competitive bids may reduce our profit margins and expose us to losses if our cost of services increases beyond expectation. Accordingly, if we cannot compete effectively, our business, financial condition, results of operations and prospects may be materially and adversely affected.

There are certain defects with some of our owned and leased properties.

As at the Latest Practicable Date, we owned 11 properties with an aggregate GFA of approximately 812 sq.m. and leased seven properties from Independent Third Parties with an aggregate GFA of approximately 7,597.7 sq.m., which are mostly for self-use. In relation to our leased premises, we had not registered twelve of the lease agreements with the relevant administrative authorities. According to the Administrative Measures for Commercial Housing Leases (《商品房屋租賃管理辦法》), failure to complete the relevant lease registration may subject the parties to the lease agreements to fines of no more than RMB10,000 for each case. As a result, if we fail to complete such lease registration in a timely manner upon the authorities' request, we may face a fine in relation to the unregistered lease agreements. In relation to one of the seven leased properties, there are certain legal irregularities concerning the lack of ownership evidence on part of the property and the non-compliance of the approved land use. For further details of our properties and the above defects, please refer to the section headed "Business – Properties" of this prospectus. We cannot assure you that our rights will not be materially and adversely affected in respect of affected properties for which we are unable to obtain the relevant ownership certificates or subject to fines or penalties in relation to the defects in relation to the non-registration of the above-mentioned lease agreements. Furthermore, if we were forced to relocate any of the operations we conduct on the affected properties, we may incur additional costs as a result of such relocation and our operations may be disrupted.

We are exposed to fair value changes for financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain.

During the Track Record Period, we had investments in funds, wealth management products issued by a PRC bank and listed securities, all of which were disposed of in 2020. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our financial assets at fair value through profit or loss was approximately nil, nil, nil and nil, respectively. We experienced a fair value loss on financial assets at fair value through profit or loss of approximately RMB7.1 million for the year ended 31 December 2020 (for details of our selection process and investments, please refer to the section headed "Financial information – Discussion on selected items from the consolidated statements of financial position – Financial assets at fair value through profit or loss" and note 22 to the Accountant's Report in Appendix I to this prospectus).

Our future investments are subject to uncertainties and risks. For instance, reports with estimation of the fair values are prepared by the banks. Changes in the basis and assumptions used in the estimation could materially affect the fair value of these funds and wealth management products. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These factors include, but not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. The valuation may involve a significant degree of judgement and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

While we have adopted an investment management policy (for further details of the policy, please refer to the section headed "Business – Investment management policy" of this prospectus), there is no guarantee that we will not suffer losses from future investments. Additionally, we may have limited monitoring or control over our investments. In such event that we fail to address any and all uncertainties and risks, we may have limited or no recourse and the value in our investments may decrease. As a result of any of the above, we may experience certain negative consequences which may in turn materially and adversely affect our business operations, financial condition and results of operation.

Our deferred income tax assets may not be recovered.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, our deferred income tax assets amounted to RMB3.8 million, RMB4.3 million, RMB5.0 million and RMB5.7 million, respectively. We periodically assess the probability of the realisation of deferred tax assets, using accounting judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, these deferred tax assets can only be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised. However, we cannot assure you that our expectation of future earnings will materialise, due to factors beyond our control such as general economic conditions or, negative development of a regulatory environment, in which case we may not be able to recover our deferred tax assets, our business, financial position and prospects be may materially and adversely affected.

Discontinuation or termination of preferential tax treatments we currently enjoy may materially and adversely affect our results of operations and financial condition.

According to the EIT Law and its implementation rules, foreign-invested enterprises and domestic enterprises are subject to a unified EIT rate of 25% and an enterprise which qualifies as a High and New Technology Enterprise (高新技術企業) is entitled to a reduced EIT rate of 15%, subject to various recognition criteria, including but not limited to ownership of intellectual property rights applicable to operations and a certain level of spending involved in research and development.

In December 2020, Guangzhou Shenghui received recognition as a High and New Technology Enterprise (高新技術企業) by the relevant PRC governmental authority and hence, it enjoys a preferential EIT rate of 15% (for further details, please refer to the section headed "Financial information – Description on selected items of the consolidated statements of comprehensive income – Income tax expenses" of this prospectus). This qualification is re-assessed by the relevant authorities every three years. If Guangzhou Shenghui fails to maintain or renew its qualifications under the relevant PRC laws and regulations or this preferential tax treatment is otherwise discontinued or terminated, its applicable EIT rates will increase and the increase in our tax charge or any other related tax liabilities may materially and adversely affect our results of operations and financial condition.

Our business, financial condition, results of operations and prospects may be adversely affected as a result of negative media coverage relating to us or the locations which we provide our services.

We may be subject to or associated with negative publicity, including those on the internet, with respect to our corporate affairs and conduct related to us, our personnel, or the locations which we provide our services. Given our large workforce and our use of third party service providers, we may also be subject to the risk of negative reports or criticisms by various media relating to any incidents involving them. Any negative coverage, whether or not related to us or our related parties and regardless of its truth or merit, may have an impact on our brand and reputation and, consequently, may undermine the confidence of our customers and investors in us, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO DOING BUSINESS IN THE PRINCIPAL PLACE OF BUSINESS

Our business is concentrated in the PRC, particularly Guangdong province, and we are therefore susceptible to any material adverse changes in that province or in the PRC generally.

Our business is concentrated in the PRC with all of our revenue derived from our operations in the PRC during the Track Record Period. We are particularly concentrated in Guangdong province where our headquarters is located at, given that most of our revenue was derived from projects in this province. Given such concentration, any material adverse changes, or any natural disaster or epidemic affecting the PRC, in particular the Guangdong province, may materially and adversely affect us. There can be no assurance that the PRC economy will be able to sustain past growth rates. If the above or other adverse changes were to occur in Guangdong province or in the PRC, it may lead to disruptions in our operations, decrease in the demand for our services or significantly increase the cost of operations, and our business, results of operations, expansion plan and prospects would be materially and adversely affected.

Changes in the PRC legal system could have a material adverse effect on our business and operations.

Our business and operations are conducted in the PRC and are subject to applicable PRC laws, rules and regulations. Laws, regulations and policies may be updated from time to time in the PRC. Furthermore, any litigation or regulatory enforcement action in the PRC may result in additional costs and the diversion of resources and management attention. The materialisation of all or any of these uncertainties could have a material and adverse effect on our business and operations.

In addition, the PRC government may from time to time publish notices to regulate and address issues in the property management industry. For example, on 13 July 2021, eight governmental departments, including the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), published the Notice on Continuous Improvement and Standardisation of the Order of the Real Estate Market (關於持續整治規範房地產市場秩序的通知), which focuses on the rectification of illegal real estate development and construction and illegal charges for property management services. Given that 71.3%, 71.2%, 70.8%, 70.9% and 70.0% of our projects involve property management companies as customers during the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023, respectively, we cannot guarantee that the government regulations in the PRC on matters concerning the property management industry will not have an adverse effect on our business, financial condition and results of operations, which may be material.

We are a holding company and rely primarily on dividends paid by our subsidiaries to fund any cash and financing requirements we have, and our ability to pay dividends depends on the earnings and distributions of our subsidiaries.

We are a holding company and we conduct our business operations primarily through our subsidiaries in the PRC. Our ability to make dividend payments and other distributions in cash, pay expenses, service indebtedness incurred and finance the needs of other subsidiaries depends upon the receipt of dividends, distributions or advances from our subsidiaries. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial position, cash requirements and restrictive covenants on making payments to us contained in the financing or other agreements. If any of our subsidiaries incurs indebtedness in its own name, the instruments governing the indebtedness may restrict dividends or other distributions on its equity interest to us. These restrictions could reduce the amount of dividends or other distributions that we may receive from our subsidiaries, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders. In addition, the declaration of dividends will be at the absolute discretion of the boards of our subsidiaries.

Failure to comply with the PRC regulations relating to the registration of any granted shares that belong to our employees who are PRC citizens may subject such employees or us to legal or administrative sanctions.

In January 2007, the SAFE issued the Implementing Rules for the Administrative Measures of Foreign Exchange Matters for Individuals (《個人外匯管理辦法實施細則》), which, among other things, specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas publicly-listed company.

In addition, the Notice on Relevant Issues Concerning the Administration of Foreign Exchange in respect of Domestic Individuals' Participating in the Share Incentive Schemes of Overseas-Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or SAFE Circular 7, was promulgated by the SAFE on 15 February 2012. In accordance with SAFE Circular 7, PRC residents who are granted shares or share options by an overseas publicly listed company under a share incentive scheme are required, through the PRC subsidiary of the overseas publicly listed company, to entrust a PRC agent to register with the SAFE or its local counterpart and complete certain procedures relating to the share incentive schemes. We and our PRC employees who receive Shares or share options will be subject to these regulations when we are listed on the Stock Exchange, and we will require our PRC employees to obtain approval from the SAFE or its local branches when joining the share incentive scheme in order to comply with relevant rules. If we or our PRC employees fail to comply with these regulations, we or our PRC employees may be subject to a maximum fine of RMB300,000 and other legal or administrative sanctions.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have an impact on our business operation, our acquisition or restructuring strategy or the value of your investment in us.

On 3 February 2015, the SAT issued (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("**SAT Circular 7**"), which provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of PRC taxable assets. Under SAT Circular 7, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC taxable assets, when a non-resident enterprise transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC enterprise income taxes and without any other reasonable commercial purpose. However, SAT Circular 7 contains certain exemptions, including (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling shares of an overseas listed holding company which holds such PRC taxable assets on a public market; and (ii) where there is an indirect transfer of PRC taxable assets, but if the non-resident enterprise had directly held and disposed of such PRC taxable assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement.

We may conduct acquisitions involving changes in corporate structure. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have an impact on the value of your investment in us.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

There is no existing public market for our Shares and their liquidity and market price may fluctuate.

Prior to the Share Offer, there has been no public market for our Shares. We cannot assure that an active trading market for our Shares will develop and be sustained following the Share Offer. In addition, the initial issue price range for our Shares was the result of negotiations among our Company, our Selling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, and the Offer Price may differ significantly from the market price of our Shares following the completion of the Share Offer. We have applied for the listing of and permission to deal in our Shares on the Stock Exchange. The Listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Share Offer or that the market price of our Shares will not decline after the Share Offer.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Share Offer to vary significantly from the Offer Price, some of which are beyond our control:

- variations in our revenue, earnings and cash flow;
- unexpected business interruptions resulting from, among others, epidemics or natural disasters;
- major changes in our key personnel or senior management;
- changes in laws and regulations;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in the PRC and Hong Kong and in the global economy;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance, regardless of the accuracy of information on which they are based; and
- involvement in material litigation.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the Share Offer, our Controlling Shareholders will retain substantial control over our Company. Subject to the Articles, the Companies Ordinance and the Cayman Companies Act, our Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and our Controlling Shareholders are free to exercise their voting rights according to their respective interests. To the extent that the interests of our Controlling Shareholders conflict with those of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including by our Controlling Shareholders, or the issuance of new Shares by us, or the perception that such sales or issuances may occur. The Shares held by our Controlling Shareholders are subject to certain lock-up arrangements. Please see the section headed "Underwriting – Underwriting arrangements and expenses – Undertakings to the Stock Exchange pursuant to the Listing Rules – Undertaking by our Controlling Shareholders" of this prospectus for more information. After the restrictions under the lock-up arrangements expire, our Controlling Shareholders may dispose of our Shares. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favourable to us, and our Shareholders may experience dilution in their holdings upon the issuance or sale of additional securities by us in the future.

There will be a time gap of several business days between pricing and trading of our Shares offered under the Share Offer. The market price of our Shares when trading begins could be lower than the Offer Price.

The Offer Price of our Shares will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be two Business Days after the Price Determination Date. As a result, investors may be unable to sell or otherwise deal in our Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Past dividend distributions are not indicative of our future dividend policy and we cannot guarantee whether and when we will pay dividends on our Shares.

During the Track Record Period, Guangzhou Shenghui declared and paid dividends of RMB28.2 million to its then shareholders in January 2021. We cannot guarantee when, if or in what form and amount dividends will be declared or paid on our Shares following the Share Offer.

Past dividend distributions are not indicative of our future dividend policy and we cannot guarantee whether and when we will pay dividends on our Shares. Subject to the Companies Act and the Articles, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by our Board. Our Board may also from time to time pay to our Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company, and may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit. A decision to declare or pay dividend and the amount of such dividend will depend on our business performance, financial condition, operating and capital expenditure requirements, distributable profits as determined under the applicable accounting standards, the Articles, applicable laws and regulations of the PRC and Hong Kong, market conditions, our strategic plans and prospects of business development, contractual limits and obligations, payment of dividend to us by our operating subsidiaries, taxation, and other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there is no assurance whether, when and in what manner we will pay dividend in the future.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may raise additional funds in the future to finance the expansion of our capacity, the development of our operations, acquisitions or strategic partnerships and the enhancement of our research and development capabilities. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that may take priority over those conferred by our Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;

- increase our vulnerability to general adverse economic and industry conditions;

- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and

- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Potential investors will experience immediate and substantial dilution as a result of the Share Offer.

Potential investors will pay a price per Share in the Share Offer that substantially exceeds the per Share value of our net tangible assets immediately prior to the Share Offer. Therefore, purchasers of our Shares in the Share Offer will experience immediate dilution based on our pro forma net tangible assets per Share. For further details, please refer to the section headed "Unaudited pro forma financial information" in Appendix II of this prospectus.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this prospectus.

Certain facts, statistics and data contained in this prospectus relating to the PRC, its economic conditions and the environmental cleaning and maintenance industry have been derived from various government publications or other third party reports we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of the government publications or other third party reports for the purpose of disclosure in this prospectus and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, our Selling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or any of its affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance you should attach to or place on such facts, forecasts and statistics.

The ability of Shareholders to bring actions or enforce judgments against us or our Directors may be limited.

We are organised under the laws of the Cayman Islands. As a result, a Shareholder may not be able to enforce a judgement against us or some or all of our Directors and executive officers outside the Cayman Islands. It may not be possible for a Shareholder to affect service of process upon our Directors and executive officers within the Shareholder's country of residence or to enforce against our Directors and executive officers judgments of courts of the Shareholder's country of residence. There can be no assurance that a Shareholder will be able to enforce any judgments in civil and commercial matters against our Directors or executive officers who are residents of countries other than those in which judgement is made.

Termination of the Underwriting Agreements

Prospective investors should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) by giving written notice to our Company (for ourselves and on behalf of our Selling Shareholders) upon the occurrence of any of the events stated in the section headed "Underwriting – Underwriting arrangement and expenses – Grounds for termination" of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, diseases or act of terrorism. Should the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) exercise their rights and terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

You may face difficulties in protecting your interests because we were incorporated under Cayman Islands laws, and the laws of the Cayman Islands for minority shareholders' protection may be different from those under the laws of Hong Kong or other jurisdictions.

We are a Cayman Islands company and our corporate affairs are governed by the Cayman Companies Act and other laws of the Cayman Islands. The laws of Cayman Islands relating to the protection of the interest of minority shareholders may differ from those under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Therefore, remedies available to the minority shareholders of our Company may be less effective than those they would have under the laws of Hong Kong or other jurisdictions. For further details, please refer to the section headed "Summary of the constitution of the Company and Cayman Islands company law – 3. Cayman Islands company law – (f) Protection of minorities and shareholders' suits" in Appendix IV to this prospectus.

You should only place reliance on information released by us including this prospectus and other formal announcements made with respect to the Share Offer, and not place any reliance on any information contained in press articles or other media when making your investment decision.

We have not authorised anyone to provide you with information that is not contained in this prospectus. Any financial information, financial projections, valuations, and other information purportedly about us contained in any press articles or other media have not been authorised by us and we make no representation as to the appropriateness, accuracy, completeness, or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. In making your decision as to whether to purchase our Offer Shares, you should rely only on the information in this prospectus and other formal announcements made with respect to the Share Offer.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "seek", "should", "will", "would" and the negative of these words and other similar expressions. Those statements include, among other things, the discussion of our Group's growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect.

The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group's control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-looking statements" of this prospectus for further details.

In preparation for the Listing, our Company has obtained the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. The core business and operations of our Group are primarily located, managed and conducted in the PRC. We are headquartered and all of our assets are located in Guangdong province of the PRC. All of our executive Directors are ordinarily based in the PRC and our Company does not and, in the foreseeable future, will not have any management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the following conditions:

(i) we have appointed two authorised representatives, namely Mr. Li (our executive Director) and Ms. Law Kwok Wing (our company secretary who is ordinary resident in Hong Kong) pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that our Group complies with the Listing Rules at all times. Although Mr. Li does not ordinarily reside in Hong Kong, he possesses or is eligible to apply for valid travel documents to visit Hong Kong and he has never been rejected for application for such travel documents. Each of our authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of our authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange. We will inform the Stock Exchange promptly in respect of any change in our authorised representatives or any of their contact details. Our Company has also been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with our authorised representatives to accept service of legal process and notices in Hong Kong on behalf of our Company;

(ii) each of our authorised representatives has the means to contact all members of our Board (including our independent non-executive Directors) and our senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matter. To enhance the communication between the Stock Exchange, our authorised representatives and our Directors, we will implement a policy whereby (a) each Director will provide his/her respective office phone number(s), mobile phone number(s), fax number(s) and email address(es) (if applicable) to our authorised representatives; and (b) in the event that our Director expects to travel and be out of office, he/she will endeavour to provide the phone number of the place of his/her accommodation to our authorised representatives or maintain an open line of communication via his/her telephone;

(iii) all Directors will provide their mobile phone numbers, office phone numbers, fax numbers and email addresses (if applicable) to the Stock Exchange to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange. Each of our Directors is authorised to communicate on our Company's behalf with the Stock Exchange;

(iv) all Directors (except for the independent non-executive Directors who are all ordinarily resident in Hong Kong) have confirmed that they possess or are eligible to apply for valid travel documents to visit Hong Kong for business purposes and they have never been rejected for application for such travel documents, and they would be able to come to Hong Kong and meet with the Stock Exchange in Hong Kong upon reasonable notice, when required;

(v) we have appointed Cinda International to act as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. Cinda International will provide professional advice on matters relating to the compliance with the Listing Rules and other obligations for companies listed in Hong Kong. Cinda International, in addition to our authorised representatives, will act as an additional channel of communication with the Stock Exchange; and

(vi) meetings between the Stock Exchange and our Directors can be arranged through our authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in our authorised representatives and/or our compliance adviser in accordance with the Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this Prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus 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 in this prospectus misleading. All opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CSRC FILING REQUIREMENT

We have completed the filing procedures with the CSRC for the Listing and on 20 October 2023, the CSRC issued a notification to us confirming the completion of the filing procedures for the overseas listing on the Stock Exchange.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, our Selling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Share Offer. Neither the delivery of this prospectus nor any offering or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to apply for the Public Offer Shares" of this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer, comprising the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus. The Listing is sponsored by the Sole Sponsor and managed by the Sole Overall Coordinator. The Public Offer will be fully underwritten by the Public Offer

Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company (for ourselves and on behalf of our Selling Shareholders) and the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). The Share Offer will be fully underwritten by the Underwriters under the terms of the Underwriting Agreements. For further details about the Underwriters and the Underwriting Agreements, please refer to the section headed "Underwriting – Underwriting arrangements and expenses" of this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of our Selling Shareholders) on the Price Determination Date, or such later date or time as may be agreed by our Company (for ourselves and on behalf of our Selling Shareholders) and the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). The Offer Price is currently expected to be not more than HK$0.40 per Offer Share and not less than HK$0.32 per Offer Share. The Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of our Company (for ourselves and on behalf of our Selling Shareholders), reduce the indicative Offer Price range stated in this prospectus at any time prior to the Price Determination Date. In such case, a notice of the reduction of the indicative Offer Price range will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.gzshqj.com**.

If the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of our Selling Shareholders) are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as may be agreed between the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of our Selling Shareholders), the Share Offer will not proceed and will lapse.

RESTRICTIONS ON SHARE OFFER AND SALE OF OFFER SHARES

Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a Share Offer or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, our Selling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer.

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his/her/its acquisition of the Offer Shares to have confirmed, that he/she/it is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus and that he/she/it is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus.

SALE OF THE SALE SHARES BY OUR SELLING SHAREHOLDERS

The Share Offer consists of 40,625,000 Sale Shares being sold by our Selling Shareholders. We estimate that the net proceeds to our Selling Shareholders from the sale of the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholders in relation to the Share Offer) and assuming an Offer Price of HK$0.36 (being the mid-point of the Offer Price range of HK$0.32 to HK$0.40 per Offer Share) will be approximately HK$13.6 million. We will not receive any of the proceeds from the sale of the Sale Shares by our Selling Shareholders.

Details of our Selling Shareholders are set out in the section headed "Statutory and general information – 11. Particulars of our Selling Shareholders" in Appendix V to this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange.

Under section 44B(1) of the Companies (Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on the Stock Exchange has been refused before the expiration of three weeks from the date of the closing of the Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Committee, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

No part of the Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on the Stock Exchange unless the Stock Exchange otherwise agrees.

HONG KONG BRANCH SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Public Offer will be registered on our branch register of members to be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by Conyers Trust Company (Cayman) Limited in the Cayman Islands.

No stamp duty is payable by applicants in the Share Offer.

Dealings in the Offer Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Offer Shares. None of our Company, our Selling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Offer Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The application procedure for the Public Offer Shares is set out in the section headed "How to apply for the Public Offer Shares" of this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars or US dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be, or have been, converted into Hong Kong dollar amounts and US dollars amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi amounts into Hong Kong dollars have been made at the rate of RMB0.8933 to HK$1.00.

ROUNDINGS

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and its Chinese translation, the English version of this prospectus shall prevail. If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like mentioned in this prospectus and their English translations, the Chinese names shall prevail.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Li Chenghua (李承華)	Room 1102, Block 9 Agile Garden Sunday Nancun Town Panyu District Guangzhou PRC	Chinese
Mr. Chen Liming (陳黎明)	Room 601 2 Junlan First Street Xingnan Avenue Nancun Town Panyu District Guangzhou PRC	Chinese
Independent non-executive Directors		
Ms. Chong Sze Pui Joanne, MH (張詩培)	Flat A, 10/F, Tower 9 Marinella 9 Welfare Road Wong Chuk Hang Hong Kong	Chinese
Ms. Cheung Bo Man (張寶文)	Flat 05, 18/F Block 6, Heng Fa Chuen Hong Kong	Chinese
Ms. Yau Yin Hung (邱燕虹)	Flat D, 11/F Pak Tak Court Bedford Gardens, North Point Hong Kong	Chinese

Please refer to the section headed “Directors and senior management” of this prospectus for further information on our Directors.

PARTIES INVOLVED

Sole Sponsor and Sole Overall Coordinator	**Cinda International Capital Limited** *A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities* 45/F., COSCO Tower 183 Queen's Road Central Hong Kong
Joint Global Coordinators	**Cinda International Capital Limited** *A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities* 45/F, COSCO Tower 183 Queen's Road Central Hong Kong
	ICBC International Securities Limited *A corporation licensed under SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities* 37/F., ICBC Tower 3 Garden Road Hong Kong
	CCB International Capital Limited *A corporation licensed under SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities* 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
	Yuen Meta (International) Securities Limited *A corporation licensed under SFO to carry on Type 1 (dealing in securities) regulated activity* Room 1101–1104, 11/F Harcourt House, 39 Gloucester Road Wan Chai, Hong Kong

China Sunrise Securities (International) Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
Unit 4502, 45/F, The Center
99 Queen's Road Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

Cinda International Capital Limited
A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
45/F, COSCO Tower
183 Queen's Road Central
Hong Kong

ICBC International Securities Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
37/F., ICBC Tower
3 Garden Road
Hong Kong

CCB International Capital Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

Yuen Meta (International) Securities Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities) regulated activity
Room 1101–1104, 11/F
Harcourt House, 39 Gloucester Road
Wan Chai, Hong Kong

China Sunrise Securities (International) Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
Unit 4502, 45/F, The Center
99 Queen's Road Central
Hong Kong

ABCI Capital Limited (only as a Joint Bookrunner)
A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
11/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ABCI Securities Company Limited (only as a Joint Lead Manager)
A corporation licensed under SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
10/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CEB International Capital Corporation Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
22/F, AIA Central
1 Connaught Road Central
Central, Hong Kong

China Everbright Securities (HK) Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
33/F, Everbright Centre
108 Gloucester Road
Wan Chai, Hong Kong

China Industrial Securities International Capital Limited
A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
32/F, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan, Hong Kong

CMB International Capital Limited
A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
45th Floor, Champion Tower
3 Garden Road, Central
Hong Kong

CMBC Securities Company Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
45/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

Eddid Securities and Futures Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on future contracts) and Type 9 (asset management) regulated activities
21/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Gear Securities Investment Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
7/F, China Paint Building
1163 Canton Road, Mongkok
Kowloon, Hong Kong

Grand Moore Capital Limited
A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Unit 1401, 14/F., Lippo Sun Plaza
28 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Livermore Holdings Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
Unit 1214A 12/F Tower II
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon, Hong Kong

Realord Asia Pacific Securities Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities) regulated activity
Suite 2402, 24/F, Jardine House
1 Connaught Place
Central, HK

SBI China Capital Financial Services Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities
4/F, Henley Building
No. 5 Queen’s Road Central
Hong Kong

Soochow Securities International Brokerage Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

SPDB International Capital Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
33/F, SPD Bank Tower
1 Hennessy Road
Hong Kong

Zheshang International Financial Holdings Co., Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 5 (advising on future contracts) and Type 9 (asset management) regulated activities
Room 1703–06, 17th floor
Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan, Hong Kong

Zhongtai International Securities Limited
A corporation licensed under SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
19/F Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Legal advisers to our Company	*As to the laws of Hong Kong* **Hastings & Co.** 5th Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong *As to the laws of the PRC* **China Commercial Law Firm** 21–25/F HKCTS Tower 4011 Shennan Road Futian District Shenzhen PRC *As to the laws of the Cayman Islands* **Conyers Dill & Pearman** 29th Floor One Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters	*As to the laws of Hong Kong* **Khoo & Co.** *In Association with Beijing Kangda (H.K.) Law Firm* *In association with Michael Ngai & Co.* Suite 2105 21/F, Central Plaza 18 Harbour Road, Wanchai Hong Kong *As to the laws of the PRC* **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Beijing, 100025 PRC

Auditor and reporting accountant	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai 200040 China
Property Valuer	**Roma Appraisals Limited** 22/F., China Overseas Building 139 Hennessy Road Wan Chai Hong Kong
Compliance adviser	**Cinda International Capital Limited** 45/F., COSCO Tower 183 Queen's Road Central Hong Kong
Receiving bank	**Hong Kong Industrial and Commercial Bank of China (Asia) Limited** 33/F., ICBC Tower 3 Garden Road, Central Hong Kong

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	3/F, Office Block 36 Xinguang Road Xinzao Town Panyu District Guangzhou PRC
Principal place of business in Hong Kong	5th Floor Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Company's website	**www.gzshqj.com** *(information on this website does not form part of this prospectus)*
Company secretary	Ms. Law Kwok Wing (羅幗詠), *HKICPA* Unit B, 17/F United Centre 95 Queensway Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Li Chenghua Room 1102, Block 9 Agile Garden Sunday Nancun Town Panyu District Guangzhou PRC Ms. Law Kwok Wing, *HKICPA* Unit B, 17/F United Centre 95 Queensway Hong Kong

Audit Committee	Ms. Chong Sze Pui Joanne, MH *(Chairperson)* Ms. Cheung Bo Man Ms. Yau Yin Hung
Remuneration Committee	Ms. Cheung Bo Man *(Chairperson)* Ms. Chong Sze Pui Joanne, MH Ms. Yau Yin Hung
Nomination Committee	Ms. Yau Yin Hung *(Chairperson)* Ms. Chong Sze Pui Joanne, MH Ms. Cheung Bo Man
Investment Committee	Ms. Chong Sze Pui Joanne, MH *(Chairperson)* Ms. Cheung Bo Man Ms. Yau Yin Hung
Principal share registrar and transfer office in the Cayman Islands	**Conyers Trust Company (Cayman) Limited** Crickets Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
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Principal banker	**Industrial and Commercial Bank of China Limited, Guangzhou Huanan Sub-branch** Wanbo Centre Yingbin Road Nancun Town Panyu District Guangzhou PRC

The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Share Offer. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Share Offer, and no representation is given as to its accuracy.

ENVIRONMENTAL CLEANING AND MAINTENANCE SERVICE MARKET ANALYSIS IN THE PRC

Definition and classification

Environmental cleaning and maintenance service is a type of service that encompasses effective cleaning, sanitation, and maintenance through the use of water, detergent, equipment, and any other resources to improve the overall hygiene level of the environment. In the Industry Report, environmental cleaning and maintenance service represents cleaning and maintenance in various commercial, domestic, and environmental contexts, and it can be categorised into three major types, namely property cleaning, public space cleaning and other cleaning. The public space cleaning category mainly includes public hygienic cleaning service, which is also referred as "environmental hygiene service". Each major type contains three sub-types or fields of service, which are general cleaning, waste management, and other services. General cleaning is referred to cleaning and maintenance of area or surface; waste management represents waste collection, disposal and transportation; other service represents any extended service that is exclusive from the previous two types.

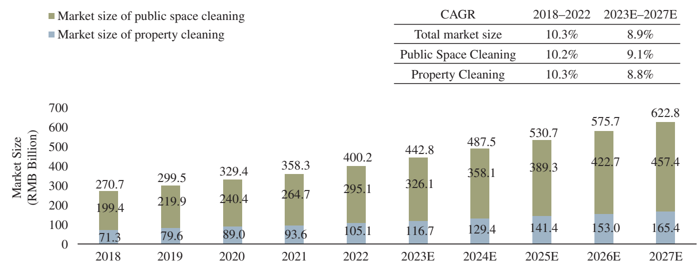
Types of services

Property cleaning is cleaning service generally performed in areas belonging to the facilities, such as buildings, parking lots, garden and public area. Property refers to residential, commercial, public, industrial, government-related property, shopping malls, schools, hospitals, airports, and others. Public space cleaning represents cleaning of any urban and rural public areas except for property that is accessible by the public, such as street, public squares, parks and beaches. Other cleaning includes cleaning services provided in area that does not belong to property or public space, waste collection and transportation as well as value-added service including road construction and maintenance and properties' cistern cleaning.

Market size of property and public space cleaning sectors in the PRC

The environmental cleaning and maintenance market in the PRC mainly comprise and is largely dominated by property cleaning and public space cleaning sectors. The market size of these two sectors combined is expected to increase from RMB270.7 billion in 2018 to RMB622.8 billion by 2027. The market size of property cleaning is expected to increase significantly from RMB71.3 billion from 2018 to RMB165.4 billion in 2027. The CAGR of the market size of property cleaning from 2018 to 2022 is 10.3%, indicating an overall stable growth, and the growth is expected to sustain with a CAGR from 2023 to 2027 to be 8.8%. The CAGR of the combined market size from 2018 to 2022 is 10.3%, with a CAGR from 2023 to 2027 of 8.9% in the predicted period.

Market size of property and public space cleaning sectors (2018 – 2027E)



Note: The market size of the other cleaning sector, including services such as river and water surface cleaning, animal corpse disposal, pest control and fumigation, one-off post construction cleaning, and etc., is excluded for being relatively small in size.

Source: National Bureau of Statistics of the PRC, Frost & Sullivan Analysis

The market demand for public space cleaning services in the PRC is mainly driven by the need of public services and increasing consciousness toward public health. Thus, the procurement of public services is widely encouraged, and public-private partnership models have been primarily promoted in more aspects of public product and public service fields, which includes the public space cleaning services. In general, projects in public cleaning sector are usually resulted with a higher level of profit margin than that of the property cleaning sector. The size of the public space cleaning sector recorded an increase with a CAGR of 10.2% from RMB199.4 billion in 2018 to RMB295.1 billion in 2022. Meanwhile, COVID-19 outbreak has also presented the PRC government with challenges in public health, consequently leading to the need to enhance the current suppliers' capabilities to ensure public health and safety. Further, adverse impact may arise from the macroeconomic shutdown due to the pandemic or inefficiency in service delivery upon related policy of quarantine or COVID test required for workers, although the growing awareness towards public health and hygiene conditions has been leading to higher market demand for property and public space cleaning services. The market size of public cleaning sector in the PRC is forecasted to reach RMB457.4 billion in 2027, representing a CAGR of 9.1% from 2023 to 2027.

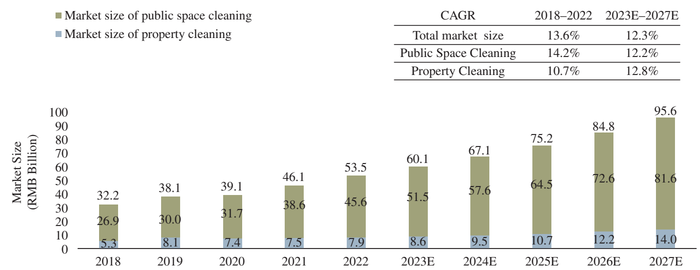
Due to the increasingly complicated cleaning requirements, property management groups, tenants, and owners will outsource the cleaning service to the professional cleaning services providers in order to reduce their overall operation costs. Although there were mild fluctuations in the real estate market over the last five years, the volume of floor space completed per annual construction of property building in the PRC remains robust. This serves as a strong market drive for the development and growth of property cleaning sector, and the market size of property cleaning sector soared from RMB71.3 billion in 2018 to RMB105.1 billion in 2022, at a CAGR of 10.3%. In the future, although there will be less capital investment in new property constructions, the increasing industrial standard toward property cleaning service quality driven by growing public health awareness will continuously contribute to the growth in property cleaning sector. The size of the property cleaning sector services market in the PRC is projected to grow at a CAGR of 8.8% from 2023 to 2027, reaching RMB165.4 billion by 2027.

Market size of property and public space cleaning sectors in Guangdong province

The market size of property and public space cleaning sectors in Guangdong province increased from RMB32.2 billion in 2018 to RMB53.5 billion in 2022, representing a CAGR of 13.6%. The surge in the property cleaning sector was primarily caused by the robust growth in real estate market in Guangdong province, which was driven by the fast-growing local economy, generating enormous demand for related cleaning services.

Growth of the combined market size is expected to keep its momentum in the future, arising from RMB60.1 billion in 2023 to RMB95.6 billion in 2027 with a CAGR of 12.3%. The market size of public space cleaning sector will still take the majority of the market share, as the expenditure on the public service procurement by Guangdong's government stays high. In comparison, the property cleaning sector in Guangdong province has experienced a more significant growth from 2018 to 2022 with a CAGR of 10.7%, which is anticipated to sustain its growth momentum at a CAGR of 12.8% from 2023 to 2027.

Market size of property and public space cleaning sectors in Guangdong province (2018 – 2027E)



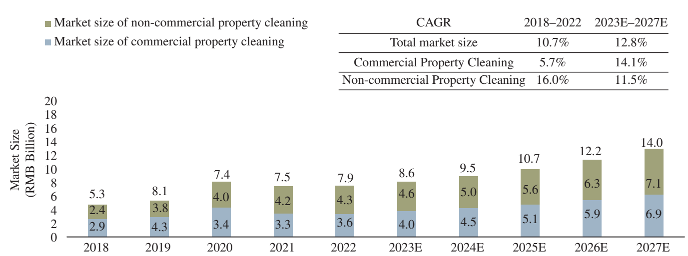
Source: National Bureau of Statistics of the PRC, Frost & Sullivan Analysis

Market size of property cleaning sector in Guangdong province

Being one of the most prosperous areas in the PRC, Guangdong province has cemented its position as the country's largest provincial economy. The positive economic atmosphere in Guangdong is helping the fast development of the real estate market, hence continuously boosting the market size of property cleaning sector. The market size experienced an increase from RMB5.3 billion to RMB7.9 billion from 2018 to 2022, representing a CAGR of 10.7%.

The growth of the real estate markets in major cities in Guangdong is expected to be stable in the future due to the PRC government's financial regulation. As the PRC's banking and insurance regulators started restricting the bank loans that flow into the property market, the growth rate was immediately regulated and stabilized. The overall steady growth in real estate market continuously creates demand for property cleaning services. The market size of property cleaning sector in Guangdong province is expected to rise from RMB8.6 billion to RMB14.0 billion with a CAGR of 12.8% from 2023 to 2027, due to the rapid growth of floor space of commercial buildings sold in Guangdong province. The market size of commercial property cleaning is predicted to increase from RMB4.0 billion in 2023 to RMB6.9 billion in 2027, with a CAGR of 14.1%.

Market Size of property cleaning in Guangdong province (2018 – 2027E)



Note: Estimation includes primary service categories such as general cleaning of residential, commercial, and industrial properties

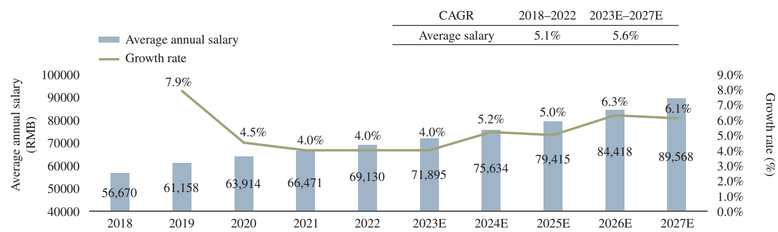
Source: National Bureau of Statistics of the PRC, Frost & Sullivan Analysis

Average annual salary in environmental cleaning and maintenance industry in the PRC and Guangdong

Since the environmental cleaning and maintenance services in the PRC are characterised by low-technology and labour-intensive in nature, the labour cost constitutes the major portion of the overall cost. The average annual salary stays at a consistent level for labours working in various environmental cleaning and maintenance scenarios. As a result of steady economic growth and increasing standards of living, the average annual salary for workers in the PRC's environment cleaning and maintenance service market increased from RMB56,670 in 2018 to RMB69,130 in 2022 at a CAGR of 5.1% from 2018 to 2022. The identical reduction in average salary in 2019 is mainly caused by the declining demand of the downstream market, which is greatly affected by the performance of real estate market.

The growth rate of the PRC's economy has shown quick recovery after the COVID-19 pandemic. As economy rebounds, the average annual salary is expected to reach RMB89,568 in 2027 at a CAGR of 5.6%.

Average annual salary in environmental cleaning and maintenance industry (2018 – 2027E)



Note: Data is acquired under "Water conservancy, environment and public facilities management industry" category, which includes the workers from the environmental cleaning and maintenance industry

Source: National Bureau of Statistics of the PRC, Frost & Sullivan Analysis

Compared to other areas, the cost structure for environmental cleaning and maintenance industry stays the same as the labour cost still being the major part of the overall operation cost in Guangdong province. Along with the Guangdong's rapidly growing economy, the average annual salary has recorded an increase from RMB53,118 to RMB55,706 with a CAGR of 1.2% from 2018 to 2022. It is noteworthy that the average annual salary in Guangdong province experienced a huge increase in 2017 since Guangdong government deepened the supply-side structural reform and boosted the performance of service industry significantly.

Market drivers

Urbanisation enabling market growth

With the gradual improvement of national urbanisation level, the corresponding area of urban development is increasing rapidly in recent years. As a result, urbanisation construction has released a greater amount of residential and commercial property cleaning, city street cleaning, waste transportation and management, public facility and utility cleaning, as well as other urban area demanding for environmental cleaning and maintenance service. A majority of property owners and government agencies choose to outsource cleaning services to companies with a well-established industrial chain and worker expertise, which further lead to the demand for growth of environmental cleaning and maintenance service providers. In particular, Guangdong province, as one of the most rapidly growing regions in the PRC and where the Greater Bay Area is situated, its urbanisation level and urban population has went through noticeable improvement in the past five years. Along with increasing amount of city streets, facilities and property buildings in the urban area, this will further boost the demand for environmental cleaning and maintenance services in Guangdong province. This will continuously serves as an effective driver for the overall market growth in the near future as well.

Growing demand for environmental cleaning and maintenance services in the society

Environmental cleaning and maintenance service serves an essential part of public health and cleaning and maintenance condition. As the number of residential, commercial and all other types of properties have been growing in recent years, service receivers including large property management groups and government agencies in the PRC have released numerous environmental cleaning and maintenance projects. As those projects usually hold a high standard in working expertise and service quality, large property management groups and the PRC government agencies will choose to outsource service to third party companies, who are capable of completing those projects with greater efficiency at a more economical cost.

Rising complexity and requirements for cleaning service

With the increasing standard of living, rising awareness toward hygiene level, and growing property market, people increasingly have higher expectations for environmental cleaning and maintenance. Environmental cleaning and maintenance service providers continue to expand their service coverage and quality in order to provide clients with wider service offering to meet customers' needs and requirements. Moreover, the ability in offering a comprehensive range of environmental cleaning and maintenance services could save customers' time and cost from engaging different services providers.

Market trend

Increasing awareness toward environmental cleaning and maintenance

Along with the increasing per capita annual disposable income nationwide, many people have experienced a higher standard of living. As people are seeking for a healthier lifestyle due to the rising affordability, they obtain greater awareness toward the overall level of environmental cleaning and maintenance in cities, towns, communities, and households. As it is an industry norm for the PRC's society to outsource service to third party service provider for general cleaning, waste management and other types of service, the demand for these services will increase along with the rising awareness and affordability. Meanwhile, criteria such as service providers' branding, reputation and tracking record will become more essential for clients to choose environmental cleaning and maintenance service providers.

Gradual mechanisations and digitalisation of environmental cleaning and maintenance service market

Majority of environmental cleaning and maintenance service tasks are performed by human labour. Cleaning robots can be used as a supplement of human workers to complete numerous cleaning works that are simple, highly repetitive or associated with high risk, such as interior wall and window cleaning of residential and commercial buildings. Furthermore, information system is developed and implemented to obtain real-time data of machine and vehicle to improve operational efficiency and service quality. Those technological advanced applications mentioned above are adopted as critical methods to improve on efficiency and quality of service delivery, which enable companies to gain advantages. Nevertheless, Guangdong province is one of the mature and fast-growing regions for the initial development of environmental cleaning and maintenance service industry. As such, the overall trend of mechanical and digital transformation will bring a new growing potential to the industry in the next five years, which will lead to a foreseeable increase in market size of environmental cleaning and maintenance service market in Guangdong province, along with that of the PRC.

Higher quality of service delivery and wider range of service solution being offered

It is common application in the environmental cleaning and maintenance service industry for customers to outsource service to a third-party service provider. This has led to rising standard as well as intensive market competition among service-providing companies. In order to gain competitive advantage, a growing number of companies are developing and working to provide a wider range of environmental cleaning and maintenance service solution. Furthermore, some value-added services are additionally provided and help service providers to spread out their power of influence in the current supply chain.

Opportunities

Trend in technological advancement

As the overall level of technological advancement is improving in modern society, numerous applications of information system are applied to improve efficiency and achieve business process automation across industries. This trend provides an opportunity for the informatisation and intelligence of the environmental cleaning and maintenance service. Informatisation and intelligence of environmental cleaning and maintenance will be used to manage daily operation, such as tracking attendance and working hours of staff, along with fleet management system to monitor activities of cleaning vehicles.

Rising standard of environmental cleaning and maintenance service

The increase in overall standard of living in recent years has contributed to greater public awareness toward hygienic environment. The rising standard for community's environmental cleaning and maintenance level has further led to growing amount of cleaning and maintenance projects. This is mainly due to the lack of professional experience, expertise and capability for individual property management companies and government agencies to meet the rising hygienic standard. Further, it also serves as an opportunity for large companies primarily providing property cleaning services to capture the increasing demand in public space cleaning, through purchasing cleaning vehicles to initially meet the standardized tendering requirements released by government agencies.

Challenges

Labour shortage

Environmental cleaning and maintenance service industry in the PRC is highly labour intensive, and labour costs account for a greater proportion of expenses apart from the cost of equipment and machinery. Meanwhile, environmental cleaning and maintenance workers are ageing rapidly with an average age of more than 40 years old. However, the employee turnover rate is relatively high in the industry due to long working hours and low hourly wages. Due to factors such as repetitive and heavy workload, long working hours and lower pay associated with environmental cleaning and maintenance tasks, it is difficult for the industry to attract new entrants. Given the labour shortage, it is common practice to outsource the hiring process to human resource management agencies and to hire retired workers with working experience and expertise, which will reduce cost at the same time.

Increasing operating costs

Given the fact that projects undertaken by large scale market players are typically sizeable which involves substantial labour force and physical cleaning work, occurrence of accidents resulting in bodily injury and property damages are not uncommon in the industry. Costs may continue to increase due to pressures faced by services providers to implement safety, environmental and health enhancements to maintain a safe work environment, to keep accident rate low, and to improve welfare requirements of workers.

Impact of COVID-19

The outbreak of COVID-19 in 2020 has a gradual and continuous positive impact on the environmental cleaning and maintenance service market. Due to the outbreak of COVID-19, the PRC government has established related national policies to reinforce and standardised large-scale cleaning and sanitising activities to improve cleaning and maintenance condition at community level. As such, providing a clean and hygienic living environment has become an essential part in pandemic control. Therefore, despite the adverse impact of COVID-19 pandemic on the PRC's economy, the environmental cleaning and maintenance service providers are able to benefit from these unprecedented times. The increasing demand for service from the downstream market will serve as an opportunity for the environmental cleaning and maintenance service industry. The growing demand is anticipated to sustain at the post-pandemic stage as well.

Market overview of the property cleaning and public space cleaning sectors in Guangdong province

The market size of property and public space cleaning sectors in Guangdong province increased from RMB32.2 billion in 2018 to RMB53.5 billion in 2022, representing a CAGR of 13.6%. The surge in the property cleaning sector was primarily caused by the robust growth in real estate market in Guangdong province, which was driven by the fast-growing local economy, generating enormous demand for related cleaning services. Growth of the aggregate market size of the two sectors is expected to keep its momentum in the future, rising from RMB60.1 billion in 2023 to RMB95.6 billion in 2027 with a CAGR of 12.3%, with the public space cleaning sector continuing to take up the majority of the market size.

Competition overview for property cleaning sector in Guangdong province

The property cleaning sector in the Guangdong province undergoes a stable development phrase, along with intense market competitions. Comparing to the nationwide environmental cleaning and maintenance service market, Guangdong province is considered as an essential geographical region for industrial development, with a predominantly rapid growth in the property cleaning sector. There are numeral key players in market specialising in property cleaning, though aiming to provide national wide services as independent third party service providers.

Top 5 industry participants accounted for 15.7% of the total market size in this sector. Among the top 5 market participants, our Group achieved first place ranking with a market share of 5.7%. The participants can be classified into two types: large-scale businesses as well as small and medium-scale businesses. The large-scale businesses are able to secure contracts with high-end properties as they have a well-known industry reputation and related professional experiences. The small and medium-scale businesses, which have more flexibility, are able to acquire smaller contracts with typically cheaper pricing and closer relationships with local clients. Comparing to the public cleaning sector, the market of property cleaning sector is much more labour intensive, thus the newcomers are not required to invest heavily on fixed assets, reducing the entry barrier of this market. Therefore, this market sector has more competition compare to the public cleaning sector.

Ranking and market share of leading companies by revenue in property cleaning sector in Guangdong province (2022)

Ranking	Company	Company profile	Market share
1	Our Group		5.7%
2	Dijian Yangguang Development (Shenzhen) Co., Ltd.	based in Shenzhen and focusing on property cleaning services for large-scale high-end landmark buildings in cities	4.4%
3	SYS Group	founded in Shenzhen, it is a comprehensive cleaning company integrating specialisation and diversification	2.2%
4	EIT Environmental Development Group CO., Ltd	a listed company and offers solid wastes disposal and utilisation, environment ecological rehabilitation, renewable resource recycling, and other related services	1.8%
5	Shenzhen Yuhuang Cleaning Service Co., Ltd.	founded in Shenzhen and mainly providing environmental cleaning and maintenance with a strong focus in property cleaning sector	1.6%
	Top five market participants		15.7%
	Others		84.3%

Source: Expert Interviews, Annual Reports of Companies, Frost & Sullivan Analysis

Competition overview for commercial property cleaning subsector in Guangdong province

The commercial property cleaning sector in the Guangdong province is a highly fragmented market with intense competition, similar to that of Guangdong province's property cleaning market. Most market participants operate in the property cleaning sector with a critical focus on providing commercial property service to clients, aligning with the visible growth potential of commercial property segment. Commercial property cleaning serves as a rapidly growing and predominant sector of property cleaning market in Guangdong province. When it comes to the performance of key players in the sector, their overall ranking in terms of sales revenue breakdown in commercial property cleaning sector stays consistent with that of the property cleaning sector.

The market concentration rate is relatively lower as top 5 industry participants accounted for only 19.3% of the total market size in this sector. Among the top 5 market participants, our Group achieved first place ranking with an estimated revenue of RMB291.3 million, representing a market share of 7.3%. In contrast to the property cleaning sector in Guangdong province, commercial property cleaning service providers in Guangdong province has witnessed significant growth along with development of the overall regional market. However, they have experienced lower concentration rate with other local service providers.

Ranking and market share of leading companies by revenue in commercial property cleaning subsector in Guangdong province (2022)

Ranking	Company	Company profile	Market share
1	our Group		7.3%
2	Dijian Yangguang Development (Shenzhen) Co., Ltd.	based in Shenzhen and focusing on property cleaning services for large-scale high-end landmark buildings in cities	5.3%
3	SYS Group	founded in Shenzhen, it is a comprehensive cleaning company integrating specialisation and diversification	2.6%
4	EIT Environmental Development Group CO., Ltd	a listed company and offers solid wastes disposal and utilisation, environment ecological rehabilitation, renewable resource recycling, and other related services	2.3%
5	Shenzhen Yuhuang Cleaning Service Co., Ltd.	founded in Shenzhen and mainly providing environmental cleaning and maintenance with a strong focus in property cleaning sector	1.8%
	Top five market participants		19.3%
	Others		80.7%

Source: Expert Interviews, Annual Reports of Companies, Industry Report

Entry barriers

Human resource management

Labour, tools, equipment and public space cleaning vehicles are major resources that are necessary for companies to carry out environmental cleaning and maintenance service. Prior to performing demanded service, substantial cash outlays at this initial stage for inquiring resources, such as labour recruitment and training, wage payment, raw material and equipment procurement. Sufficient fund and cash flow is required to cover those upfront expenses, regardless of the variation in company size. As a result, capital capacity serves as a critical requirement and potentially a barrier for new companies to enter into environmental cleaning and maintenance service market. For instance, sufficient amount of machinery, equipment and vehicles, such as garbage collection vehicles and waste suction vehicles, are necessary for delivering services.

Moreover, it is essential to implement management strategies to achieve effective labour allocation, increase the overall operational productivity, and eventually to deliver high-quality service efficiently.

Client relationship and reputation

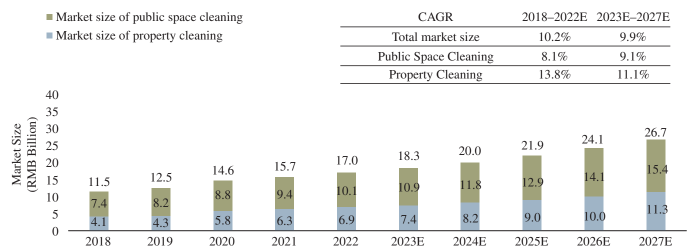
In environmental service industry, existing companies have well-established, stable and long-term relationship with major clients in the PRC, mainly property management companies and the PRC government bodies. Additionally, they have already earned outstanding reputation and track record with strong expertise in providing high quality service. Thus, clients are likely to have greater intention to inquire service from these companies, which has become an entry barrier for new entrants. It is generally the industry norm or the requirement of the customer for cleaning service providers to set up local project company or office for effective management and deployment of labour.

Market size of property and public space cleaning sectors in Beijing

The environmental cleaning and maintenance market in Beijing is similar to that of the PRC, which is largely dominated by property cleaning and public space cleaning sectors. The market size of these two sectors combined is expected to reach RMB26.7 billion by 2027. The market size of property cleaning is expected to increase significantly from RMB4.1 billion from 2018 to RMB11.3 billion in 2027.

The CAGR of the market size of property cleaning from 2018 to 2022 is 13.8%, indicating an overall stable growth, and the growth is expected to sustain with a CAGR from 2023 to 2027 to be 11.1%. The CAGR of the combined market size from 2018 to 2022 is 10.2%, with a CAGR from 2023 to 2027 of 9.9%. In the next five years, the environmental cleaning and maintenance service market will release substantial market demand.

Market size of property and public space cleaning sectors in Beijing (2018 – 2027E)



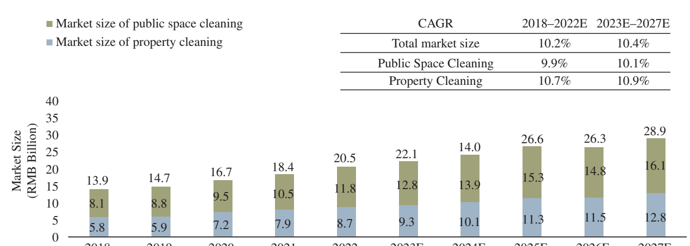
Source: Industry report

Market size of property and public space cleaning sectors in Shanghai

The market size of property and public space cleaning sectors in Shanghai increased from RMB13.9 billion in 2018 to RMB20.5 billion in 2022, representing a CAGR of 10.2%. The market share of the property cleaning sector increased from 41.7% in 2018 to 42.4% in 2022, and the proportion is anticipated to further grow to 44.3% in 2027. The overall development of the property cleaning sector is primarily affected by the growth in real estate market in Shanghai in the past five years, which is expected to sustain from 2023 to 2027. As such, the overall growth will generate enormous market demand for environmental cleaning and maintenance market.

In the next five years, growth of the combined market size is anticipated to keep its momentum, arising from RMB22.1 billion in 2023 to RMB28.9 billion with a CAGR of 10.4% in 2027. The market size of public space cleaning sector will continuously account for a majority of the market share, with a higher level of expenditure on the public service procurement from Shanghai government.

Market size of property and public space cleaning sectors in Shanghai (2018 – 2027E)



Source: Industry report

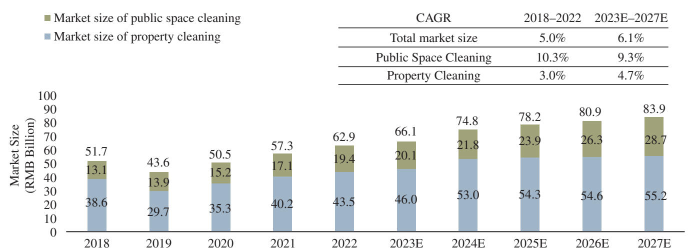
Market size of property and public space cleaning sectors in Zhejiang Province

The market size of property and public space cleaning sectors in Zhejiang increased from RMB51.7 billion in 2018 to RMB62.9 billion in 2022, representing a CAGR of 5.0%. The overall development and growth of the property cleaning sector is primarily affected by the increasing demand of property cleaning based upon the growth in real estate market in Zhejiang in the past five years, which is expected to sustain from 2023 to 2027.

The market size of the property cleaning sector will increase by a CAGR of 4.7% from 2023 to 2027. In the next five years, growth of the combined market size is anticipated to keep its momentum, arising from RMB66.1 billion in 2023 to RMB83.9 billion in 2027 with a CAGR of 6.1%. In comparison to the market of Beijing and Shanghai, the property and public space cleaning market in Zhejiang will witness a greater growth potential.

Hangzhou, as the capital city of Zhejiang province, contributes greatly to the economic growth of Zhejiang province. It is also the city which experience rapid growth in recent years with its noticeable process of urbanisation. As a result, the demand for property and public space cleaning combined in Hangzhou is continuously increasing.

Market size of property and public space cleaning sectors in Zhejiang Province (2018 – 2027E)



Source: Industry report

Referring to the "2022 National Civil Transport Airport Production Statical Bulletin" released by China's Civil Aviation Administration, Chongqing Jiangbei International Airport, Guangzhou Baiyun International Airport and Sanya Phoenix International Airport ranked 2nd, 1st, and 21st out of 254 airports in the PRC in terms of annual passenger throughput in 2022.

SOURCE OF INFORMATION

In connection with the Share Offer, we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the environmental cleaning and maintenance service market. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the industry report in this prospectus because we believe such information facilitates an understanding of the environmental cleaning and maintenance service market for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third party reports and publicly available data from reputable industry organisations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesise information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the industry report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analysed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of RMB210,000 for the preparation of the industry report. The payment of such amount was not contingent upon our successful listing or on the content of the industry report. Except for this industry report prepared by Frost & Sullivan, we did not commission any other industry report in connection with the Share Offer. We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan, which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

PRC LAWS AND REGULATIONS

Our Group's subsidiaries in the PRC are required to comply with a number of PRC laws and regulations to carry out our operating activities. The major relevant laws and regulations applicable to the operations and business of our Group's subsidiaries in the PRC during the Track Record Period are set out below:

Laws and regulations on foreign investment

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》), which was promulgated on 29 December 1993, became effective on 1 July 1994 and was last amended on 26 October 2018, and the Regulation of the PRC on the Administration of the Registration of Market Entities (《中華人民共和國市場主體登記管理條例》), which was promulgated on 27 July 2021 and became effective on 1 March 2022. According to the aforesaid laws and regulations, companies are generally classified into two categories: limited liability companies and companies limited by shares. Foreign invested limited liability companies are also governed by the aforesaid laws and regulations unless otherwise specified in the relevant laws regarding foreign investment. These include but are not limited to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") which was promulgated on 15 March 2019 and became effective on 1 January 2020, Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) which was promulgated on 26 December 2019 and became effective on 1 January 2020 and the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the "**Reporting Measures**"), which was promulgated on 30 December 2019 and became effective on 1 January 2020. According to the Foreign Investment Law, the treatment accorded to foreign investors and their investments shall be no less favourable than that accorded to domestic investors and their investments at the stage of investment access. According to the Reporting Measures, a foreign investor or a foreign-invested enterprise shall report investment information by submitting initial report, changing report, deregistration report, annual report, etc.

Any investments conducted by the foreign investors and enterprises in the PRC shall be subject to the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》), which was promulgated on 11 February 2002 and became effective on 1 April 2002, and Special Management Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) (the "**Negative List**"), which was promulgated on 27 December 2021 and became effective on 1 January 2022. The said regulations enumerate prohibited, restricted and encouraged industries in relation to foreign investment. Restrictions on foreign investment have been further loosened under the Negative List, and our current business is not prohibited or restricted by or subject to any administrative measures stipulated in the Negative List.

Laws and regulations on overseas listing

On 17 February 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the relevant supporting guidelines (collectively, the "**Listing Trial Measures**") which took effect on 31 March 2023. The Listing Trial Measures is formulated to regulate overseas securities offering and listing activities by domestic companies, either in direct or indirect form (hereinafter referred to as "**overseas offering and listing**"). The Listing Trial Measures not only list out the circumstances where overseas offering and listing is forbidden, but also set out the conditions for determining the overseas offering and listing in indirect form. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Listing Trial Measures.

Pursuant to Listing Trial Measures, any overseas offering and listing conducted by an issuer that meets both of the following conditions shall be determined as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by the domestic companies; and (ii) the main parts of the issuer's business activities are conducted in the PRC, or its main places of operations are within the PRC, or the senior managers in charge of its operation and management are mostly PRC citizens or domiciled in the PRC. The determination as to whether or not an overseas offering and listing by domestic companies is indirect, shall be made on a substance over form basis. Domestic companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with and report relevant information to the CSRC, and the filing shall be submitted within three business days after the application for an initial public offering is submitted.

Laws and regulations on taxation

Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**EIT Law**") promulgated on 16 March 2007, last amended and became effective on 29 December 2018, the income tax rate for both domestic and foreign-invested enterprises is 25%, and the existing tax exemptions, reductions and preferential treatments which had been enjoyed by foreign-invested enterprises were abolished unless otherwise specified. Enterprises established outside the PRC whose "*de facto* management bodies" are located in the PRC are considered as "resident enterprises" and are subject to the uniform 25% enterprise income tax rate for their global income.

Pursuant to the EIT Law, enterprise income tax shall be levied at the reduced rate of 15% for certain high-tech enterprises. Pursuant to the Measures for the Administration of the Certification of High-tech Enterprises (《高新技術企業認定管理辦法》) which became effective on 1 January 2016, the qualification of a high-tech enterprise that has been accredited shall be valid for a period of three years from the date of issuance of the certificate and an eligible high-tech enterprise is entitled to the tax preferences from the year when the high-tech enterprise certificate is issued. As our subsidiary, Guangzhou Shenghui, obtained the high-tech enterprise certificate issued in December 2020, it is entitled to the preferential enterprise income tax rate of 15% from 2020 to 2022. Our subsidiaries, Guangxi Shenghui and Guangzhou Xinhui, which without the high-tech enterprise certificate, shall pay enterprise income tax at the rate of 25%.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (the "**Provisional Regulations on VAT**"), which was promulgated on 13 December 1993, became effective on 1 January 1994 and was last amended on 19 November 2017, and its implementation rules, all entities and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, sales of services, intangible properties or real estates, and the importation of goods within the territory of the PRC shall pay value-added tax ("**VAT**"). VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT is 6% for taxpayers selling services or intangible assets unless otherwise specified, and the rate of VAT on small-scale taxpayers shall be 3% unless otherwise specified by the State Council.

Withholding tax on dividends

Pursuant to the PRC Enterprise Income Tax Law and the Implementation Rules of PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) promulgated on 6 December 2007, effective on 1 January 2008 and amended on 23 April 2019, non-resident enterprises which have not set up institutions or premises in the PRC, or where the institutions or premises are set up but the income has no actual relationship with such institutions or premises shall be subject to the withholding tax rate of 10% on its income derived from the after-taxed profit of its subsidiary.

Pursuant to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect To Taxes On Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006 and implemented from 1 January 2007, if the beneficial owner of the dividends is a foreign investor residing in Hong Kong and owns at least 25% of the capital of a PRC enterprise, our profit derived by the foreign investor residing in Hong Kong from its PRC enterprise is subject to the tax rate of 5%.

Pursuant to the Circular of the SAT on Relevant Issues relating to the Implementation of Dividend Clauses in the Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated and became effective on 20 February 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (a) such a fiscal resident who receives the dividends should be a company as provided in the tax agreements; (b) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (c) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the twelve months prior to receiving of the dividends, reach a percentage specified in the tax agreements.

Pursuant to the Announcement of the SAT on Issuing the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), which was promulgated on 14 October 2019 and became effective on 1 January 2020, if the non-resident taxpayers are qualified for enjoying treaty benefits through self-assessment, they may enjoy such benefits when they or their withholding agent file tax returns. Meanwhile, they shall collect and retain relevant materials for review and accept the follow-up management of tax authorities.

Laws and regulations on labour and insurance

Labour

Enterprises in the PRC are subject to the PRC Labour Law (《中華人民共和國勞動法》) (the "**PRC Labour Law**"), the PRC Labour Contract Law (《中華人民共和國勞動合同法》) (the "**PRC Labour Contract Law**"), the Implementations Regulations of the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》) and the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》), as well as other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for such enterprises' operations in the PRC. The PRC Labour Contract Law, which was promulgated on 29 June 2007, became effective on 1 January 2008 and was amended on 28 December 2012, provides stricter requirements in human resources management in terms of signing labour contracts with employees, stipulating probation and violation penalties, dissolving labour contracts, paying remuneration and economic compensation, use of labour dispatch, as well as social security premiums.

Pursuant to the PRC Labour Law and the PRC Labour Contract Law, enterprises shall enter into labour contracts if they are to establish labour relationships with the employees. Enterprises shall fully perform their respective obligations according to the stipulations of the labour contract with the employees, and shall provide wages, which shall not be lower than the local minimum wage standards, to such employees and are required to establish labour safety and sanitation systems, strictly abide by the PRC rules and standards and provide the relevant training to the employees. Pursuant to the Interim Provisions on

Labour Dispatch, employers may employ dispatched workers in temporary, auxiliary or substitutable positions only and shall strictly control the number of dispatched workers employed which shall not exceed 10% of the total number of its workers.

Pursuant to Provisions on Minimum Wages (《最低工資規定》) which was promulgated on 20 January 2004 and became effective on 1 March 2004, the minimum wage standards shall apply to the employees who have established labor relationships with the employers. The standards appear in two forms, namely, the standard of monthly minimum wage, which applies to full-time employees, and the standard of hourly minimum wage, which applies to non-fulltime employees. Different administrative areas within a province, autonomous region or municipality directly under the Central Government may adopt different standards of minimum wages.

Social insurance and housing provident fund

The requirements on PRC enterprises relating to social insurance shall mainly be governed by the PRC Social Insurance Law (《中華人民共和國社會保險法》) promulgated on 28 October 2010, effective on 1 July 2011 and amended on 29 December 2018, the Provisional Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》) promulgated and effective on 22 January 1999 and amended on 24 March 2019, the Regulations on Work-Related Injury Insurance (《工傷保險條例》) promulgated on 27 April 2003, effective on 1 January 2004 and amended on 20 December 2010, the Regulations on Unemployment Insurance (《失業保險條例》) promulgated and effective on 22 January 1999 and the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》) promulgated on 14 December 1994 and effective on 1 January 1995. Pursuant to aforesaid laws and regulations, employers in the PRC shall conduct registration of social insurance with the competent authorities and make contributions to the basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for their employees.

Pursuant to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), which was promulgated by State Council and became effective on 3 April 1999 and was last amended on 24 March 2019, a unit (including a foreign-invested enterprise) shall undertake the registration with the administrative centre of housing provident funds and pay the funds for their staff. The unit shall contribute to the fund at a rate of not less than 5% of the employee's average monthly salary in the previous year.

Pursuant to Notice on Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (《關於階段性減免企業社會保險費的通知》) promulgated and effective on 20 February 2020 and Notice on Extending the Implementation Period of the Temporary Reduction and Exemption of Social insurance Premiums Payable by Enterprises and Other Issues (《關於延長階段性減免企業社會保險費政策實施期限等問題的通知》) promulgated and effective on 22 June 2020, as of February 2020, relative authorities outside Hubei province may, based on how they are affected by COVID-19 and the affordability of funds, exempt micro, small and medium-sized enterprises from employers' contributions to the premiums of three social insurances until the end of December 2020, and may reduce by half the employers' contributions made by large enterprises and other entities participating in the social insurance other than government organs and public institutions, to the premiums of three social insurances until the end of June 2020.

Laws and regulations on environmental cleaning and maintenance

Enterprises engaging in environmental cleaning and maintenance in the PRC are mainly governed by Regulations on the Administration of City Appearance and Environmental Sanitation (《城市市容和環境衛生管理條例》), which was promulgated by the State Council on 28 June 1992, became effective on 1 August 1992 and was last amended on 1 March 2017, and Administrative Measures for Urban Living Garbage (《城市生活垃圾管理辦法》), which was promulgated on 28 April 2007, became effective on 1 July 2007 and was amended on 4 May 2015. Pursuant to Administrative Measures for Urban Living Garbage, an enterprise engaging in commercial clearing, collection and transportation of urban living garbage shall obtain a licence for such activities. Those who engage in such business activities without approval shall be ordered by the competent department to stop the illegal acts and impose a fine. Provisions of Guangzhou for the Administration of City Appearance and Environmental Sanitation (《廣州市市容環境衛生管理規定》) promulgated and effective on 18 May 2020 also provides that enterprises engaging in such business activities without permission shall be ordered to rectify within a time limit and be imposed a fine of not less than RMB5,000 but not more than RMB20,000.

Laws and regulations on Road Transport

Pursuant to the Regulations of the PRC on Road Transport (《中華人民共和國道路運輸條例》) (the "**Road Transport Regulations**") last amended on 20 July 2023, any individuals and institutions that apply for the operation of freight transportation (OFT) shall (i) have vehicles that are relevant to and qualified for their operations; (ii) engage in drivers who meet the requirements as described in the Road Transport Regulations; and (iii) establish improved management systems for safe operations. Anyone who intends to engage in the OFT other than the transport of dangerous cargoes shall file an application to the county-level road transport authority. If approved, the said authority shall issue the road transport operation license to the applicant and issue vehicle operation licenses to the applicant for vehicles that are used for transport. Anyone who engages in the operation of general freight transportation without the road transport operation license will be ordered to cease the operation, and illegal gains exceeding RMB10,000 shall be confiscated and a fine shall be imposed.

Laws and regulations on production safety and environmental protection

Production safety

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), which was promulgated on 29 June 2002, last amended on 10 June 2021 and became effective on 1 September 2021, entities shall meet the relevant requirements such as providing their employees with education and training programmes on work safety to ensure that the employees are familiar with the relevant rules and systems for work safety and safe operating procedures. Besides, entities shall make sure that the employees acquire the necessary knowledge about work safety, have mastered the skills of safe operating for their own posts, understand the emergency handling measures for accidents, and are aware of their own work safety. In addition, special operation workers of an entity must receive special training on safe operation as required by the state and may take their posts only after obtaining a corresponding qualification.

Environmental protection

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on 26 December 1989, amended on 24 April 2014 and became effective on 1 January 2015, all entities and individuals shall have the obligation to protect environment; and enterprises shall prevent and reduce environmental pollution and ecological disruption and assume liabilities for damage caused by them. An enterprise which causes environmental pollution and discharges materials which endanger the public shall implement environmental protection methods and procedures for their business operations. Besides, an enterprise will be ordered to make corrections or be fined if it discharges pollutants illegally. If the enterprise refuses to do so, it shall be subject to consecutive penalties on a daily basis based on the original punishment amount, starting from the day following the date when it is ordered to make corrections.

Laws and regulations on construction labour service

Pursuant to Provisions on the Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》) promulgated on 26 June 2007, amended on 13 September 2016 and became effective on 20 October 2016, an enterprise shall meet the conditions to apply for the qualification of construction enterprise and shall engage in construction activities within the scope permitted by its qualification. The qualification of the construction labour service, which shall be licensed by the competent housing and urban-rural construction department of the PRC government where the enterprise is registered, is one of the qualifications of construction enterprise and it does not include several types or grades. Pursuant to Circular on Printing and Distributing the Reform Programme of the Qualification Management System for Construction Enterprises (《關於印發建設工程企業資質管理制度改革方案的通知》) promulgated by Ministry of Housing and Urban-Rural Development of the PRC and effective on 30 November 2020, the qualification of the construction labour service shall be changed into professional operation qualification and enterprises engaging in construction labour service shall go through the formalities for record-filing instead of examination and approval.

Laws and regulations on mergers and acquisitions and overseas listings

The Regulations on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") were promulgated by six PRC governmental and regulatory agencies including MOFCOM and the CSRC on 8 August 2006, became effective on 8 September 2006 and were amended on 22 June 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (a) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (b) subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (c) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (d) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. A special purpose vehicle (the "**SPV**"), formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange, especially in the event that the SPV acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Laws and regulations on foreign exchange

The Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》) (the "**Rules**") were promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and were amended respectively on 14 January 1997 and 5 August 2008. Pursuant to the Rules, RMB is freely convertible for payments of current account transactions in general, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account transactions, such as capital transfer, direct investment, investment in securities, derivative products or loans, unless prior approval by the competent authorities for the administration of foreign exchange is obtained.

Pursuant to the Notice of the SAFE on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (Hui Fa No.19 [2015]) promulgated on 30 March 2015, effective on 1 June 2015 and partially repealed on 30 December 2019, foreign-invested enterprises shall be allowed to settle their foreign exchange capitals on a discretionary basis. The proportion of voluntary settlement of foreign exchange capital of foreign invested enterprises is currently determined as 100% and foreign invested enterprises can also use their foreign exchange capital according to the system of foreign exchange settlement upon payment.

Pursuant to the Circular on Relevant Issues Concerning the Reform and Regulation of the Administrative Policies of the Conversion under Capital Items (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa No.16 [2016]) (the "**Circular No.16**") promulgated by the SAFE and effective on 9 June 2016, all enterprises including foreign invested enterprises are allowed to convert 100% (subject to future adjustment at the discretion of SAFE) of the foreign currency capital in their capital accounts into RMB at their own discretion without providing various supporting documents. However, to use the converted RMB, an enterprise still needs to provide supporting documents and go through the review process with the banks for each withdrawal. A negative list with respect to the usage of the capital and the RMB proceeds through the aforementioned settlement procedure is set forth under Circular No.16.

Pursuant to Circular 37 and Circular 13, domestic residents (including domestic institutions and resident individuals) are required to register with the competent local branch of SAFE before they make contribution to any offshore SPVs with legitimate holdings of domestic or overseas assets or interests. The foreign exchange registration procedure for direct investment is delegated to local banks which, after reviewing the documents submitted by a foreign-invested enterprise, will complete the registration through the online Capital Account Information System managed by SAFE.

Laws and regulations on property

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated on 28 May 2020 and became effective on 1 January 2021, the owner of a real property or movable property has the rights to possess, use, seek profits from and dispose of the real property or movable property according to law.

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) which was promulgated on 1 December 2010 and became effective on 1 February 2011, the lessor and the lessee shall enter into a lease contract in accordance with law. Within 30 days after signing the lease contract, parties of the contract shall carry out the registration with the competent real estate administration authority where the leased property is located. Those who fail to register may be ordered to rectify the failure within the specified time or are otherwise fined by the relevant authorities.

Laws and regulations on intellectual property

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated on 23 August 1982, became effective on 1 March 1983 and was last amended on 23 April 2019, and Regulation on the Implementation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which was promulgated on 3 August 2002, became effective on 15 September 2002 and was last amended on 29 April 2014, a trademark registrant shall be entitled to the exclusive right to use the registered trademark and such right is limited to the trademark registered and the goods approved to be covered by the trademark. A registered trademark shall be valid for 10 years starting from the date of registration and is renewable if a trademark registrant intends to continue using the registered trademark upon expiry of its validity period. Any of the following acts shall constitute an infringement upon the right to the exclusive use of a registered trademark: (a) using a trademark which is identical with the registered trademark on the same kind of commodities without a licence from the registrant of that trademark; (b) using a trademark which is similar to the registered trademark on the same kind of commodities or using a trademark which is identical with or similar to the registered trademark on the similar commodities without a licence from the registrant of that trademark, which easily leads to confusion; (c) selling commodities that infringe upon the right to the exclusive use of a registered trademark; (d) forging, manufacturing without authorisation the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorisation; (e) altering a registered trademark and putting the commodities covered with the altered trademark into the market without the consent of the registrant of that trademark; (f) providing convenience for the infringement of the right to the exclusive use of a registered trademark deliberately, or assisting others to carry out such infringement; and (g) causing other damages to the right to the exclusive use of a registered trademark of another person.

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated on 12 March 1984, last amended on 17 October 2020 and became effective on 1 June 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated on 15 June 2001 and last amended on 9 January 2010, to be granted a patent, the invention or the utility model shall be novel, inventive and practically applicable. Generally, only one patent right will be granted for each invention and utility model. The patent right for inventions shall be valid for 20 years from the date of application, while the patent right for utility models shall be valid for 10 years from the date of application. A patentee shall pay an annual fee beginning with the year in which the patent is granted. Any exploitation of the patent without the authorisation of the patentee constitutes an infringing act.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated on 7 September 1990, last amended on 11 November 2020 and became effective on 1 June 2021, copyrights include personal rights such as the right of publication and the right of attribution as well as property rights such as the right of production and the right of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright thereof, unless otherwise specified, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc. to the copyright owner.

Domain names

Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), which was promulgated on 24 August 2017 and became effective on 1 November 2017, and the Implementing Rules on Registration of China Country Code Top-level Domain Names (《國家頂級域名注冊實施細則》), which was promulgated and became effective on 18 June 2019, regulated Internet domain name services and its operation and maintenance, supervision and administration and other related activities within the territory of the PRC.

HISTORY AND DEVELOPMENT OF OUR GROUP

Our history can be traced back to August 2000 when Guangzhou Shenghui was established in Guangzhou city, Guangdong province, the PRC by our founders, Mr. Li and Mr. Chen, with their own resources. For further details on the background of Mr. Li and Mr. Chen, please refer to the section headed "Directors and senior management" of this prospectus. Since establishment of our Group, we have provided cleaning and maintenance services for various commercial properties and other service locations.

Over our 20 years of operations and development, our business operations have expanded from Guangzhou to across the PRC. Our wide range of cleaning and maintenance services include basic cleaning and maintenance service, garbage collection and transportation service, waste collection and transportation service, water tank cleaning service and ancillary services. We also offer specialised cleaning services such as stone cleaning and restoration and high-attitude cleaning with mobile elevated platforms. For details, please refer to the section headed "Business" of this prospectus.

Key milestones of our Group

The following table sets forth the major milestones of our development:

Year	Milestones
2000	• Guangzhou Shenghui was established in Guangzhou city, Guangdong province.
2002	• We were first engaged for the cleaning and maintenance of the public area of a shopping mall in Guangzhou city.
	• We were first engaged for the cleaning and maintenance of a residential premise in Guangzhou city.
	• We were first appointed as the cleaning service provider of the external walls and external marble walls of governmental buildings operated as a command centre.
2003	• We were first engaged for the cleaning and maintenance of office buildings in Guangzhou city.
2009	• We obtained ISO9001 (質量管理體系認證證書) and ISO14001 (環境管理體系認證證書) certifications for the first time.
2010	• We were appointed as the cleaning service provider for Guangzhou International Finance Center (廣州國際金融中心).

Year	Milestones
	• We obtained a Guangzhou Sanitation Industry Operating Service Company Certificate – A Grade* (廣州環衛行業經營服務企業資質等級證書 – A級) from the Guangzhou Industry Association of Sanitation (廣州環衛行業協會) for the first time.
2013	• We obtained GB/T 28001 certification (職業健康安全管理體系認證證書) (now replaced by ISO45001 certification (職業健康安全管理體系統認證證書)) for the first time.
2015	• We obtained a grade A honorary certificate for tax credit (納稅信用A級榮譽證書) for the preceding year from the Guangzhou State Municipal Tax Bureau Taxation Administration (國家稅務總局廣州市稅務局).
2016	• Guangxi Shenghui was established in Nanning city, Guangxi region.
2017	• We were appointed as the cleaning service provider for Guangzhou Baiyun International Airport (廣州白雲國際機場) and Guangzhou Taikoo Hui (廣州太古匯).
	• Haikou Branch was established in Haikou city, Hainan province
2019	• We obtained a Stone & Floor Conserve Application Enterprise Qualification Certificate – AAAAA Grade* (石材地坪應用護理企業資質證書 – AAAAA級) issued by the Professional Stone Care Committee of the Guangdong Stone Materials Association* (currently known as the Stone Application Conservation Specialty Committee of the Guangdong Stone Materials Association*) (廣東省石材行業協會省石材應用護理專業委員會).
	• We were recognised as an Advanced Cleaning Service Provider in Guangdong province* (廣東省清潔服務先進單位) by China Quality Credit Evaluation Committee, China Quality Brands Promotion Committee, Beijing Bid Evaluation Centre* (中國質量信用企業徵信評估組委會，中國質量品牌促進推廣組委會，北京中標信用評價中心).

Year	Milestones
2020	• We were appointed as the cleaning service provider for Chongqing Jiangbei International Airport (重慶江北國際機場).
	• Our brand "升輝清潔" ranked 6th in the Top 500 Property Services Enterprises – Cleaning Services* (2020物業服務企業500強 – 保潔服務) by China Property Management Institution and China Real Estate Appraisal Center of Shanghai E-House Real Estate Research Institute* (中國物業管理協會, 上海易居房地產研究院).
	• Chongqing Branch was established in Chongqing municipality.
2021	• We were recognised as a Contract Honouring and Credit Keeping Enterprise in Guangdong* (廣東省守合同重信用企業) (2011–2020).
	• We were recognized as an Advanced enterprise in anti-epidemic work* (抗疫工作先進企業) by Guangzhou Industry Association of Sanitation (廣州環衛行業協會).
2022	• We obtained Enterprise Qualification of China Cleaning Industry (中國清潔清洗行業企業資質) issued by China Professional Commission of Cleaning Service Contractor (中國商業企業管理協會清潔服務商專業委員會).
	• We obtained Credit Evaluation Certificate – AAA Grade* (信用評價認證證書－AAA級) issued by Zhongan Zhihuan Certification Center Co., Ltd (北京中安質環認證中心有限公司).
2023	• Zhengzhou Branch was established in Zhengzhou municipality.
	• Shenghui Cleanness (Beijing) was established in Beijing city.

Year	Milestones
2023	• We obtained Qualification Certificate for Secondary Water Supply Cleaning Service Enterprise – Grade 1* (二次供水清潔服務企業資質證書－一級) issued by China Evaluation Beacon (Beijing) Certificate Center, Enterprise service capability evaluation and Certification Center, National tendering and bidding qualification query platform* (華評信標(北京)認證中心、企業服務評價認證中心、全國招投標資質查詢平台).
	• We obtained Qualification Certificate for Cleaning and Maintenance of Hard Materials (Stone and Floor) – National Grade 1* (硬材(石材、地坪)清洗養護資質證書－國家一級) issued by China Evaluation Beacon (Beijing) Certificate Center, Enterprise service capability evaluation and Certification Center, National tendering and bidding qualification query platform* (華評信標(北京)認證中心、企業服務評價認證中心、全國招投標資質查詢平台).

OUR CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 4 January 2021, and became the holding company and listing vehicle of our Group upon completion of our Reorganisation. For details of such transfers, please refer to the paragraph headed "Reorganisation" in this section below.

During the Track Record Period and up to the Latest Practicable Date, our business operations had been carried out by our operating subsidiaries in the PRC. Set out below are the major corporate development including major changes in equity interest in our operating subsidiaries in the PRC.

Guangzhou Shenghui

Guangzhou Shenghui is principally engaged in the provision of environmental cleaning and maintenance services. It was established in the PRC with limited liability and commenced its operations on 4 August 2000 with an initial registered capital of RMB500,000, fully paid up by cash, and had been owned as to 50% by each of Mr. Li and Mr. Chen since its establishment and up until the commencement of our Reorganisation.

Subsequent to a series of capital injection by Mr. Li and Mr. Chen in equal proportion between October 2005 and July 2016, the registered capital of Guangzhou Shenghui increased to RMB20.02 million.

As part of our Reorganisation, the registered capital of Guangzhou Shenghui was reduced to RMB500,000 on 24 February 2021 and subsequently increased to RMB25.0 million on 2 March 2021. In connection with the capital reduction, Guangzhou Shenghui's then shareholders received a total amount of approximately RMB12.3 million. As at the Latest Practicable Date, the remaining RMB24.5 million of the registered capital of Guangzhou Shenghui had not been paid up and will be fully paid up in accordance with its articles of association. Following our Reorganisation, Guangzhou Shenghui became wholly-owned by Guangzhou Xinhui and became an indirect wholly-owned subsidiary of our Company. For details of our Reorganisation, please refer to the paragraph headed "Reorganisation" in this section below.

Guangxi Shenghui

Guangxi Shenghui is principally engaged in the provision of environmental cleaning and maintenance services. It was established in the PRC with limited liability and commenced its operations on 7 June 2016 with an initial registered capital of RMB2.0 million, which remained unpaid as at the Latest Practicable Date, and will be fully paid up in accordance with its articles of association. Guangxi Shenghui has been wholly-owned by Guangzhou Shenghui since its establishment.

Following our Reorganisation, Guangxi Shenghui became an indirect wholly-owned subsidiary of our Company. For details of our Reorganisation, please refer to the paragraph headed "Reorganisation" in this section below.

Shenghui Cleanness (Beijing)

Shenghui Cleanness (Beijing) is principally engaged in the provision of environmental cleaning and maintenance services. It was established in the PRC with limited liability and commenced its operations on 20 July 2023 with an initial registered capital of RMB5.0 million, of which RMB100,000 had been fully paid up by cash as at the Latest Practicable Date, and the remaining unpaid registered capital will be fully paid up in accordance with its articles of association. Shenghui Cleanness (Beijing) has been wholly owned by Guangzhou Shenghui since its establishment.

Shenghui Cleanness (Beijing) became an indirect wholly-owned subsidiary of our Company. For details of our Reorganisation, please refer to the paragraph headed "Reorganisation" in this section below.

Guangzhou Xinhui

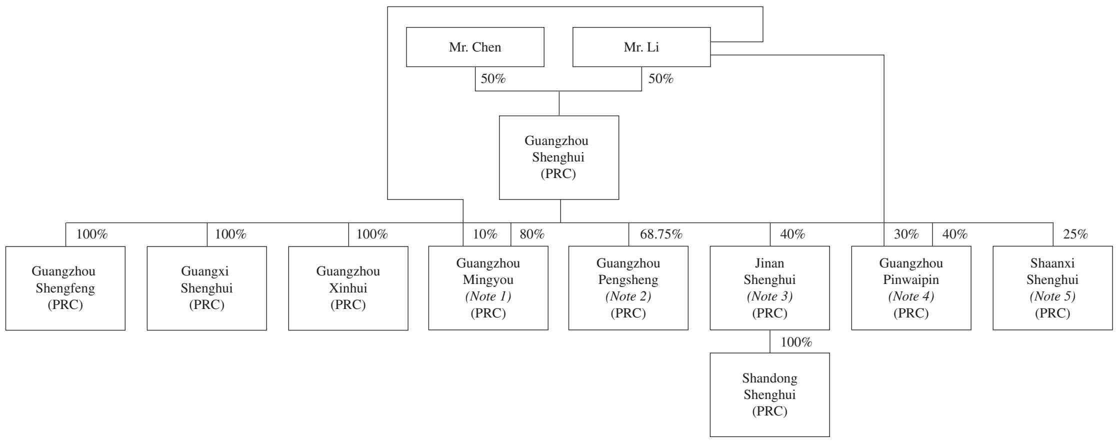
Guangzhou Xinhui is principally engaged in the provision of environmental cleaning and maintenance services. It was established in the PRC with limited liability and commenced its operations on 14 November 2002 with an initial registered capital of RMB500,000, fully paid up by cash, and was owned as to 50% by each of Mr. Li and Mr. Chen as at the date of its establishment.

As part of an internal restructuring, on 10 August 2020, Mr. Li and Mr. Chen transferred their respective 50% equity interest in Guangzhou Xinhui to Guangzhou Shenghui at nil consideration. Upon completion of the above transfer, Guangzhou Xinhui was wholly-owned by Guangzhou Shenghui. On the same day, the registered capital of Guangzhou Xinhui increased to RMB8.0 million. As part of our Reorganisation, our Pre-IPO Investor and Guangzhou Shenghui entered into the Xinhui Capital Contribution Agreement, pursuant to which, our Pre-IPO Investor obtained 3% of the enlarged equity interest of Guangzhou Xinhui at a cash consideration of RMB247,423. Immediately thereafter, Guangzhou Xinhui was owned by Guangzhou Shenghui and our Pre-IPO Investor as to 97% and 3% respectively, and the registered capital of Guangzhou Xinhui increased to RMB8,247,423, of which RMB747,423 had been fully paid up by cash as at the Latest Practicable Date, with the remaining unpaid registered capital to be fully paid up in accordance with its articles of association.

Following our Reorganisation, Guangzhou Xinhui became wholly-owned by Shenghui Cleanness (HK) and became an indirect wholly-owned subsidiary of our Company. The acquisition of Guangzhou Xinhui was considered as a business combination under common control as our Group and Guangzhou Xinhui were both ultimately controlled by Mr. Li and Mr. Chen. The acquisition thereof was accounted for using merger accounting in accordance with Hong Kong Accounting Guideline 5 (Revised) "Merger Accounting for Common Control Combination" ("**AG5**") issued by the HKICPA. Accordingly, the assets and liabilities of Guangzhou Xinhui were stated at predecessor value, and were included in the Group's consolidated financial statements from the beginning of the earliest period presented as if the business and underlying assets and liabilities acquired had always been operated and held by the Group. Pursuant to the Controlling Shareholders' Confirmation entered into between Mr. Li and Mr. Chen, they have reaffirmed that they have been a group of Controlling Shareholders since the establishment of the companies now comprising the Group. They are acting in concert with each other and manage the business, which is principally engaged in the provision of environmental cleaning and maintenance services in the PRC, collectively throughout the Track Record Period and will continue to act as such upon Listing. For further details of our Reorganisation and the Pre-IPO Investment, please refer to the paragraphs headed "Reorganisation" and "Pre-IPO Investment" in this section.

REORGANISATION

In preparation for the Listing, our Group has undergone our Reorganisation whereupon our Company became the holding company and the listing vehicle of our Group and our operating subsidiaries were transferred to our Company. The following chart sets forth our shareholding structure immediately before our Reorganisation:



Notes:

1. The remaining 10% equity interest in Guangzhou Mingyou was owned by Ms. Kang Yiwen (康毅文) (an Independent Third Party).

2. The remaining 31.25% equity interest in Guangzhou Pengsheng was owned as to 15.625% by each of Ms. Li Yan (黎燕) and Mr. Ling Shunsheng (淩順生) (both being Independent Third Parties) respectively.

3. The remaining 60% equity interest in Jinan Shenghui was owned as to 30% by each of Ms. Zhao Yike (趙怡可) and Ms. Li Yinling (李銀玲) (both being Independent Third Parties) respectively.

4. The remaining 30% equity interest in Guangzhou Pinwaipin was owned by Ms. Luo Wanhong (駱婉紅) (an Independent Third Party).

5. The remaining 75% equity interest in Shaanxi Shenghui was owned as to 35%, 20% and 20% by Mr. Zhou Xiang (周祥), Mr. Zhang Jun (張軍) and Mr. Liang Guohui (梁國暉) (all being Independent Third Parties) respectively.

The principal steps of our Reorganisation are as follows:

Step (1): Disposal of the Disposed Companies and deregistration of Guangzhou Shengfeng

To streamline our corporate structure, the following companies were disposed of or deregistered as part of our Reorganisation:

(i) Disposal of Jinan Shenghui

Jinan Shenghui, a limited company with registered capital of RMB5.0 million, was an associate principally engaged in the provision of cleaning service in Jinan and other cities of Shandong province of the PRC, which had customers that are property management companies prior to the disposal. Before disposal, the revenue of Jinan Shenghui was RMB5.3 million, RMB7.2 million and RMB8.4 million for the years ended 31 December 2018, 2019 and 2020. A net profit of RMB7,537, RMB1,673 and RMB1,099 was recorded for the years ended 31 December 2018, 2019 and 2020. In light of the insignificant return and operation and to have a streamlined group structure, on 13 September 2020, Guangzhou Shenghui entered into an equity transfer agreement with Mr. Zheng Yong (鄭勇), an Independent Third Party, to dispose of its entire equity interest in Jinan Shenghui to Mr. Zheng Yong (鄭勇) at the consideration of RMB880,000, which was determined with reference to the paid-up capital contributed by Guangzhou Shenghui in Jinan Shenghui at the time of such transfer. Such consideration was settled on 31 March 2021 and the legal procedure for the said transfer was completed on 18 September 2020. Upon completion of such transfer, our Group ceased to hold any equity interest in Jinan Shenghui.

Our Directors confirmed that there was no overlapping customers between Jinan Shenghui and our Group and there was no information in relation to the scale of operations, customer profile and financial performance of Jinan Shenghui subsequent to the disposal. Our Directors further confirmed that the disposal of Jinan Shenghui does not have any significant impact on the Group's operations or financial performance.

(ii) Disposal of Guangzhou Mingyou

Guangzhou Mingyou, a limited liability company with registered capital of RMB10.0 million, was inactive and had not commenced any business since its establishment in 2020 and immediately prior to the disposal. Thus, Guangzhou Mingyou did not have any employee and customer prior to the disposal. In order to streamline our corporate structure, on 15 September 2020, Guangzhou Shenghui entered into an equity transfer agreement with Mr. Li (who was then a minority shareholder of Guangzhou Mingyou) to dispose of its entire equity interest in

Guangzhou Mingyou to Mr. Li at the consideration of RMB1, as the registered capital of Guangzhou Mingyou was yet to be paid up at the time of such transfer. Such consideration was settled on 30 December 2020 and the legal procedure for the said transfer was completed on 29 September 2020. Upon completion of such transfer, our Group ceased to hold any equity interest in Guangzhou Mingyou.

Subsequent to disposal, the revenue of Guangzhou Mingyou was nil, nil, RMB0.4 million and RMB60,000 for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023. A net loss of RMB3,565, RMB0.2 million, RMB0.6 million and RMB0.1 million were recorded for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023.

In order to expand its business, Guangzhou Mingyou changed its name to Guangdong Mingyou Education and Technology Investment Limited*(廣東明佑教育科技投資有限公司) and its business scope changed from technology marketing and application services to business service on 14 September 2021.

Our Directors confirmed that there was no information on its scale of operation and customer profile subsequent to the Group's disposal.

(iii) Disposal of Guangzhou Pinwaipin

Guangzhou Pinwaipin, a limited liability company with registered capital of RMB2.0 million, was established with an aim to principally engage in the food import business immediately prior to the disposal. As Guangzhou Pinwaipin only had minimal business operation since its establishment, it did not have any employee and customer prior to the disposal. In 2020, Mr. Li intended to expand his business to food import industry. On 19 September 2020, Guangzhou Shenghui entered into an equity transfer agreement with Mr. Li to dispose of its entire equity interest in Guangzhou Pinwaipin to Mr. Li at the consideration of RMB500,000, which was determined with reference to the paid-up capital contributed by Guangzhou Shenghui in Guangzhou Pinwaipin at the time of such transfer. Such consideration was settled on 18 November 2020 and the legal procedure for the said transfer was completed on 23 September 2020. Before disposal, the revenue was nil and nil for the year ended 31 December 2019 and the nine months ended 30 September 2020. A net loss of RMB2,128 and RMB412 was recorded for the year ended 31 December 2019 and the nine months ended 30 September 2020. Upon completion of such transfer, our Group ceased to hold any equity interest in Guangzhou Pinwaipin. Mr. Li decided not to continue to engage in food import business in light of the COVID-19 control in the PRC. Guangzhou Pinwaipin was subsequently deregistered on 23 November 2020.

Our Directors confirmed that the other ultimate beneficial owners, director and senior management of Guangzhou Pinwaipin (except Mr. Li) do not have any past or present relationships (business, employment, family, trust, financing or otherwise) with the Group, its directors, shareholders, senior management or any of their respective associates. Our Directors further confirmed that there was no information on the scale of operations, customer profile and financial performance of Guangzhou Pinwaipin subsequent to the Group's disposal as Guangzhou Pinwaipin was deregistered shortly after such disposal.

(iv) Disposal of Shaanxi Shenghui

Shaanxi Shenghui was an associate of our Group principally engaged in the provision of cleaning service in Xi'an of Shaanxi province of the PRC which had customers that are property management companies prior to the disposal. Before disposal, the revenue of Shaanxi Shenghui was RMB1.8 million, RMB2.9 million and RMB1.1 million for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020. A net profit of RMB0.1 million and RMB0.3 million was recorded for the years ended 31 December 2018 and 2019 and a net loss of RMB8,969 was recorded for the six months ended 30 June 2020. In light of the insignificant return and operation and to have a streamlined group structure, on 20 September 2020, Guangzhou Shenghui entered into an equity transfer agreement with Mr. Liang Guohui (梁國暉), an Independent Third Party, to dispose of its entire equity interest in Shaanxi Shenghui to Mr. Liang Guohui (梁國暉) at the consideration of RMB125,000, which was determined with reference to the paid-up capital contributed by Guangzhou Shenghui in Shaanxi Shenghui at the time of such transfer. Such consideration was settled on 17 December 2020 and the legal procedure for the said transfer was completed on 29 September 2020. Upon completion of such transfer, our Group ceased to hold any equity interest in Shaanxi Shenghui.

Our Directors confirmed that there was no overlapping customers between Shaanxi Shenghui and our Group and there was no information in relation to the scale of operations, customer profile and financial performance of Shaanxi Shenghui subsequent to the disposal. Our Directors further confirmed that the disposal of Shaanxi Shenghui does not have any significant impact on the Group's operations or financial performance.

(v) Disposal of Guangzhou Pengsheng

Guangzhou Pengsheng, a limited liability company with registered capital of RMB20.0 million, was a subsidiary of our Group principally engaged in the provision of sports facilities which had individual customers prior to the disposal. Before disposal, the revenue of Guangzhou Pengsheng was nil, RMB0.3 million and RMB30,000 for the years ended 31 December 2018, 2019 and 2020. A net loss of RMB0.2 million, RMB0.1 million and RMB30,000 was recorded for the years ended 31 December 2018, 2019 and 2020. In order to focus our resources for the development of our core business, on 29 September 2020, Guangzhou Shenghui entered into an equity transfer agreement with Mr. Chen Qingrong (陳青榮), an Independent Third Party, to dispose of its entire equity interest in Guangzhou Pengsheng to Mr. Chen Qingrong (陳青榮), at the consideration of RMB2.1 million, which was determined with reference to the paid-up capital contributed by Guangzhou Shenghui in Guangzhou Pengsheng at the time of such transfer and the rental receivables penalty waived according to the commercial settlement reached between our Group and Guangzhou Pengsheng. Such consideration was settled on 29 December 2020 and the legal procedure for the said transfer was completed on 27 October 2020. Upon completion of such transfer, our Group ceased to hold any equity interest in Guangzhou Pengsheng. Our Directors confirmed that there was no information in relation to the scale of operation, customer profile and financial performance subsequent to the disposal of Guangzhou Pengsheng.

(vi) Deregistration of Guangzhou Shengfeng

Guangzhou Shengfeng was inactive and had not commenced any business since its establishment. On 11 November 2020, Guangzhou Shengfeng was deregistered.

Confirmations from our Directors and/or our PRC Legal Advisers in respect of the disposal of the Disposed Companies and the deregistration of Guangzhou Shengfeng

Our Directors confirmed that upon disposal of the Disposed Companies, there was no transaction between the Disposed Companies and our Group.

As confirmed by our Directors and our PRC Legal Advisers after conducting relevant public searches and having obtained relevant compliance certificates issued by competent PRC government authorities, each of the Disposed Companies and Guangzhou Shengfeng had not been subject to any material administrative penalty with respect to the applicable PRC laws and regulations from 1 January 2020, being the commencement date of the Track Record Period, to the completion date of their respective disposal or deregistration.

Our Directors and our PRC Legal Advisers further confirmed that none of the Disposed Companies and Guangzhou Shengfeng was subject to any material non-compliance with any applicable laws and regulations of the PRC, nor was any of them subject to any material claims, litigations or legal proceedings that could have a material adverse effect on our business operations from 1 January 2020, being the commencement date of the Track Record Period, to the completion date of their respective disposal or deregistration.

Step (2): Reduction of registered capital of Guangzhou Shenghui

On 18 December 2020, as part of our Reorganisation, all of the then shareholders of Guangzhou Shenghui resolved to reduce the registered capital of Guangzhou Shenghui. On 24 February 2021, the registered capital of Guangzhou Shenghui was reduced from RMB20.02 million to RMB500,000 by way of capital reduction. Immediately after the reduction of the registered capital, Guangzhou Shenghui remained to be owned as to 50% by each of Mr. Li and Mr. Chen.

Step (3): Incorporation of offshore corporate Shareholders

(i) Prosperity Cleanness

On 10 December 2020, Prosperity Cleanness was incorporated in the BVI with limited liability and was authorised to issue up to a maximum of 50,000 ordinary shares. On the same day, Mr. Li subscribed for, and Prosperity Cleanness allotted and issued to Mr. Li, one nil-paid share in Prosperity Cleanness, which was credited as fully paid on 9 February 2021.

(ii) Sunrise Cleanness

On 10 December 2020, Sunrise Cleanness was incorporated in the BVI with limited liability and was authorised to issue up to a maximum of 50,000 ordinary shares. On the same day, Mr. Chen subscribed for, and Sunrise Cleanness allotted and issued to Mr. Chen, one nil-paid share in Sunrise Cleanness, which was credited as fully paid on 9 February 2021.

Step (4): Incorporation of our Company

(i) On 4 January 2021, our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 Shares. Upon our incorporation, one nil-paid initial Subscriber Share was allotted and issued which was on the same day transferred to Prosperity Cleanness and one nil-paid Share was allotted and issued to Sunrise Cleanness one nil-paid Share. Upon completion of the above transfer and allotment, our Company became owned as to 50% by each of Prosperity Cleanness and Sunrise Cleanness.

(ii) Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 9 February 2021 and has maintained a valid business registration certificate under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) since 25 January 2021.

Step (5): Incorporation of Shenghui Cleanness (BVI)

On 18 January 2021, Shenghui Cleanness (BVI) was incorporated in the BVI with limited liability. Shenghui Cleanness (BVI) was authorised to issue up to a maximum of 50,000 ordinary shares. On the same day, our Company subscribed for, and Shenghui Cleanness (BVI) allotted and issued to our Company, one fully-paid share in Shenghui Cleanness (BVI) at a consideration of US$1. As a result, Shenghui Cleanness (BVI) became a wholly-owned subsidiary of our Company.

Step (6): Incorporation of Shenghui Cleanness (HK)

On 27 January 2021, Shenghui Cleanness (HK) was incorporated in Hong Kong with limited liability. On the same day, Shenghui Cleanness (BVI) subscribed for, and Shenghui Cleanness (HK) allotted and issued to Shenghui Cleanness (BVI), one fully-paid share in Shenghui Cleanness (HK) at a consideration of HK$1. As a result, Shenghui Cleanness (HK) became a wholly-owned subsidiary of Shenghui Cleanness (BVI).

Step (7): Capital injection into Guangzhou Xinhui by our Pre-IPO Investor

(i) Guangzhou Xinhui was established in the PRC with limited liability on 14 November 2002. Immediately prior to our Reorganisation, Guangzhou Xinhui had a registered capital of RMB8 million, which was wholly-owned by Guangzhou Shenghui.

(ii) On 28 January 2021, our Pre-IPO Investor and Guangzhou Shenghui entered into the Xinhui Capital Contribution Agreement, pursuant to which our Pre-IPO Investor obtained 3% of the enlarged equity interest of Guangzhou Xinhui by way of capital contribution in cash of RMB247,423, the entire amount of which was credited to the registered capital of Guangzhou Xinhui. The said capital contribution by our Pre-IPO Investor was determined after arm's length negotiation between the parties with reference to the net asset value of Guangzhou Xinhui as at 31 December 2020 according to an independent valuation report, as well as the registered capital of Guangzhou Xinhui. The capital contribution was settled in cash on 22 February 2021 and the registered capital of Guangzhou Xinhui increased from RMB8.0 million to RMB8,247,423. Upon completion of the above capital contribution, Guangzhou Xinhui became a sino-foreign equity joint venture owned as to 97% and 3% by Guangzhou Shenghui and our Pre-IPO Investor respectively.

(iii) The capital increase and change of shareholders of Guangzhou Xinhui were registered with the Panyu Administration for Market Regulation on 2 February 2021; and a foreign investment information report on the same was subsequently filed with the Enterprise Registration System of the Guangzhou Administration for Market Regulation.

<u>Step (8): Subscription of Shares by Prosperity Cleanness, Sunrise Cleanness and Dash Dazzling in our Company</u>

On 9 February 2021, pursuant to the Subscription Agreement, in consideration of HK$5, HK$5 and RMB4,000,000 (equivalent to approximately HK$4,800,000) paid by Prosperity Cleanness, Sunrise Cleanness and Dash Dazzling, respectively, our Company (i) allotted and issued 484 Shares, 484 Shares and 30 Shares to Prosperity Cleanness, Sunrise Cleanness and Dash Dazzling respectively; and (ii) credited as fully paid the Subscriber Share held by Prosperity Cleanness and the one nil-paid Share held by Sunrise Cleanness. The consideration of such allotment and issue of Shares to (a) Prosperity Cleanness and Sunrise Cleanness was determined with reference to the par value of our Shares; and (b) Dash Dazzling was determined after arm's length negotiation between the parties with reference to the unaudited consolidated net asset value of Guangzhou Shenghui, Guangzhou Xinhui and Guangxi Shenghui as at 31 December 2020 (taking into account the capital contribution made by our Pre-IPO Investor to Guangzhou Xinhui pursuant to the Xinhui Capital Contribution Agreement), and was fully settled in cash by the respective subscribers as at 10 February 2021.

Upon completion of the above allotments of Shares, our Company was owned as to 48.5% by Prosperity Cleanness, 48.5% by Sunrise Cleanness and 3% by Dash Dazzling.

<u>Step (9): Acquisition of Guangzhou Xinhui by Shenghui Cleanness (HK)</u>

(i) On 9 February 2021, each of Guangzhou Shenghui and our Pre-IPO Investor entered into an equity transfer agreement with Shenghui Cleanness (HK), pursuant to which each of Guangzhou Shenghui and our Pre-IPO Investor transferred its/his entire equity interest in Guangzhou Xinhui to Shenghui Cleanness (HK) at a respective nominal consideration of RMB1 as the ultimate beneficial owners and their respective equity interest in Guangzhou Xinhui and Shenghui Cleanness (HK) are essentially the same. Upon completion of the aforesaid transfers, Guangzhou Xinhui became a wholly foreign-owned enterprise, which was wholly-owned by Shenghui Cleanness (HK).

(ii) The change of shareholder of Guangzhou Xinhui was registered with the Panyu Administration for Market Regulation regarding the shareholding changes on 19 February 2021; and a foreign investment information report on the same was subsequently filed with the Enterprise Registration System of the Guangzhou Administration for Market Regulation.

Step (10): Increase in the registered capital of Guangzhou Shenghui

On 26 February 2021, all of the then shareholders of Guangzhou Shenghui resolved to increase the registered capital of Guangzhou Shenghui from RMB500,000 to RMB25 million. Such increase was conducted by way of capital contribution by Guangzhou Xinhui in the amount of RMB24.5 million on 2 March 2021. Upon completion of the said increase in registered capital, Guangzhou Shenghui was owned by Mr. Li, Mr. Chen and Guangzhou Xinhui as to 1%, 1% and 98%, respectively. As at the Latest Practicable Date, the remaining RMB24.5 million of the registered capital of Guangzhou Shenghui had not been paid up and will be fully paid up on or before 31 December 2026, in accordance with its articles of association. On 2 March 2021, Guangzhou Shenghui registered with the Panyu Administration for Market Regulation regarding its increase in registered capital and obtained the updated business licence reflecting such change.

Step (11): Acquisition of Guangzhou Shenghui by Guangzhou Xinhui

On 12 March 2021, each of Mr. Li, Mr. Chen and Guangzhou Xinhui entered into an equity transfer agreement, pursuant to which each of Mr. Li and Mr. Chen transferred his entire equity interest in Guangzhou Shenghui to Guangzhou Xinhui at a respective consideration of RMB1.23 million. Such consideration was determined with reference to the unaudited net asset value of Guangzhou Shenghui as at 28 February 2021 and will be settled in full in accordance with the equity transfer agreements and prior to the Listing. Registration of the aforesaid transfers of equity interests in Guangzhou Shenghui was completed on 12 March 2021. Upon completion of the aforesaid transfers, Guangzhou Shenghui became wholly-owned by Guangzhou Xinhui. On 12 March 2021, Guangzhou Shenghui obtained the updated business licence from the Panyu Administration for Market Regulation.

PRE-IPO INVESTMENT

Overview of the Pre-IPO Investment

Our Pre-IPO Investor's investment in our Group was made in two tranches. First, by way of Mr. Tam's capital injection to Guangzhou Xinhui (details of which are set out in step (7) under the paragraph headed "Reorganisation" in this section above). Second, by way of the subscription of Shares through Mr. Tam's nominee, Dash Dazzling (details of which are set out in step (8) under the paragraph headed "Reorganisation" in this section above).

Details of the Pre-IPO Investment Agreements

Pre-IPO Investor	Mr. Tam Yat Kin Ken (譚日健)
Name and date of the investment agreements	Xinhui Capital Contribution Agreement dated 28 January 2021; and Subscription Agreement dated 9 February 2021
Amount of the cash consideration paid *(Note)*	RMB4,247,423 (equivalent to HK$5,099,877)
Basis of determination of the consideration	by arm's length negotiation between the parties with reference to, among others, the unaudited consolidated net asset value of Guangzhou Shenghui, Guangzhou Xinhui and Guangxi Shenghui as at 31 December 2020
Date of completion/payment date of the consideration	10 February 2021 and 22 February 2021
Approximate cost of investment per Share	HK$0.14
Approximate discount to mid-point of the Offer Price range	61.1%
Use of proceeds and whether the proceeds have been fully utilised	substantially all of the proceeds from the Pre-IPO Investment have been utilised for settlement of costs and expenses incurred in connection with the Listing
Percentage of the shareholding of our Pre-IPO Investor in our Company immediately after completion of the Pre-IPO Investment *(Note)*	3%
Shareholding of our Pre-IPO Investor in our Company immediately after the Share Offer (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) *(Note)*	2.31%

Note: The cash consideration was paid by Mr. Tam's personal saving.

Strategic benefit to our Company	widening of our Shareholder base; provision of general working capital and strategic advice in relation to our business development; as well as introduction of business opportunities
Special rights	our Pre-IPO Investor is not entitled to any special rights under the Pre-IPO Investment

Note: Our Pre-IPO Investor's interests in our Shares are held through his nominee company Dash Dazzling.

Lock-up and public float

Shares held by Dash Dazzling will not be subject to lock-up. As Dash Dazzling is not a core connected person of our Company, Shares held by Dash Dazzling will be counted towards the public float after Listing.

Background of our Pre-IPO Investor

Mr. Tam has over 10 years' experience in managing business development, developing corporate strategy and executing corporate transformations. Mr. Tam joined Fincentric Corporation in January 2001. Fincentric Corporation is a company based in Canada providing banking technology to global financial services industry and was acquired by Open Solutions Inc. in 2007. Mr. Tam was then promoted as a director of leadbuilder and customer value maximisation solutions of Fincentric Corporation in January 2006 until he left the company in May 2007. Mr. Tam also served as a managing director of Green Impact Solution Limited, an energy efficient solutions provider in Hong Kong, from May 2009 to March 2011, as well as a Chief Operating Officer of DT International Holdings Limited from April 2011 to June 2015. Mr. Tam is currently the managing director of KS Enterprises Hong Kong Limited, a company engaged in fine wine investment and management in Hong Kong, where Mr. Tam from time to time sources investments and projects for his property developer clients in the PRC. Mr. Tam has been responsible for the general management of this company since June 2015. He is also an independent non-executive director of Guan Chao Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1872). He is a full member of the Hong Kong Computer Society. Mr. Tam holds a Master of Business Administration degree from the University of Cambridge in the United Kingdom, a Bachelor of Applied Science degree from the University of British Columbia in Canada and completed the Stanford Executive Program offered by the Graduate School of Business of Stanford University in the United States.

Mr. Tam is also an experienced private investor and his investment experience includes investing in listed companies in Hong Kong and overseas as well as in precious metals and commodities. In relation to the equity investment, he generally does not restrict to investments in specific sectors and instead his investments involved listed companies in various sectors including the financial, industrial, energy and materials sectors.

Mr. Tam was introduced to our Group through Mr. Li. In around the first half of 2018, Mr. Li and Mr. Tam met through a social wine gathering in the PRC, during which they discussed the possible business opportunities between Mr. Tam's property developer clients in the PRC and our Group as regards the provision of cleaning services for their future property developments. In follow-on discussions with Mr. Tam in around late 2019, Mr. Li became aware that Mr. Tam had been appointed as an independent non-executive director of a company listed in Hong Kong and had also been investing in securities listed in Hong Kong with a modest-sized portfolio. Knowing that Mr. Tam has knowledge in the Hong Kong capital market, when Mr. Li contemplated a potential listing in Hong Kong, he approached Mr. Tam for his thoughts on the Hong Kong securities market as he had experience in investing in securities, as well as his interest in investing in our Group. At that time, Mr. Tam did not provide a firm commitment to invest. With the backdrop of the COVID-19 pandemic and its worldwide implications starting in around early 2020, Mr. Tam considered the increased demand in the cleaning industry and the potential of our business in light of the COVID-19 pandemic and therefore gave serious consideration on such investments. As such, in around the third quarter of 2020 when Mr. Li discussed with Mr. Tam a possible listing in Hong Kong, Mr. Tam indicated that he would be interested to invest a small percentage in our Group.

Although the cost per Share paid by our Pre-IPO Investor upon Listing represented a discount to the Offer Price (being HK$0.36 per Share, the mid-point of the Offer Price range) of approximately 61.1%, our Directors consider that the basis of determination of the consideration was fair and reasonable taking into account the following principal factors: (i) the business synergy which Mr. Tam could bring to our Group by virtue of Mr. Tam's possible introduction of potential clients to our Group and other strategic benefits of the Pre-IPO Investment as mentioned above; (ii) the equity risk assumed by Mr. Tam in investing in an unlisted company given the Listing being conditional and may or may not go forward and thus Mr. Tam has essentially agreed to continue to invest long term in the private Group; and (iii) the economic uncertainty worldwide in light of the COVID-19 pandemic.

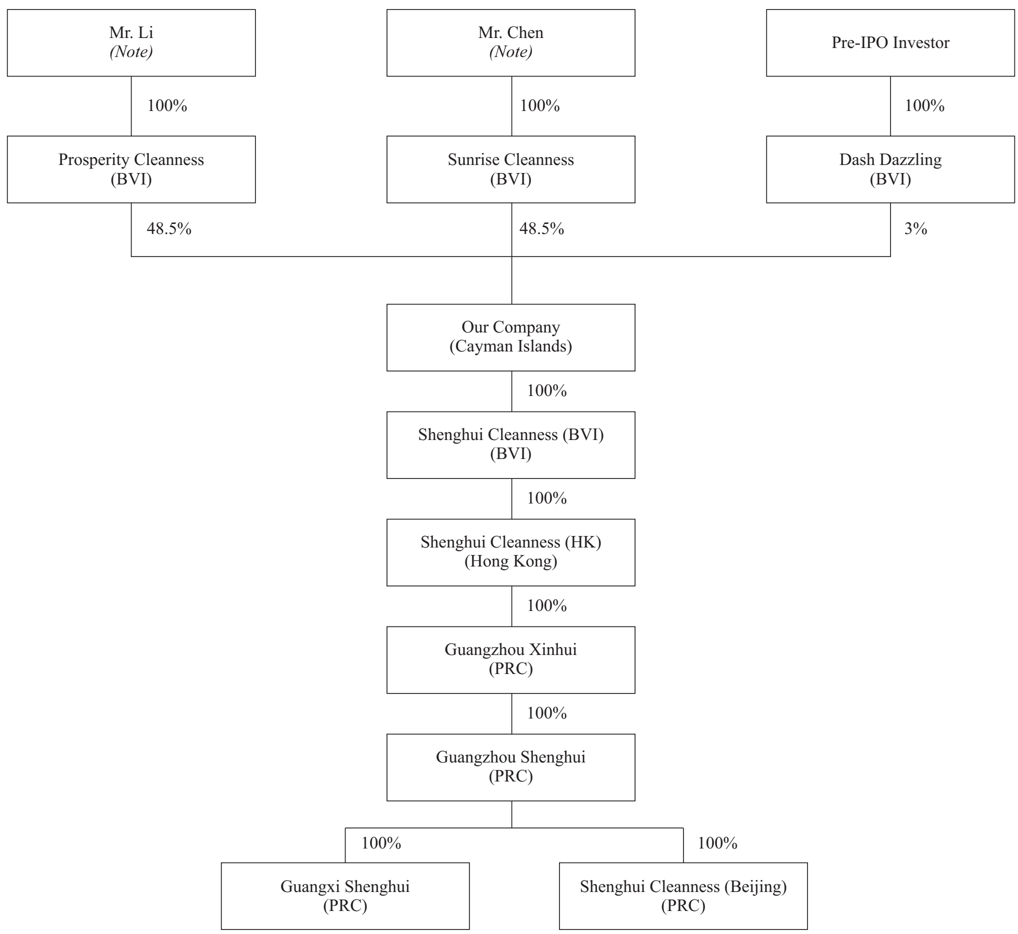
Despite Mr. Tam's business experience not pertaining directly to the environmental cleaning and maintenance services industry, our Directors believe that our Group could take advantage from (i) his over 10 years investment experience and corporate management experience in managing business development, developing corporate strategy and executing corporate transformations in different industries; (ii) his experience in working in relatively senior positions in various types of companies in different industries; and (iii) the client base and personal connections in the property industry which he will have developed over such time and for such various businesses, Mr. Tam possesses adequate experience and networks and can provide us with strategic advice in relation to our business development as well as introduction of business opportunities to our Group which are two strategic benefits to our Company from the Pre-IPO Investment. To the best of the knowledge, information and belief of our Directors and having made all reasonable enquiries, Mr. Tam invested in our Group because he appreciates the prospects and potential growth of our Group in the cleaning industry, especially in light of the ongoing COVID-19 pandemic as well as his own analysis. As at the Latest Practicable Date, save for his investment in our Group, Mr. Tam was an Independent Third Party and he had introduced two clients (the "**New Clients**"), both are from the property management industry, to our Group subsequent to his investment in 2021. The total revenue generated from the two clients to our Group was approximately nil, RMB3.1 million, RMB4.3 million and RMB2.2 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. The total profit contributed by the two clients to our Group was approximately nil, RMB0.5 million, RMB0.7 million and RMB0.2 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. The New Clients are independent of Mr. Tam as well as our Group as at the Latest Practicable Date.

Compliance with the Guidance Letters issued by the Stock Exchange

On the basis that (i) the consideration for the Pre-IPO Investment was irrevocably settled more than 28 clear days before the date of our first submission of the Listing application to the Stock Exchange; and (ii) our Directors confirmed that the terms of the Pre-IPO Investment (including the consideration) were determined on arm's length basis, the Sole Sponsor has confirmed that the terms of the Pre-IPO Investment are in compliance with (i) the Guidance Letter HKEx-GL-29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017; (ii) the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017; and (iii) the Guidance Letter HKEx-GL-44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

CORPORATE STRUCTURE IMMEDIATELY AFTER OUR REORGANISATION

The shareholding structure of our Group immediately after our Reorganisation but before the Share Offer and the Capitalisation Issue (without taking into account of any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) is set out below:



Note: Mr. Li and Mr. Chen are a group of Controlling Shareholders. Please refer to the section headed "Relationship with our Controlling Shareholders" of this prospectus for further details.

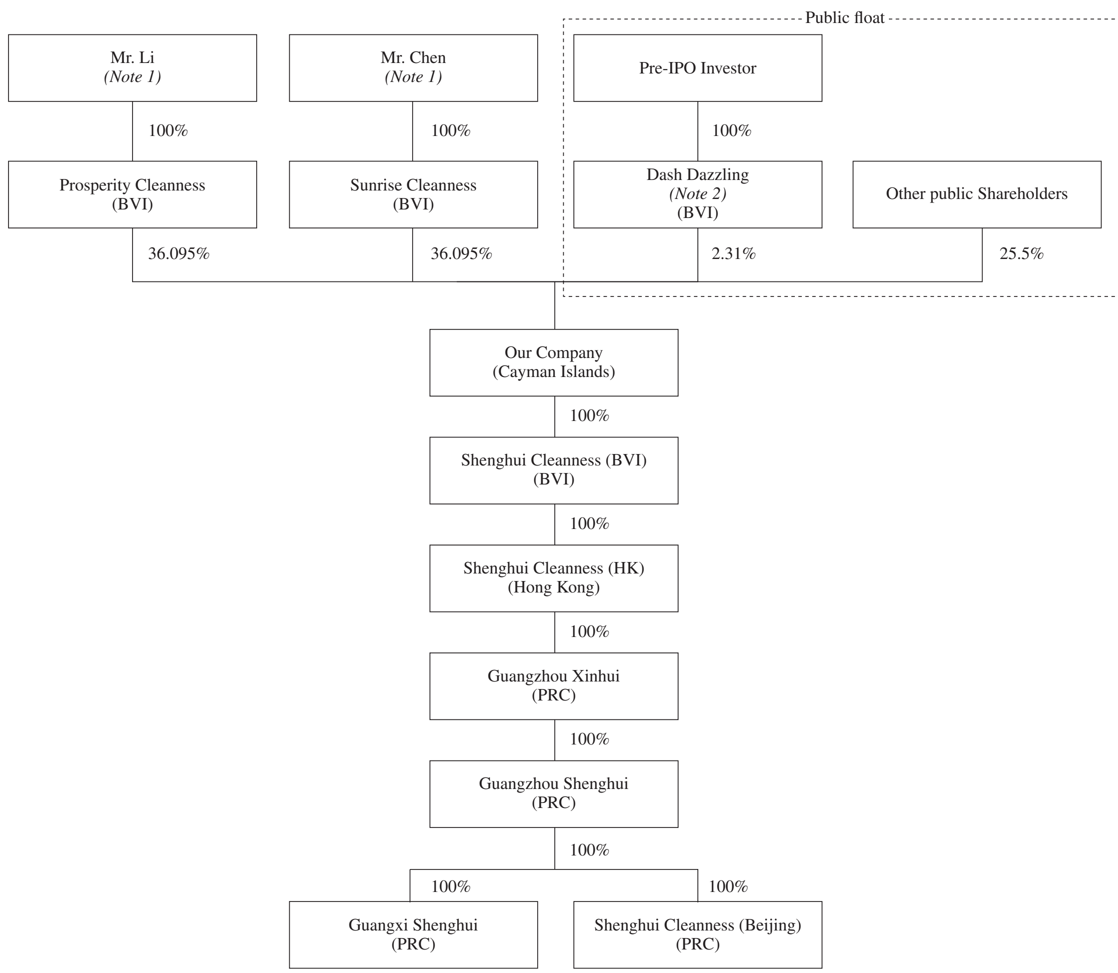
THE SHARE OFFER AND THE CAPITALISATION ISSUE

(i) Our Company will offer 373,750,000 new Shares under the Share Offer to the general public, representing 23% of the enlarged issued share capital of our Company upon Listing (without taking into account of any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). Meanwhile, our Selling Shareholders will offer in aggregate 40,625,000 Sale Shares for purchase under the placing tranche of the Share Offer, representing 2.5% of the enlarged issued share capital of our Company upon Listing (without taking into account of any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).

(ii) Conditional upon the grant of the listing approval by the Stock Exchange for the Listing and permission to deal in our Shares on the Main Board and the share premium account of the Company being credited as a result of the Share Offer, HK$12,512,490 will be capitalised and applied in paying up in full at par 1,251,249,000 new Shares (including 40,625,000 Sale Shares) to be allotted and issued to our then existing Shareholders whose names appeared on the register of members of our Company as at the close of business on 14 November 2023 in proportion (as near as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then respective existing shareholding in our Company as at a specified date, to enable them to maintain their shareholding in the Company. Upon completion of the Share Offer and the Capitalisation Issue and upon Listing, Prosperity Cleanness, Sunrise Cleanness and Dash Dazzling will in aggregate own 70% of the shareholding of our Company.

Corporate structure immediately after the Share Offer and the Capitalisation Issue

The shareholding structure of our Group immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) is set out below:



Notes:

1. Mr. Li and Mr. Chen are a group of Controlling Shareholders. Please refer to the section headed "Relationship with our Controlling Shareholders" of this prospectus for further details.

2. Our Pre-IPO Investor and Dash Dazzling will be considered as part of the public float for the purpose of Rules 8.08(1) and 8.24 of the Listing Rules.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisers advised that the acquisition of the 3% equity interest in Guangzhou Xinhui by our Pre-IPO Investor (the "**First Acquisition**") was subject to the M&A Rules, which required the consideration of the First Acquisition to be determined with reference to the net asset value of Guangzhou Xinhui according to an independent valuation report. Such requirement was satisfied (please refer to the paragraph headed "Pre-IPO Investment" in this section above for details) and Guangzhou Xinhui had obtained a new business licence required for the First Acquisition. After the First Acquisition, Guangzhou Xinhui became a Sino-foreign joint venture enterprise. For the acquisition of the entire equity interest in Guangzhou Xinhui by Shenghui Cleanness (HK) from Guangzhou Shenghui and our Pre-IPO Investor (the "**Second Acquisition**"), our PRC Legal Advisers advised that since the Second Acquisition took place after Guangzhou Xinhui had been converted into a sino-foreign joint venture enterprise, the Second Acquisition was an equity transfer in a foreign invested enterprise and thus the M&A Rules were not applicable to the Second Acquisition. Guangzhou Xinhui had obtained a new business licence for the Second Acquisition. Please refer to the paragraph headed "Regulatory overview – PRC laws and regulations – Laws and regulations on mergers and acquisitions and overseas listings" of this prospectus for detailed provisions of the M&A Rules.

Our PRC Legal Advisers also confirmed that Mr. Li and Mr. Chen completed the registrations required by Circular 37 and Circular 13 on 8 January 2021. Please refer to the paragraph headed "Regulatory overview – PRC laws and regulations – Laws and regulations on foreign exchange" of this prospectus for a description of the requirements under Circular 37 and Circular 13.

Our PRC Legal Advisers further confirmed that the relevant approvals and permits in relation to our Reorganisation steps that involved the PRC subsidiaries of our Group have been obtained in accordance with the applicable PRC laws and regulations, and each of such Reorganisation steps has been properly and legally completed, and duly registered with the relevant local registration authorities of the PRC.

OVERVIEW

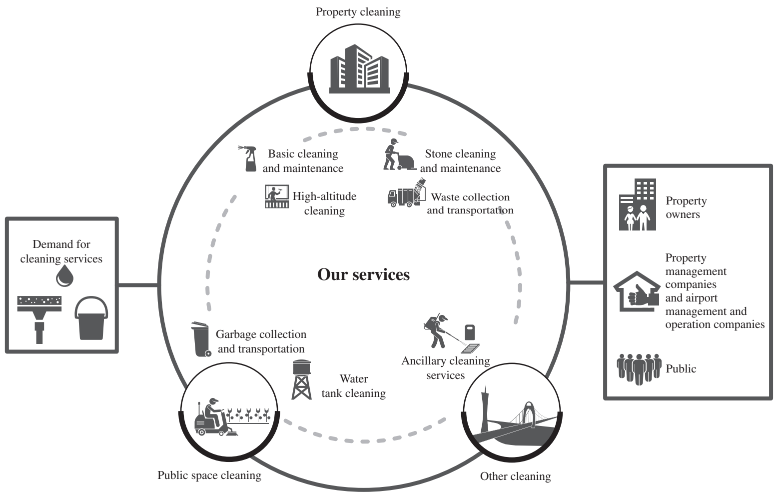
We are a cleaning and maintenance services provider in the PRC and one of the well-established property cleaning service providers in Guangdong province. With industry experience of over 20 years and foothold in Guangdong province, we have steadily developed our business since our establishment in 2000 to offer a wide range of services to over 700 customers and extend the coverage of our operations to 14 provincial-level regions in the PRC. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the total revenue of the Group was approximately RMB465.7 million, RMB563.5 million, RMB594.2 million, RMB289.2 million and RMB298.3 million, respectively, while profit for the year/period was approximately RMB31.3 million, RMB39.9 million, RMB34.4 million, RMB15.4 million and RMB15.3 million, respectively.

Our major customers during the Track Record Period include Fortune Global 500 property developers in the PRC, Fortune Global 500 real estate advisory firm, major property developers and property management companies in Asia and in the PRC, government department and border control points in Guangdong province and major airport management companies in the PRC. Certain of them are companies listed on the Stock Exchange, the London Stock Exchange or the stock exchanges in the PRC. Our business relationship with these sizeable and internationally or domestically renowned enterprises offers us the benefit of daily and direct contact with the key players and stakeholders in the industry as well as a better understanding on the customer preferences and requirements, which in turn enable us to receive tender invitations from sizeable customers, secure tenders and execute projects in a consistent and stable manner.

We serve a wide range of premises including commercial buildings, transportation hub such as airports, residential premises, shopping malls and commercial complex, streets, parks and other public space. Our cleaning and maintenance services cover high-end commercial properties such as Guangzhou International Finance Center (廣州國際金融中心), Guangzhou Taikoo Hui (廣州太古匯), Leatop Plaza (利通廣場), Pearl River Tower (珠江城大廈), Raffles City Chongqing (重慶來福士廣場), Raffles City Shenzhen (深圳來福士廣場); public transportation hubs such as Chongqing Jiangbei International Airport (重慶江北國際機場), Guangzhou Baiyun International Airport (廣州白雲國際機場), Zhengzhou Xinzheng International Airport (鄭州新鄭國際機場), Hong Kong Zhuhai-Macao Bridge Zhuhai port (港珠澳大橋珠海口岸); high-end residential premises such as One Shenzhen Bay (深圳灣一號); and shopping malls such as Yue City (悅滙城).

Our service variety is one of our competitive advantages in providing comprehensive and one-stop cleaning services to our customers. Our service capabilities include the provision of basic cleaning and maintenance service, garbage collection and transportation service, waste collection and transportation service, water tank cleaning service and ancillary services. We also offer specialised cleaning services such as stone cleaning and restoration and high-altitude cleaning with mobile elevated platforms.

The diagram below illustrates our role and the width of our service offering:



The following table sets out a breakdown of our revenue by principal service categories during the years/periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Property cleaning										
– Commercial building	211,433	45.4	249,927	44.3	289,624	48.7	133,863	46.3	159,780	53.6
– Residential building	96,078	20.6	135,813	24.1	143,721	24.2	70,255	24.3	64,446	21.6
– Transportation hub	63,362	13.6	61,384	10.9	52,029	8.8	28,913	10.0	16,759	5.6
– Shopping mall	52,749	11.3	71,171	12.6	64,372	10.8	34,721	12.0	27,228	9.1
– Public utilities[Note 1]	16,691	3.6	12,696	2.3	11,981	2.0	4,724	1.6	9,122	3.1
– Industrial park	6,624	1.4	12,981	2.3	12,339	2.1	6,453	2.2	8,276	2.8
Public space cleaning[Note 2]	18,360	3.9	19,569	3.5	20,138	3.4	10,244	3.6	12,640	4.2
Other cleaning[Note 3]	367	0.1	–	0.0	–	–	–	–	–	–
	465,664	100.0	563,541	100.0	594,204	100.0	289,173	100.0	298,251	100.0

Notes:

(1) Public utilities cleaning primarily consists of government offices and school cleaning.

(2) Public space cleaning primarily consists of road sweeping and cityscape cleaning.

(3) Other cleaning primarily consists of river cleaning.

Our Guangzhou Headquarters was established in 2000 and is situated at Panyu District, Guangzhou City, Guangdong province. In May 2017, we established our Haikou Branch with a view to allocate more resources and business focus to the provision of cleaning services in Hainan province. Significant projects include general cleaning service for Sanya Phoenix International Airport (三亞鳳凰國際機場) and various high-end residential properties managed by an integrated conglomerate specialised in property development with operations in over 200 cities in Hainan province. In December 2020, following the success in Hainan province, our Chongqing Branch was established as the second branch office of the Group. Significant projects in Chongqing include Chongqing Jiangbei International Airport (重慶江北國際機場) and Raffles City Chongqing (重慶來福士廣場), the award-winning commercial complex which features a 300-metre-long horizontal skybridge. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group's revenue generated in Hainan province and Chongqing, in aggregate, amounted to approximately RMB54.4 million, RMB64.5 million, RMB67.3 million, RMB37.5 million and RMB28.9 million,, respectively, representing approximately 11.6%, 11.5%, 11.3%, 13.0% and 9.7% of the total revenue in the relevant period.

Over the years, we have grown to become one of the well-established service providers for property cleaning in Guangdong province with a strong brand recognition and proven track record as demonstrated by our numerous awards and recognitions issued by industry bodies and our customers. In 2019, we were recognised as an Advanced Cleaning Service Provider in Guangdong province* (廣東省清潔服務先進單位) by China Quality Credit Evaluation Committee, China Quality Brands Promotion Committee, Beijing Bid Evaluation Centre* (中國質量信用企業徵信評估組委會，中國質量品牌促進推廣組委會，北京中標信用評價中心). In 2020, our brand "升輝清潔" ranked 6th in the Top 500 Property Services Enterprises – Cleaning Services* (物業服務企業500強 – 保潔服務) by China Property Management Institution and China Real Estate Appraisal Center of Shanghai E-House Real Estate Research Institute* (中國物業管理協會、上海易居房地產研究院). In 2021, we were recognised as an Advanced enterprise in anti-epidemic work* (抗疫工作先進企業) by Guangzhou Industry Association of Sanitation* (廣州環衛行業協會).

We implement procedures for maintaining a high standard of occupational health and safety, environment and quality control. Our quality management system, environmental management system and occupational health and safety management system have obtained ISO9001, ISO14001 and ISO45001 (formerly GB/T 28001) certifications, respectively.

To ensure quality and reliability of our cleaning and maintenance services, we have allocated substantial resources in staffing and upgrading our staff's specialised services qualification. As at 31 December 2022, we had a stable labour force of more than 6,000 employees, including a number of licensed technicians that hold licences and certificates to perform specialised cleaning services, including (i) Special Industry Operation Certificate – Providing installation, maintenance and demolition services at high altitudes* (特種作業操作証 – 高處安裝、維護、拆除作業); (ii) Stone Conservation & Floor Professional Qualification* (石材應用護理、地坪從業資格); (iii) Employment Certificate of Cleaning of Secondary Water Supply Facilities in Guangzhou* (廣州市二次供水設施保潔上崗証); and (iv) Guangzhou Rodents Control Officer Employment Certificate* (廣州有害生物防制員).

As at the Latest Practicable Date, we completed research for improvements of our machinery and equipment which can be used in our operation, including but not limited to (i) safe and intelligent cleaning technology for exterior wall glass of high-rise buildings; (ii) fine stone maintenance technology; and (iii) remote garbage collection maintenance and management technology. In recognition of our excellent performance in providing specialised cleaning services in stone cleaning and restoration, we were named as one of the Ten Units of Professional Technology in Stone and Floor Conserve Application Industry* (石材地坪應用護理行業專業技術十佳單位) in 2018 by the Stone Application Conservation Specialty Committee of Guangdong Stone Materials Association* (formerly known as the Professional Stone Care Committee of Guangdong Stone Materials Association*) (廣東省石材行業協會省石材應用護理專業委員會), and were awarded the Stone & Floor Application Conservation Specialty Qualification Certificate – AAAAA Grade* (石材地坪應用護理專業資質證書–AAAAA級) by the same committee in 2021.

Given our well-established position in the cleaning and maintenance services industry in the PRC, we are committed to creating and maintaining a clean and green environment for the society, and valuing our corporate social responsibility. As a recognition to our staff contribution in the cleaning industry, six of our staff were named as the Outstanding City Beautician in Guangzhou* (廣州優秀城市美容師) from the People's Government of Guangzhou Municipality. As a socially responsible company, we make donations and also pursue other poverty alleviation measures such as offering job opportunities to the disabled and retired. Furthermore, we received an Honorary Certificate of Accurate Poverty Alleviation* (精準扶貧榮譽證書) in 2017 from the Guangzhou City Management Bureau* (廣州市城市管理委員會).

According to the Industry Report, the environmental cleaning and maintenance industry in the PRC mainly comprises and is largely dominated by two sectors, namely the property cleaning and public space cleaning sectors. These two sectors have been growing steadily and their total market size is expected to reach approximately RMB622.8 billion in 2027, representing a CAGR of approximately 8.9% from 2023 to 2027. In addition, due to the outbreak of COVID-19, having a clean and hygienic living environment has become an essential part in pandemic control, and despite the adverse impact of COVID-19 pandemic on the PRC's economy, cleaning and maintenance service providers are able to benefit from these unprecedented times. The increasing demand for cleaning services from the downstream market will serve as an opportunity for the industry and such demand is anticipated to continue in the post-pandemic period according to the Industry Report. We believe that due to our competitive strengths, we are well-positioned to continue capturing new business opportunities in this growing industry.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

We are one of the well-established service providers for property cleaning in Guangdong province with a strong brand recognition and proven track record

Since our founding in 2000, we have been providing cleaning and maintenance services in the PRC. Leveraging on our experience of over 20 years and in-depth knowledge of the demands of customers across the PRC by providing a wide range of services while maintaining consistent service quality, we have grown to become one of the well-established service providers for property cleaning in Guangdong province with a strong brand recognition and proven track record.

We have a strong position in Guangdong province where we were founded and where our headquarters is located. According to the Industry Report, we ranked (i) first in terms of revenue for property cleaning; and (ii) first in terms of revenue for commercial property cleaning in 2022, among environmental cleaning and maintenance services providers in Guangdong province for property cleaning. Our market share amounts to 5.7% and 7.3% in 2022 in property cleaning and commercial property cleaning subsector in Guangdong province, respectively. During the Track Record Period, we provided our property cleaning services to a number of reputable customers for high-end commercial properties in Guangdong province, including Guangzhou International Finance Center (廣州國際金融中心), Guangzhou Taikoo Hui (廣州太古匯), Leatop Plaza (利通廣場), Pearl River Tower (珠江城大廈) and Raffles City Shenzhen (深圳來福士廣場). Leveraging on our extensive experience in cleaning and maintenance services, we have replicated our model to other regions in the PRC with a strong demand for property cleaning services, and during the Track Record Period we had undertaken projects across 14 provincial-level regions in the PRC including, among others, Chongqing, Fujian, Guangdong, Guangxi, Hainan and Hubei.

Over the years, we have developed a strong brand recognition and proven track record as demonstrated by our numerous awards and recognitions issued by industry bodies and our customers. We were recognised in 2019 as an Advanced Cleaning Service Provider in Guangdong province (廣東省清潔服務先進單位) and subsequently, in 2020, a Contract Honouring and Credit Keeping Enterprise in Guangdong* (廣東省守合同重信用企業) (2011–2019). Our brand "升輝清潔" ranked 6th in the Top 500 Property Services Enterprises – Cleaning Services* in 2020 (物業服務企業500強 – 保潔服務) by China Property Management Institution and China Real Estate Appraisal Center of Shanghai E-House Real Estate Research Institute* (中國物業管理協會、上海易居房地產研究院). In 2021, we were recognised as an Advanced enterprise in anti-epidemic work* (抗疫工作先進企業) by Guangzhou Industry Association of Sanitation* (廣州環衛行業協會) (for further details of the above and other major awards and recognitions, please refer to the paragraph headed "Awards and recognitions" in this section). Six of our staff have also received recognition for the quality of their work such as the

Outstanding City Beautician in Guangzhou* (廣州優秀城市美容師) from the People's Government of Guangzhou Municipality.

We believe that our established position, strong brand recognition and proven track record will help us continue to solidify our market position and allow us to capture the growing demand for cleaning and maintenance services in the PRC.

We are able to provide a variety of cleaning and maintenance services and have strong capabilities to support our service offering

We are dedicated to serving our customers' unique needs. Our mission and vision is to be a full spectrum cleaning and maintenance service solutions provider for the creation of a clean and hygienic environment for all users, owners, operators and public in our service locations. For this purpose, we provide a wide range of services in the PRC including the provision of basic cleaning and maintenance service, garbage collection and transportation service, waste collection and transportation service, water tank cleaning service and ancillary services. We also offer specialised cleaning services such as stone cleaning and restoration and high-altitude cleaning with mobile elevated platforms.

We have strong capabilities to support our service offering including the holding of a number of qualifications, maintenance of a large and well-qualified workforce and the adoption of various quality control measures, which enable us to respond to the service requests and feedback of our customers in an efficient manner. Currently we hold, among others, the Guangzhou Sanitation Industry Operating Service Company Industry Grade Certificate – A Grade* (廣州環衛行業經營服務–企業資質等級證書), the Operational Cleaning, Collection and Transportation Services of Municipal Solid Waste Licence* (城市生活垃圾經營性清掃、收集、運輸服務許可證), the Stone & Floor Application Conservation Specialty Qualification Certificate – AAAAA Grade* (石材地坪應用護理專業資質證書–AAAAA級), Sewage, Septic Tank, Pipeline Unclogging Treatment Cleaning Service Enterprise Qualification Certificate – National Level 1* (污水、化糞池、管道疏通處理清洗服務企業資質證書 – 國家一級) and Secondary Water Supply Cleaning Service Enterprise Qualification Certificate* (二次供水清潔服務企業資質證書) (for further details of these and other qualifications, please refer to the paragraphs headed "Licences, certificates and qualifications" and "Awards and recognitions" in this section). We have a large number of employees, some of whom specialise in providing certain types of specialised cleaning services to meet our customers' needs. As at 30 June 2023, we had 7,121 employees involved in operations of which 52 employees had qualifications related to high-altitude cleaning, 11 employees had qualifications related to stone conservation, 38 employees had qualifications related to cleaning of water supply facilities and 43 employees had qualifications related to pest control. With our large and well-qualified workforce, we are able to undertake sizeable projects such as those involving the cleaning of multi-purpose commercial complexes and airports and also satisfy our customers' requests for increase in service scope or additional service locations during the course of our projects. In addition, we adopted various quality control measures, to help us maintain the service quality in our projects, monitor and address major issues as they develop, keep our customers promptly informed of the status and address their complaints and feedback where necessary. According to the Industry

Report, our wide range of professional expertise and capability in providing comprehensive cleaning and maintenance services form part of our main competitive strengths.

Our Directors believe that in addition to our significant industry experience and strong reputation as discussed above, our ability to provide a variety of cleaning and maintenance services and our strong capabilities are important competitive edges for us to undertake larger and more lucrative projects as well as attract potential customers and maintain strong relationships with our existing customers.

We have a diversified customer base and strong relationship with our major customers

Leveraging on our competitive strengths including our strong capabilities to support our service offering, we had built up a diversified customer base and maintain a strong relationship with our major customers. During the Track Record Period, we had a diversified customer base of over 700 customers including Fortune Global 500 property developers in the PRC, Fortune Global 500 real estate advisory firm, major property developers and property management companies in Asia and in the PRC, government departments in Guangdong province and major airport management companies and airlines in the PRC. Our five largest customers for each year during the Track Record Period were (i) property management companies in the PRC; (ii) airport management and operation companies; (iii) companies (or subsidiaries thereof) listed on the Stock Exchange, the London Stock Exchange or stock exchanges in the PRC; or (iv) companies falling within more than one of the above categories. Among our five largest customers for each year during the Track Record Period, we had been providing services to almost all of them for over three years with the longest being over 10 years. In addition, we had also won a number of awards and recognitions from various major customers, being property management companies, during the Track Record Period relating to our high service quality. Owing to our diversified customer base and strong relationships with the above types of customers, we believe we are able to further develop future business opportunities from our existing customers and through their referrals and our strong reputation.

We are committed to the management of risks and adopted stringent quality, safety and environmental management systems

We are committed to the management of risks. We have adopted stringent quality, safety and environmental management systems and been accredited with ISO 9001 (quality management), GB/T 28001 (replaced with ISO 45001 since December 2020) (occupational health and safety) and ISO 14001 (environmental management) since 2009, 2013 and 2009, respectively. We monitor our operations from time to time and adopt additional risk management measures in response to new risks such as our measures in response to COVID-19. For further details of our quality, safety and environmental management systems, please refer to the paragraphs headed "Quality controls" and "Environmental, occupational health and safety" in this section.

Our Directors believe that our safety, quality and environmental management systems form a key part of our success as being accredited in accordance with international standards, enhance our credibility and elevate our customers, suppliers and staff's confidence in us, thus upholding our competitiveness.

We are led by a seasoned and stable management team

We are led by a seasoned and stable management team under the direction of Mr. Li, our executive Director, chairman, chief executive officer and one of our Controlling Shareholders. Our senior management team is well experienced in the environmental cleaning and maintenance industry in the PRC with most of our senior management team members having over 12 years of experience in the environmental cleaning and maintenance industry and having been with our Group for over 10 years. Mr. Li is responsible for the overall strategic planning, management, operation and business development of our Group. Mr. Chen, our executive Director, is responsible for providing industrial advice to our Group, as well as strategic management of and formulating business strategies for our Group. Mr. Xing, the managing director of our Group, is responsible for the overall management and operation of our Group and has over 19 years of experience in the environmental cleaning and maintenance industry in the PRC. For details of the qualification and experience of our Directors and senior management, please refer to the section headed "Directors and senior management" of this prospectus. Besides the above senior management members, a majority of our mid-level managers have been with our Group for over eight years. Being led by an experienced and stable management team has greatly contributed to our ability to build strong relationships with customers and secure new business opportunities, and which our Directors believe has contributed to our Group's success.

BUSINESS STRATEGIES

Our principal business objectives are to further strengthen the position and overall competitiveness of our cleaning and maintenance business in the PRC and increase our market share in the industry. We intend to achieve our business objectives with the following business strategies:

Continue to increase our market share by expanding our presence in the PRC in both existing and new markets

We plan to increase our market share by continuing our past strategy of expanding our presence in both existing and new markets in the Greater Bay Area and beyond. In our expansion strategy, we will, where possible, grow along-side our major customers, such as property management customers with country-wide presence, to build upon our existing relationship and provide support for our mutual benefit. Our market share by revenue in property cleaning in Guangdong province increased from 5.0% in 2020 to 5.1% in 2021 and in commercial property cleaning subsector in Guangdong province increased from 8.6% in 2020 to 9.1% in 2021.

Expand market coverage by establishment of new branch offices

Our historical success in establishing Haikou Branch and Chongqing Branch

For the past 20 years, it has been our business strategy to cultivate and develop the client network and reputation in Guangdong province, especially in the Greater Bay Area. Our management's efforts have proven to be successful as demonstrated in our significant growth with over 80% of our total revenue generated in Guangdong province during the Track Record Period. Since our establishment, we have established two branch offices for the purpose of our business expansion in two different geographical locations, i.e. Haikou Branch and Chongqing Branch. There were other project companies established by the Group during the Track Record Period for the purpose of submitting tenders and/or carrying out awarded project work. However, most of these project companies would be deregistered once the relevant projects concluded or if we failed to secure the tender. Set out below is the list of our project companies subsisting during the Track Record Period:

Place of establishment	Period of establishment	Purpose	Whether it has been deregistered and reason
Dongguan city, Guangdong province	22 September 2008	Execution of a Changping town (常平鎮) project	Deregistered after conclusion of project
Wuhan city, Hubei province	10 August 2017	Tender submission for a Yuexiu group project in Wuhan	Deregistered after unsuccessful tender

According to the Industry Report, it is generally the industry norm or the requirement of the customer for cleaning service providers to set up local project company or office for effective management and deployment of labour. While the tender requirements of the customers in relation to management and deployment of labour varies, some customers would require the tender offeree to set up a simple labour structure within the staff team, with the deployment of a manager to communicate with the customer and monitor the workers sent from the Company. Another advantage of setting up local project company is that contribution of social insurance and housing provident funds can be arranged for staff employed locally. However, these project companies are mainly for one-off projects and/or with less sizeable contract sums, and the social insurance and housing provident funds accounts of the local employees will be closed along with the deregistration of the companies.

On the other hand, branch companies/offices are established with strategic reasons for market expansion and penetration. In May 2017, we established Haikou Branch with a view to allocate more resources and business focus to the provision of cleaning services in Hainan province. During the Track Record Period, the Group had over 20 projects in Hainan province with total contract sum of not less than RMB209.0 million. Significant projects include general cleaning service for Sanya Phoenix International Airport (三亞鳳凰國際機場) and various high-end residential properties in Hainan province managed by an integrated conglomerate specialised in property development based in the PRC. For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, the aggregate contract sum of the Sanya Phoenix International Airport (三亞鳳凰國際機場) project is RMB46.8 million. To the best knowledge, information and belief of our Directors, the major reasons that we were able to secure large-scale projects in Hainan province were due to our vast experience in residential and public utilities cleaning projects, and the fact that we have been simultaneously undertaking other projects in Hainan province. With labour force of over 700 operation staff stationed in the vicinity of our Haikou Branch, customers are satisfied that we are able to provide a stable staff flow, thus flexibly allocate additional staff from other projects to deal with contingencies.

Leveraging on our experience in providing high-quality cleaning and maintenance service to Guangzhou Baiyun International Airport (廣州白雲國際機場) and Sanya Phoenix International Airport (三亞鳳凰國際機場), we secured the project in the Chongqing Jiangbei International Airport (重慶江北國際機場) which involves the provision of basic cleaning and maintenance services, as well as garbage collection and transportation services in one of the airport terminals and transportation hub in 2020. According to the Industry Report, Chongqing Jiangbei International Airport, Guangzhou Baiyun International Airport and Sanya Phoenix International Airport ranked 2nd, 1st, and 21st out of 254 airports in the PRC in terms of annual passenger throughput in 2022. In December 2020, following the success in Hainan province, our Chongqing Branch was established as the second branch offices of the Group. In 2021, we successfully secured a 3-year Raffles City Chongqing (重慶來福士廣場) project, which involves the provision of basic cleaning and maintenance services, as well as stone cleaning and maintenance services in several offices and carparks in the commercial complex with total contract sum of over RMB30,000,000. According to Frost & Sullivan, Raffles City is a flagship brand of integrated complex by one of Asia's largest real estate groups listed in Singapore. There are in total 10 Raffles City complex in Asia comprising various skyscrapers including Raffles City Chongqing, the award-winning complex which features a 300-metre-long horizontal skybridge. Our Directors believe that the Group's presence in (i) one of the busiest international airports in the PRC; and (ii) one of the most famous skyscrapers and landmarks in the PRC, will continue to bring forth reputation and attract more tender invitations from sizeable potential customers in Chongqing.

Our established Zhengzhou Branch

In light of the aforementioned success in establishing Haikou Branch and Chongqing Branch, we have established our Zhengzhou Branch in May 2023. As we continued to leverage on our relevant experience on provision of cleaning and maintenance service in airports, we were able to secure a project in Zhengzhou Xinzheng International Airport (鄭州新鄭國際機場). As confirmed by Frost & Sullivan, Zhengzhou Xinzheng International Airport contains Zhengzhou Airport Economy Zone, which is the first and currently the only national-level aerotropolis economic development pioneer area approved by the PRC State Council, with an approved area of 747 square kilometers. As the continuous development of the Zhengzhou

Xinzheng Economy Zone is a national strategy, with the basis of an international air logistics hub in the Zhengzhou Xinzheng International Airport, our Directors believe that it will draw attention to the Group's reputation for provision of high standard of cleaning and maintenance services in such high-profile airport, thereby increase the likelihood of attracting more tender invitations from potential customers for other reputable airports such as those in Beijing, Shanghai and Hangzhou.

Local presence is an essential factor for securing sizeable projects and achieving market expansion

Going forward, we intend to establish new branch offices in Beijing, Shanghai and Hangzhou. Based on our experience for over 20 years in the industry, we believe that one of the main factors in securing sizeable projects in a particular region is to establish a strong local presence.

According to Frost & Sullivan, it is generally the market practice for environmental cleaning and maintenance services providers to set up a local office before or shortly after being awarded a service contract. Moreover, as the environmental cleaning and maintenance service industry is labour-intensive in nature, service providers tend to hire the cleaning labour from the vicinity of the project location. These employees are generally subject to the local social insurance and housing provident fund regulations. Local office or branch office is therefore required for effective management purpose if the Group undertakes large-scale cleaning projects or the Group's business strategy is to penetrate and expand its market share in that area. These management advantages include the cost-saving effect in accordance with increasing scale of operation, compliance with regional restrictions on opening of social insurance and housing provident fund accounts, increasing staff loyalty and efficiency of recruitment of local staff etc.

Further, taking our well-established presence in Guangdong province as an example, our local presence offers us the benefit of daily and direct contact with the key players and stakeholders in the industry as well as relevant local government authorities and respond to their comments and requirements in a timely and efficient manner. This direct contact also offers us with a better understanding on the customer preferences and requirements, which in turn enable them to receive tender invitations from sizeable customers, secure tenders and execute projects in a more effective way. The Group also has developed close business relationships with major customers due to its familiarity with local needs and updated information about local requirements. Such established network of reputable customers enabled us to be involved in the cleaning and maintenance of high-end commercial properties in Guangdong province including Guangzhou International Finance Center (廣州國際金融中心), Guangzhou Taikoo Hui (廣州太古匯), Leatop Plaza (利通廣場), Pearl River Tower (珠江城大廈) and Raffles City Shenzhen (深圳來福士廣場) etc.

Due to the COVID-19 pandemic, the PRC cities such as Shanghai are subject to lockdown from time to time, which led to the decrease in staff mobility to provide services across different provinces. As confirmed by Frost & Sullivan, there is an increasing demand for local presence of workers from tender offerors since the outbreak of COVID-19. In order to increase our Group's competitiveness in securing future tenders, our Directors consider that it is essential for our Group to set up local offices and have local staff present in different provinces. For further details on the purported benefits of setting up local offices in different provinces, please refer to the section headed "Future plans and use of proceeds – Use of proceeds".

Potentials in Beijing, Shanghai and Hangzhou and our ability to replicate our success in Guangdong province

Beijing, Shanghai, Guangzhou and Shenzhen are generally recognised as the four tier-one cities in the PRC. Our Directors are confident the Group's business model and success in Guangzhou and Shenzhen set a solid foundation for us to expand our business coverage and further enroot in other major cities in the PRC. According to the Industry Report, there are 46,427, 10,212 and 10,242 registered property cleaning companies in Beijing, Shanghai and Zhejiang in 2022, respectively with the property cleaning markets in Beijing, Shanghai and Zhejiang. In terms of operational scale, it is estimated that 70-85% of market participants in Beijing and Shanghai are similar to or smaller than the Group, whereas there are approximately 80-90% of market participants in Hangzhou of similar or smaller operations scale comparing to the Group, with a slightly lower level of market concentration in Hangzhou's regional market.

On the other hand, there are abundant business opportunities in the three cities for the Group to expand and compete with those local service providers. According to the Industry Report, the property cleaning market size in Beijing is expected to increase significantly from approximately RMB7.4 billion in 2023 to approximately RMB11.3 billion in 2027 with a CAGR of approximately 11.1% and the market size of the property cleaning sector in Shanghai is expected to grow at a higher CAGR of approximately 10.9% from approximately RMB9.3 billion in 2023 to approximately RMB12.8 billion in 2027. According to the Industry Report, in the property cleaning market in Beijing, Shanghai, and Zhejiang province, it is common industry practice for large property management companies to outsource property cleaning service from third-party service providers and third-party property cleaning providers who have well-established cooperation and long-term relationship with property management companies or have worked with each other in other regions could gain more competitive advantage in gaining new projects.

Major commercial properties management companies in Beijing, Shanghai and Hangzhou include various renowned property developers and property management companies in the PRC. Most of them are existing customers of the Group or other subsidiaries of the holding company of such existing customers. Furthermore, approximately 60% of the Group's current customer base have other subsidiaries of the holding companies in Chongqing, Beijing and Shanghai. Throughout the years of operation, the Group was able to secure contracts from recurring clients including renowned property management companies, airport management and operation companies and listed companies or their respective subsidiaries. Some of the projects may be awarded by different customers. However, the subject premises may be developed by the same developer(s). For instance, the Raffles City Chongqing (重慶來福士廣場) project and the Raffles City Shenzhen (深圳來福士廣場) project were awarded by different customers while both projects were owned, developed or managed by the same developer. More examples such as our consecutive success in securing the cleaning and maintenance project for Chongqing Jiangbei International Airport, Guangzhou Baiyun International Airport and Sanya Phoenix International Airport also demonstrate our resilience in securing similar large-scale projects in different cities in the PRC.

Our Directors are confident that we will be able to replicate our successful business model to Beijing, Shanghai and Hangzhou. Our established business relationship with renowned property developers and property management companies served as a solid foundation for us to compete in first-tier cities where these property developers and property management companies have established a profound presence. With our expertise and experience in altitude cleaning, we also intend to submit tenders for the provision of cleaning and maintenance service at various skyscrapers, high-end commercial complex and airports in Beijing, Shanghai and Hangzhou such as Beijing Capital International Airport (北京首都國際機場) and Raffles City Beijing (北京來福士廣場) in Beijing; HKRI Taikoo Hui (上海興業太古匯), Raffles City Changning (上海長寧來福士廣場), Raffles City Shanghai (上海來福士廣場), Shanghai Hongqiao International Airport (上海虹橋國際機場) and Shanghai Pudong International Airport (上海浦東國際機場) in Shanghai; and Hangzhou Xiaoshan International Airport (杭州蕭山國際機場) and Raffles City Hangzhou (杭州來福士廣場) in Hangzhou. The Directors believe that our well-established position, strong brand recognition and proven track record will help continue to solidify our market position and allow us to capture the growing demand for cleaning and maintenance service in the PRC, in particular, in Beijing, Shanghai and Hangzhou.

Consolidate our well-established position in Guangdong province, in particular, the Greater Bay Area

While continuing to grow our business organically through establishment of branch offices in other provinces, we also plan to strategically acquire the entire or invest in a majority interest in one or two cleaning and maintenance services provider(s) in the Greater Bay Area with complementary strengths and with targeted operation scale given that we can immediately take advantage of their existing operations, customer base, resources and local reputation and the expected synergies from the combined operations such as expanded service offering or geographic reach. During the Track Record Period, the majority of the projects undertaken by the Group are based in Guangzhou, while projects in Foshan, Huizhou, Shenzhen, Zhongshan and Zhuhai, in aggregate, only contributed approximately 13.7%, 16.3% and 16.0% of the revenue in the Guangdong province during the three years ended 31 December 2022, respectively.

The Greater Bay Area covers 2 special administrative regions and 9 municipalities, with a total area of 56,000 square kilometres and combined population of approximately 70 million at the end of 2021. The Directors are of the view that, with the rapid increase in its economic strength and regional competitiveness, the Greater Bay Area shall possess the fundamental conditions for developing into an international first-class bay area and a world-class city cluster that boosts the needs for cleaning and maintenance services.

Through the acquisition of well-established cleaning and maintenance service provider with existing customer base within the Greater Bay Area, particularly in developing cities not within the Group's business network, the Group shall be able to expand its geographic reach and tender for cleaning services provision in major infrastructures to be completed in the near future. According to the National Bureau of Statistics of China, the Greater Bay Area economy, as measured by growth in nominal GDP, registered a CAGR of 4.6% from 2018 to 2022. The economy of the Greater Bay Area is expected to grow at a CAGR of 5.2% between 2023 and 2027. The stable growth in the Greater Bay Area will provide a strong base for urban development, including major infrastructures, which will further trigger the market demand from the downstream market of environmental cleaning and maintenance market. Although competition between cleaning and maintenance services providers in the same service region is inevitable, the Directors are of the view that the Group will be able to unify and strengthen our brand recognition attain growth and gain a competitive edge in the Greater Bay Area through the proposed acquisition.

In the target identification process, we will take into account the potential acquisition target's financial condition, competitive strengths and resources such as its service offerings, its geographic coverage in economically developed or fast growing areas, its licences and qualifications, its existing projects, its number of staff and their experience and qualifications as well as whether the target has a clear shareholding structure. Our key selection criteria in evaluating potential acquisition target(s) include (a) the acquisition target(s) should be small to medium size businesses which operate in the cleaning and maintenance services industry in the PRC and operate in regions where there is strong demand for cleaning and maintenance services for commercial properties such as the Greater Bay Area including Guangzhou and other cities in Guangdong province; (b) the acquisition target(s) should have a strong track record with over 15 years in the environmental cleaning and maintenance industry; (c) the service offerings and/or geographical coverage of the acquisition target(s) should not completely overlap with that of our Group to minimise the risk of cannibalisation with our existing business; and (d) the acquisition target(s) should demonstrate potential growth and be in a stable financial condition with not less than RMB20 million of annual revenue and not less than 10% of gross profit margin. We will target acquisition target(s) which will align with and complement our Group's existing business and we have no intention to acquire any acquisition target(s) which would lead to a material change of the business focus of our Group. As at the Latest Practicable Date, we had neither identified any particular acquisition target(s) nor entered into any formal agreements for acquisition.

Taking into account the large size of the environmental cleaning and maintenance market and that the difference in the service offerings and geographical coverage of the acquisition target(s) as compared to our Group's is one of the selection criteria, we expect to benefit from the synergies brought by the combined operations after the acquisition(s) which our Directors believe will bolster our competitive strength and market position in our existing business, and also our ability to capture new business opportunities through capitalising the existing customer base, projects, resources, local reputation and business strategies of the acquisition target(s). For further details on the synergies brought by the combined operations after the acquisitions, please refer to the section headed "Future plans and use of proceeds – Use of proceeds".

Our Directors believe that by establishing new branch offices and acquiring potential targets, our Group will be able to maximise our geographical reach and optimise our business growth in an efficient and effective manner.

Enhance our capabilities to capture additional opportunities in the public space cleaning sector

With the large population in the PRC, the trend towards urbanisation and rising public awareness particularly in light of COVID-19, our Directors believe that there will be a rising demand from the local government authorities responsible for public spaces for services relating to cleaning and the collection and transportation of garbage and waste. Although we have provided such services in connection with public space cleaning services during the Track Record Period such as basic cleaning and maintenance involving disinfection of public spaces, garbage collection and transportation and waste collection and transportation, the expansion of our fleet and workforce will enable us to offer more attractive bids in our tenders for large public projects which give significant consideration to the service providers' resources including their vehicles. During the year ended 31 December 2022, the utilisation rate of the Group's specialised vehicles used for performing public space cleaning was generally over 100%. During the Track Record Period, we did not own any waste suction vehicles. It is our current intention to continue providing garbage and waste collection and transportation services but not waste management services. Thus, by enhancing our capabilities in this area, we will be able to grasp future opportunities in the public space cleaning sector projects in the Greater Bay Area and beyond, thus growing our market share in the public space cleaning sector. As at the Latest Practicable Date, we have obtained, among others, Sewage, Septic Tank, Pipeline Unclogging Treatment Cleaning Service Enterprise Qualification Certificate – National Level 1* (污水、化糞池、管道疏通處理清洗服務企業資質證書 – 國家一級) and Secondary Water Supply Cleaning Service Enterprise Qualification Certificate* (二次供水清潔服務企業資質證書), for operation of public cleaning (for further details of these and other qualifications, please refer to the paragraph headed "Awards and recognitions" in this section).

Adopt technological advances in the industry and upgrade our information technology systems to improve our service quality and efficiency

One of the major market trends in our industry is the mechanisation of labour and adoption of technologically advanced equipment to supplement human workers such as cleaning robots to address tasks that are simple, repetitive or with higher risk. Mechanisation will help alleviate labour shortage problem in the industry and potentially increase operational efficiency at a lower cost according to the Industry Report. In addition, workplace injuries are not uncommon in our industry and if we continue to rely solely on a large human workforce, we face greater risk of personal injuries and potential litigation and related increase in insurance costs from accidents relating to our employees. In line with the industry trend and taking into account the benefits from mitigating the above risks to our employees and to ourselves and distinguishing ourselves from more traditional competitors, we encourage our staff to conduct in-house research in this and other areas which were mainly for self-use in our operations and also keep ourselves informed of technological advances in our industry.

We obtained a patent for an automated cleaning robot in 2019, but given the robot design was considered relatively small in scale and simple for large scale property cleaning, we rented a cleaning robot from an independent third party supplier for testing purposes. As at the Latest Practicable Date, we have used such cleaning robot for one of our projects on a trial basis. Given the positive experience in such usage, we intend to strategically purchase additional cleaning robots in a gradual manner for future projects, including basic cleaning and sanitation robots, carpet cleaning robots and robots with interactive media designs. With such number and variety of cleaning robots, we will be able to offer various choices to our customers and select the number and types of cleaning robots to supplement our human workforce as appropriate for our projects.

We intend to prudently manage our robots, allocate them efficiently in our projects and begin marketing to our customers which embrace new technologies such as property management companies and property developers with smart properties and technology-driven properties. We also intend to hire additional maintenance professionals and technical staff to maintain such robots, develop intelligent operation and control platform which we can implement our projects to incorporate artificial intelligence equipment and assist us in on-site environmental management and control as well as help us keep pace with technological advances in our industry.

In addition, as an important part of maintaining our competitiveness, we intend to upgrade our current information technology systems relating to project management and performance tracking given the large coverage size and the complexity of our projects. Our Directors believe that this upgrade will help us overall to maintain service quality, ensure adequate supervision of project performance, increase management efficiency and help us to promptly bring urgent issues relating to our projects to the attention of our management.

Enhance our brand recognition through strengthening of our human resources and promotional activities

As our workforce is our most valuable resource, we will further enhance our brand recognition by the strengthening of our human resources in (i) continued recruitment of top talent through attractive remuneration package and constructive career development opportunities; (ii) additional and regular training relating to specific skills training and best industry practices education; (iii) optimise employee training programme and refine our remuneration plans; and (iv) social activities and events to reinforce in both new and existing employees our corporate values, compliance culture and commitment to social responsibility. We believe that by building a highly skilled and professional team which is committed to our values, we can support our growth strategies and ensure greater sustainability of our long-term business. In addition, we will also conduct promotional activities to strengthen our brand recognition as well as hire additional marketing staff to support our growing business, expand into new markets where we may need to compete against more established local competitors and support our other business strategies.

Implementation of strategies

For further details on the implementation of the above strategies, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

OUR SERVICES

The following table sets out a breakdown of our revenue, gross profit and gross profit margin by categories of services during the years/periods indicated:

	Year ended 31 December												Six months ended 30 June							
	2020				2021				2022				2022				2023			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
													(Unaudited)		(Unaudited)					
Property cleaning																				
– Commercial building	211,433	45.4	38,637	18.3	249,927	44.3	44,303	17.7	289,624	48.7	51,126	17.7	133,863	46.3	23,546	17.6	159,780	53.6	27,765	17.4
– Residential building	96,078	20.6	12,918	13.4	135,813	24.1	14,761	10.9	143,721	24.2	15,727	10.9	70,255	24.3	7,755	11.0	64,446	21.6	6,798	10.5
– Transportation hub	63,362	13.6	10,338	16.3	61,384	10.9	9,602	15.6	52,029	8.8	8,367	16.1	28,913	10.0	4,573	15.8	16,759	5.6	2,600	15.5
– Shopping mall	52,749	11.3	10,515	19.9	71,171	12.6	12,138	17.1	64,372	10.8	10,985	17.1	34,721	12.0	5,886	17.0	27,228	9.1	4,623	17.0
– Public utilities[Note 1]	16,691	3.6	2,787	16.7	12,696	2.3	2,052	16.2	11,981	2.0	1,961	16.4	4,724	1.6	770	16.3	9,122	3.1	1,459	16.0
– Industrial park	6,624	1.4	1,345	20.3	12,981	2.3	2,672	20.6	12,339	2.1	2,536	20.6	6,453	2.2	1,260	19.5	8,276	2.8	1,658	20.0
Public space cleaning[Note 2]	18,360	3.9	3,367	18.3	19,569	3.5	3,717	19.0	20,138	3.4	3,707	18.4	10,244	3.6	1,950	19.0	12,640	4.2	2,274	18.0
Other cleaning[Note 3]	367	0.1	11	3.1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	465,664	100.0	79,918	17.2	563,541	100.0	89,245	15.8	594,204	100.0	94,409	15.9	289,173	100.0	45,739	15.8	298,251	100.0	47,177	15.8

Notes:

(1) Public utilities cleaning primarily consists of government offices and school cleaning.

(2) Public space cleaning consists of road sweeping and cityscape cleaning.

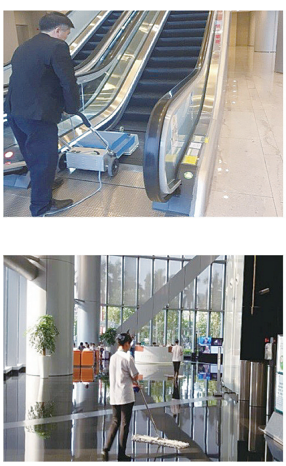
(3) Other cleaning primarily consists of river cleaning.

Scope of services

We cater our service scope to the particular requirements of the service location. For example, our scope of service may include stone cleaning and maintenance services for floors made from particular building materials like stone and marble, and high-altitude cleaning services for exterior windows and walls of tall buildings. The service scope for our larger projects typically involves a wide variety of services given the large area of the service location, the mix of property types and the complexity of such projects. Set out below are specific examples of the cleaning and maintenance services provided by us:

	Examples
Basic cleaning and maintenance	We provide regular property cleaning services involving dust removal, disinfecting and polishing of floors, ceilings and walls and other tasks for sanitation purposes. For buildings, we conduct such services for individual rooms, escalators, roofs, staircases, and other common areas of buildings as well as ancillary areas such as fountains, pools, gardens and carparks in the buildings' vicinity. We will also provide maintenance services involving restocking of toiletries in washrooms and basic repairs. For public spaces such as streets and public squares, we sweep and clean, remove graffiti and unauthorised posters and deep clean with high pressure washers. For rivers and other natural bodies of water, we help conduct water cleaning which mainly consists of removal of floating debris.
Garbage collection and transportation	We assist in emptying and cleansing garbage bins and collect garbage from properties and public spaces. After collection, we help load such garbage into collection vehicles for transport.
Waste collection and transportation	We remove the sludge and other waste from septic tanks and grease traps mainly for commercial and residential properties and help transport it.
Water tank cleaning	Water tanks may accumulate dirt, rust and other impurities which may result in pipe blockage or unsanitary conditions. We provide specialised cleaning and disinfection services as well as conduct water quality inspection services for various types of water tanks such as fresh water tanks, flushing water tanks and fire hydrant tanks.

	Examples
Stone cleaning and maintenance	Over time, objects or surfaces made from stone, such as natural stone, marble and granite, may receive stains, scratches and lose their colour and lustre. We have qualified staff and special equipment to help polish, hone and restore such parts of the property with stone-like materials.
High-altitude cleaning	For cleaning of windows and walls on the exterior of tall buildings or otherwise involving high-altitudes, we have dedicated workers with equipment to reach such areas and perform such cleaning.
Ancillary services	We offer ancillary services such as greening services involving watering and fertilising plants, cutting grass and pruning trees, and pest control involving the extermination of common vectors such as cockroaches, mosquitoes, rodents and flies.



Basic cleaning and maintenance (indoors)

Basic cleaning and maintenance (outdoors)

High-altitude cleaning

Ancillary services

Services by provincial-level regions

The following table sets out a breakdown of our revenue generated from the sales by provincial-level regions in the PRC of the customers for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Guangdong	390,973	459,108	467,337	224,353	234,692
Hainan	45,382	43,287	42,936	25,303	15,870
Chongqing	9,047	21,200	24,384	12,247	13,036
Guangxi	8,767	10,100	10,545	5,107	5,527
Others[Note]	11,495	29,846	49,002	22,163	29,126
	465,664	563,541	594,204	289,173	298,251

Note: Others primarily include Anhui, Fujian, Guizhou, Heilongjiang, Henan, Hubei, Hunan, Jiangxi, Shaanxi and Yunan.

GEOGRAPHIC COVERAGE

Headquartered in Guangzhou city, Guangdong province, we undertake projects across the PRC with a focus in the Greater Bay Area. During the Track Record Period, we undertook projects across 14 provincial-level regions in the PRC, namely Anhui, Chongqing, Fujian, Guangdong, Guangxi, Guizhou, Hainan, Heilongjiang, Henan, Hubei, Hunan, Jiangxi, Shaanxi and Yunnan, with most of our revenue being derived from projects in Guangdong province. From time to time, we may expand into other regions in the PRC if attractive opportunities arise or in order to strengthen our relationship with existing customers by offering to undertake their projects in different regions.

OUR PROJECTS

Basis of determination for individual projects

The major terms of our service arrangements with customers are set out in service contracts with a service period generally ranging from one year to three years each. However, there may be instances where two or more contracts are obtained under or otherwise involve related circumstances such as:

- during the course of performing one service contract, we may enter into an additional supplemental contract(s) or undertake one-off service requests with a limited scope and duration for service locations in the vicinity of the ones set out in the main service contracts.

- upon the expiry of the service period under the service contracts, we may successfully obtain new contracts for a new service period, leading us to provide services on the same service locations over consecutive service periods.

- in the case of larger properties, such as commercial buildings involving different individual tenants for units in such properties, we may enter into one or more service contracts with the relevant property management company or property owner for the cleaning of a significant part of the relevant properties and, subsequently, we may also enter into separate individual service contracts with individual tenants for the cleaning of their respective units on the properties.

- for larger customers, such as property management companies with a national presence, we may enter into preliminary discussions to provide services for multiple properties owned, managed or otherwise controlled by them or their affiliates at the same time and thus such discussions may lead to our obtaining multiple service contracts of varying terms and service locations.

Taking into account that different service contracts may be related due to, among others, (i) our continuous provision of services to specific service locations and areas in their vicinity; or (ii) the shared circumstances leading to us obtaining such service contracts, we generally treat various contracts with the above or other circumstances as all forming part of one project. Accordingly, our projects may involve one or more service contracts, principal service categories and customers. When determining an individual project according to our classification and which relevant contracts pertain to each project, we take into account the relationship between the customers in such contracts, the proximity of the service locations in such contracts, the service period in such contracts, the background in obtaining such contracts and other relevant factors.

Movement in number of projects

The following table sets out the movement of our projects during the years/periods indicated[Note]:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
Number of projects continued from the previous year/period[Note]	165	204	205	205	217
Number of new projects started during the year/period[Note]	78	55	91	51	75
Number of projects during the year	***243***	***259***	***296***	***256***	***292***
(Number of projects ended during the year/period)	(39)	(54)	(81)	(31)	(27)
Number of projects to be continued to the next year/period	204	205	217	225	265

Note: The above table excludes projects involving relatively low contract sum or otherwise considered insignificant.

The following tables set out the movement of our projects during the years/periods indicated by the major categories of our services:

Property cleaning *Note 1*

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
Number of projects continued from the previous year/period *Note 2*	162	200	201	201	212
Number of new projects started during the year/period *Note 2*	76	52	90	50	73
Number of projects during the year	***238***	***252***	***291***	***251***	***285***
(Number of projects ended during the year/period)	(38)	(51)	(79)	(31)	(27)
Number of projects to be continued to the next year/period	200	201	212	220	258

Notes:

(1) Property cleaning includes the cleaning of commercial building, residential building, transportation hub, shopping mall, public utilities, and industrial park.

(2) The above table excludes projects involving relatively low contract sum or otherwise considered insignificant.

Public space cleaning*[Note 1]*

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
Number of projects continued from the previous year/period[Note 2]	3	4	4	4	5
Number of new projects started during the year/period[Note 2]	1	3	1	1	2
Number of projects during the year	***4***	***7***	***5***	***5***	***7***
(Number of projects ended during the year/period)	–	(3)	–	–	–
Number of projects to be continued to the next year/period	4	4	5	5	7

Notes:

(1) Public space cleaning consists of road sweeping and school cleaning.

(2) The above table excludes projects involving relatively low contract sum or otherwise considered insignificant.

Other cleaning[Note 1]

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
Number of projects continued from the previous year/period[Note 2]	–	–	–	–	–
Number of new projects started during the year/period[Note 2]	1	–	–	–	–
Number of projects during the year	***1***	**–**	**–**	**–**	**–**
(Number of projects ended during the year/period)	(1)	–	–	–	–
Number of projects to be continued to the next year/period	–	–	–	–	–

Notes:

(1) Other cleaning primarily consists of river cleaning

(2) The above table excludes projects involving relatively low contract sum or otherwise considered insignificant.

Five major projects in progress (by contract sum) as at the Latest Practicable Date

The following are the details of our five major projects, in terms of total contract sum, of which the project is still in progress as at the Latest Practicable Date:

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service[Note]	End date of service[Note]	Total Contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised during the Track Record Period: Year ended 31 December 2020	2021	2022	Six months ended 30 June 2023	Revenue to be recognised
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Project HC	Project Customer Group A	Guangzhou, Guangdong province	Basic cleaning and maintenance service, garbage collection and transportation, and ancillary service	Public space cleaning	1 January 2017	28 February 2027	116,374	28,922	11,539	11,225	10,282	4,927	49,479
Project YJL	Project Customer Group B	Haikou, Hainan province	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Residential building	1 July 2016	31 October 2024	113,719	38,553	14,157	14,650	15,746	7,528	23,085

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service[Note]	End date of service[Note]	Total Contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised during the Track Record Period: Year ended 31 December 2020	2021	2022	Six months ended 30 June 2023	Revenue to be recognised
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Guangzhou Baiyun International Airport (廣州白雲國際機場)	Project Customer Group C (one of the customers is also Customer B, who is our five largest customers for the year ended 31 December 2020 during the Track Record Period)	Guangzhou, Guangdong province	Basic cleaning and maintenance, and high-altitude cleaning and ancillary service	Property cleaning – Transportation hub	1 December 2017	31 January 2024	90,363	35,217	16,959	16,746	15,803	311	5,327
Taikoo Hui (太古匯)	Project Customer Group D	Guangzhou, Guangdong province	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Commercial building and Shopping mall	18 March 2016	31 December 2024	84,271	26,992	12,130	12,838	12,938	6,706	12,667

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service[Note]	End date of service[Note]	Total Contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised during the Track Record Period: Year ended 31 December 2020	2021	2022	Six months ended 30 June 2023	Revenue to be recognised
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Project HGY	Project Customer Group E	Guiyang, Guizhou province	Basic cleaning and maintenance and garbage collection and transportation	Property cleaning – Residential building	1 July 2018	15 April 2024	73,116	6,224	3,117	5,368	20,183	9,889	28,335

Note: Each project consists of different contracts with different start date and end date of service, and are signed by our Group with different customers within each project customer group. The service location takes into account the primary service location type for the main service contracts during the Track Record Period for this project. The start date of service is based on the start date of service of the first main service contract for the project, and the end date of service is based on the end date of service of the latest main service contract for the project and may be subject to further extensions or renewals based on award of new contracts for this project.

Five major completed projects (by contract sum) during the Track Record Period

The following are the details of our five major projects, in terms of contract sum, of which the project was completed during the Track Record Period:

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service[Note]	End date of service[Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised during the Track Record Period – Year ended 31 December 2020	2021	2022	Six months ended 30 June 2023
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Project HH	Project Customer Group E	Sanya and Haikou, Hainan province	Basic cleaning and maintenance	Property cleaning – Transportation hub	1 June 2017	31 March 2023	74,688	28,732	16,831	12,422	8,712	411,615
Project FH	Project Customer Group F	Haikou, Hainan province	Basic cleaning and maintenance	Property cleaning – Transportation hub	10 July 2017	31 July 2022	46,804	33,110	8,152	3,869	1,672	–
China Fabrics & Accessories Center (廣州國際輕紡城)	Project Customer Group G	Guangzhou, Guangdong province	Basic cleaning and maintenance, stone cleaning and restoration	Property cleaning – Shopping mall	1 October 2017	30 September 2022	30,937	14,770	5,700	6,059	4,408	–

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service[Note]	End date of service[Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised during the Track Record Period – Year ended 31 December 2020	Revenue recognised during the Track Record Period – Year ended 31 December 2021	Revenue recognised during the Track Record Period – Year ended 31 December 2022	Six months ended 30 June 2023
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
China South City (深圳華南城)	Project Customer Group H	Shenzhen municipality	Basic cleaning and maintenance	Property cleaning – Shopping mall	1 January 2020	31 December 2022	21,329	1,827	7,273	6,632	5,597	–
Project XZ	Project Customer Group I	Guangzhou, Guangdong province	Basic cleaning and maintenance, garbage collection and transportation, waste collection and transportation, and ancillary service	Public space cleaning	1 July 2015	30 April 2021	19,652	13,974	2,737	2,941	–	–

Note: Each project consists of different contracts signed by our Group with different customers within each project customer group. The service location takes into account the primary service location type for the main service contracts during the Track Record Period for this project. The start date of service is based on the start date of service of the first main service contract for the project, and the end date of service is based on the actual term of service under the latest main service contract for the project and may be subject to further extensions or renewals based on award of new contracts for this project.

Five major projects (by revenue recognition) for each year during the Track Record Period

The following are the details of our five major projects in each business segment, in terms of revenue recognition, for each year during the Track Record Period:

For the year ended 31 December 2020

Property cleaning

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2020	Revenue to be recognised since 1 January 2021
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangdong Baiyun International Airport (廣東白雲國際機場)	Project Customer Group C (one of the customers is also Customer B, who is one of our five largest customers for the year ended 31 December 2020 during the Track Record Period)	Guangzhou, Guangdong province	Basic cleaning and maintenance, and high-altitude cleaning and ancillary service	Property cleaning – Transportation hub	1 December 2017	31 January 2024	90,158	35,217	16,959	37,982
Project HH	Project Customer Group E	Sanya and Haikou, Hainan province	Basic cleaning and maintenance	Property cleaning – Transportation hub	1 June 2017	31 March 2023	74,688	28,732	16,831	29,124

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2020	Revenue to be recognised since 1 January 2021
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Project YJL	Project Customer Group B	Haikou, Hainan province	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Residential building	1 July 2016	31 October 2024	99,743	38,553	14,157	47,033
Taikoo Hui (太古匯)	Project Customer Group D	Guangzhou, Guangdong province	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Commercial building and Shopping mall	18 March 2016	31 December 2024	82,755	26,992	12,130	43,634
Guangzhou International Finance Centre (廣州國際金融中心)	Project Customer Group K	Guangzhou, Guangdong province	basic cleaning and maintenance, water tank cleaning, garbage collection and transportation, high-altitude cleaning, waste collection and transportation, and stone cleaning and maintenance	Property cleaning – shopping mall and public utilities	1 January 2017	31 December 2024	56,401	15,927	10,632	29,842

Public space cleaning

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2020	Revenue to be recognised since 1 January 2021
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Project HC	Project Customer Group A	Guangzhou, Guangdong province	Basic cleaning and maintenance service, garbage collection and transportation, and ancillary service	Public space cleaning	1 January 2017	28 February 2027	116,375	28,922	11,539	75,913
Project XZ	Project Customer Group I	Guangzhou, Guangdong province	Basic cleaning and maintenance, garbage collection and transportation, waste collection and transportation, and ancillary service	Public space cleaning	1 July 2015	30 April 2021	19,652	13,974	2,737	2,941
Project WB	Project Customer Group L	Guangzhou, Guangdong province	Basic cleaning and maintenance and garbage collection and transportation	Public space cleaning	1 June 2015	5 January 2021	10,446	8,401	2,045	–

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2020	Revenue to be recognised since 1 January 2021
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Project KTC	Project Customer Group M	Guangzhou, Guangdong province	Basic cleaning and maintenance, garbage collection and transportation and waste collection and transportation	Public space cleaning	1 January 2020	31 December 2025	18,179	–	2,038	16,142

Other cleaning

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2020	Revenue to be recognised since 1 January 2021
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Project ZLS	Project Customer N	Guangzhou, Guangdong province	Water tank cleaning	Other cleaning	15 May 2020	30 June 2020	370	–	370	–

For the year ended 31 December 2021

Property cleaning

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2021	Revenue to be recognised since 1 January 2022
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chongqing Jiangbei International Airport (重慶江北國際機場)	Project Customer Group O	Chongqing municipality	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Transportation hub	15 July 2020	14 July 2023	62,116	9,047	19,674	33,395
Project YX	Project Customer Group P	Guangzhou, Guangdong province	Basic cleaning and maintenance, water tank cleaning, garbage collection and transportation, high-altitude cleaning, waste collection and transportation, stone cleaning and maintenance, and ancillary services	Property cleaning – shopping mall and public utilities	1 July 2018	31 August 2023	59,631	3,508	18,393	28,770

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2021	Revenue to be recognised since 1 January 2022
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangdong Baiyun International Airport (廣東白雲國際機場)	Project Customer Group C (one of the customers is also Customer B, who is one of our five largest customers for the year ended 31 December 2020 during the Track Record Period)	Guangzhou, Guangdong province	Basic cleaning and maintenance, and high-altitude cleaning and ancillary service	Property cleaning – Transportation hub	1 December 2017	31 January 2024	90,158	35,217	16,746	21,236
Project YJL	Project Customer Group B	Haikou, Hainan province	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Residential building	1 July 2016	31 October 2024	99,743	38,553	14,650	32,383
Taikoo Hui (太古匯)	Project Customer Group D	Guangzhou, Guangdong province	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Commercial building and Shopping mall	18 March 2016	31 December 2024	82,755	26,992	12,838	30,796

Public space cleaning

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2021	Revenue to be recognised since 1 January 2022
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Project HC	Project Customer Group A	Guangzhou, Guangdong province	Basic cleaning and maintenance service, garbage collection and transportation, and ancillary service	Public space cleaning	1 January 2017	28 February 2027	116,375	28,922	11,225	64,688
Project XZ	Project Customer Group I	Guangzhou, Guangdong province	Basic cleaning and maintenance, garbage collection and transportation, waste collection and transportation, and ancillary service	Public space cleaning	1 July 2015	30 April 2021	19,652	13,974	2,941	–
Project SQJ	Project Customer Group Q	Guangzhou, Guangdong province	Basic cleaning and maintenance and garbage collection and transportation	Public space cleaning	1 May 2021	30 April 2024	12,845	–	2,689	10,156

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2021	Revenue to be recognised since 1 January 2022
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Project KTC	Project Customer Group M	Guangzhou, Guangdong province	Basic cleaning and maintenance, garbage collection and transportation and waste collection and transportation	Public space cleaning	1 January 2020	31 December 2025	18,179	–	2,490	13,651
Project LHZ	Project Customer Group R	Guangzhou, Guangdong province	Basic cleaning and maintenance and high-altitude cleaning	Public space cleaning	9 July 2021	31 December 2021	113	–	113	–

Other cleaning

No revenue of other cleaning projects was recognised in the year.

For the year ended 31 December 2022

Property cleaning

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2022	Revenue to be recognised since 1 January 2023
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Project YX	Project Customer Group P	Guangzhou, Guangdong province	Basic cleaning and maintenance, water tank cleaning, garbage collection and transportation, high-altitude cleaning, waste collection and transportation, stone cleaning and maintenance, and ancillary services	Property cleaning – shopping mall and public utilities	1 July 2018	31 August 2023	59,631	3,508	20,579	8,191
Project HGY	Project Customer Group E	Guiyang, Guizhou province	Basic cleaning and maintenance and garbage collection and transportation	Property cleaning – Residential building	1 July 2018	15 April 2024	73,116	6,224	20,183	38,224

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2022	Revenue to be recognised since 1 January 2023
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chongqing Jiangbei International Airport (重慶江北國際機場)	Project Customer Group O	Chongqing municipality	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Transportation hub	15 July 2020	14 July 2023	62,116	–	19,639	13,757
Guangdong Baiyun International Airport (廣東白雲國際機場)	Project Customer Group C (one of the customers is also Customer B, who is one of our five largest customers for the year ended 31 December 2020 during the Track Record Period)	Guangzhou, Guangdong province	Basic cleaning and maintenance, and high-altitude cleaning and ancillary service	Property cleaning – Transportation hub	1 December 2017	31 January 2024	90,158	35,217	15,803	5,433
Project YJL	Project Customer Group B	Haikou, Hainan province	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Residential building	1 July 2016	31 October 2024	99,743	38,553	15,746	16,637

Public space cleaning

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2022	Revenue to be recognised since 1 January 2023
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Project HC	Project Customer Group A	Guangzhou, Guangdong province	Basic cleaning and maintenance service, garbage collection and transportation, and ancillary service	Public space cleaning	1 January 2017	28 February 2027	116,375	28,922	10,282	54,406
Project SQJ	Project Customer Group Q	Guangzhou, Guangdong province	Basic cleaning and maintenance and garbage collection and transportation	Public space cleaning	1 May 2021	1 May 2024	12,863	–	4,042	6,114
Project KTC	Project Customer Group M	Guangzhou, Guangdong province	Basic cleaning and maintenance, garbage collection and transportation and waste collection and transportation	Public space cleaning	1 January 2020	31 December 2025	18,179	–	2,717	10,935

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service [Note]	End date of service [Note]	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2022	Revenue to be recognised since 1 January 2023
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Project XTC	Project Customer Group S	Foshan, Guangdong province	Basic cleaning and maintenance and garbage collection and transportation	Public space cleaning	1 January 2022	31 December 2024	7,884	–	2,513	5,370
Project DHP	Project Customer Group T	Zhongshan, Guangdong province	Basic cleaning and maintenance and garbage collection and transportation	Public space cleaning	1 November 2021	31 December 2024	2,102	–	584	1,408

Other cleaning

No revenue of other cleaning projects was recognised in the year.

For the six months ended 30 June 2023

Property cleaning

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service	End date of service	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the six months ended 30 June 2023	Revenue to be recognised since 1 July 2023
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chongqing Jiangbei International Airport (重慶江北國際機場)	Project Customer Group O	Chongqing municipality	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Transportation hub	15 July 2020	31 July 2023	62,979	–	9,994	4,625
Project HGY	Project Customer Group E	Guiyang, Guizhou province	Basic cleaning and maintenance and garbage collection and transportation	Property cleaning – Residential building	1 July 2018	15 April 2024	73,116	6,224	9,889	28,335
Project YJL	Project Customer Group B	Haikou, Hainan province	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Residential building	1 July 2016	31 October 2024	113,599	38,553	7,528	22,965
Taikoo Hui (太古匯)	Project Customer Group D	Guangzhou, Guangdong province"	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Commercial building and Shopping mall	18 March 2016	28 February 2025	83,837	26,992	6,706	12,233

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service	End date of service	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the six months ended 30 June 2023	Revenue to be recognised since 1 July 2023
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Project YHC	Project Customer Group U	Guangzhou, Guangdong province	Basic cleaning and maintenance	Property cleaning – Shopping mall and public utilities	20 August 2020	25 September 2024	56,723	–	5,440	28,175

Public space cleaning

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service[Note]	End date of service[Note]	Total contract sum	Revenue recognised prior o the Track Record Period	Revenue recognised for the six months ended 30 June 2023	Revenue to be recognised since 1 July 2023
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Project HC	Project Customer Group A	Guangzhou, Guangdong province	Basic cleaning and maintenance service, garbage collection and transportation, and ancillary service	Public space cleaning	1 January 2017	28 February 2027	116,375	28,922	4,927	49,479

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service[Note]	End date of service[Note]	Total contract sum	Revenue recognised prior o the Track Record Period	Revenue recognised for the six months ended 30 June 2023	Revenue to be recognised since 1 July 2023
							RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Project SQJ	Project Customer Group Q	Guangzhou, Guangdong province	Basic cleaning and maintenance and garbage collection and transportation	Public space cleaning	1 May 2021	1 May 2024	12,863	–	2,076	4,056
Project BLPZ	Project Customer Group V	Guangzhou, Guangdong province	Basic cleaning and maintenance, garbage collection and transportation	Public space cleaning	1 January 2023	31 December 2024	6,305	–	1,486	4,819
Project KTC	Project Customer Group M	Guangzhou, Guangdong province	Basic cleaning and maintenance, garbage collection and transportation and waste collection and transportation	Public space cleaning	1 January 2020	31 December 2025	18,179	–	1,476	9,458
Project XTC	Project Customer Group S	Foshan, Guangdong province	Basic cleaning and maintenance and garbage collection and transportation	Public space cleaning	1 January 2022	31 December 2024	7,884	–	1,264	4,107

Other cleaning

No revenue of other cleaning projects was recognised in the period.

Notes:

(1) Project Customer Group A includes a company engaged in the provision of consultation and marketing services for planning of constructions and real estate projects.

(2) Project Customer Group B includes property management companies such as Customer D, one of our five largest customers for the year ended 31 December 2020 during the Track Record Period.

(3) Project Customer Group C includes airport operation and property management companies such as Customer B, one of our five largest customers for the year ended 31 December 2020 during the Track Record Period.

(4) Project Customer Group D includes property management companies, restaurants, shops and retailing companies.

(5) Project Customer Group E includes companies engaged in property management companies and companies engaged in the provision of real estate-related services.

(6) Project Customer Group F includes property management companies.

(7) Project Customer Group G includes property management companies, companies engaged in marketing activities and companies engaged in real estate-related services.

(8) Project Customer Group H includes a company engaged in property management, provision of housekeeping services, greening services and pest-control services.

(9) Project Customer Group I includes a company engaged in real estate-related services and the People's Government of a town in the PRC.

(10) Project Customer Group J includes a company engaged in property management and provision of housekeeping services, greening services, pest-control services, real estate-related services, cleaning and disinfection services, and property cleaning services.

(11) Project Customer Group K includes companies engaged in hotel management, companies engaged in property management and companies engaged in the provision of real estate-related services.

(12) Project Customer Group L includes the People's Government of a town and an office of a local committee in the PRC.

(13) Project Customer Group M includes a village committee in the PRC.

(14) Project Customer Group N includes a company engaged in water pipeline engineering construction services, water quality testing services, tap water supply and production.

(15) Project Customer Group O includes a company engaged in airport management.

(16) Project Customer Group P includes companies engaged in asset management and investment consultation, and companies engaged in property management.

(17) Project Customer Group Q includes a sub-district office of the People's Government of a district in the PRC, and a kindergarten.

(18) Project Customer Group R includes a People's Government of a town in the PRC.

(19) Project Customer Group S includes a village committee in the PRC and a company engaged in real estate agency services.

(20) Project Customer Group T includes a village committee in the PRC.

(21) Project Customer Group U includes companies engaged in property management and provision of real estate-related services.

(22) Project Customer Group V includes companies engaged in property management and provision of real estate-related services.

Movement in the value of backlog of our projects during the Track Record Period and up to the Latest Practicable Date

The following table sets out the movement in the value of backlog of the projects during the Track Record Period and from 1 July 2023 up to the Latest Practicable Date:

	Year ended 31 December			Six months ended 30 June		From 1 July 2023 up to the Latest Practicable Date
	2020	**2021**	**2022**	**2022**	**2023**	**Date**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Opening value of backlog	285,694	417,657	494,949	494,949	537,646	717,975
Total value of new confirmed contracts	597,627	640,833	636,901	244,614	478,580	129,713
Revenue recognised	(465,664)	(563,541)	(594,204)	(289,173)	(298,251)	(278,385)
Ending value of backlog	417,657	494,949	537,646	450,390	717,975	569,303

Fluctuations in the ending value of backlog per project

The ending value of backlog per project was calculated by dividing the ending value of backlog by the number of projects to be continued in the next year. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the ending value of backlog per project amounted to approximately RMB2.0 million, RMB2.4 million, RMB2.5 million, RMB2.0 million and RMB2.7 million, respectively. The increase in the amount for the year ended 31 December 2021 as compared to the year ended 31 December 2020 was mainly attributable to the Group's effort in securing projects in Guizhou province, leading to an increase in the number of contracts with relatively high contract sum for Project HGY at the end of 2021. For details regarding Project HGY, please refer to the section headed "Business – Our projects – Five major projects (by revenue recognition) for each year during the Track Record Period". The ending value of backlog per project remained relatively stable for the years ended 31 December 2021 and 2022. The increase in the amount for the six months ended 30 June 2022 as compared to the six months ended 30 June 2023 was mainly attributable to an increase in the number of new contracts secured in the first half of 2023 with relatively high contract sum, such as a project in Xiamen, Fujian province engaged by a customer in Project Customer group V.

The following table sets out the ending value of backlog of the projects by business segments during the Track Record Period and up to the Latest Practicable Date and from 1 July 2023 up to the Latest Practicable Date:

	Year ended 31 December			Six months ended 30 June		From 1 July 2023 up to the Latest Practicable Date
	2020	**2021**	**2022**	**2022**	**2023**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property cleaning						
Commercial building	144,163	242,964	267,162	195,144	385,747	290,199
Residential building	105,274	84,955	126,214	96,330	170,550	136,864
Transportation hub	75,496	64,975	27,111	38,567	28,018	15,468
Shopping mall	61,116	57,086	40,633	34,358	44,437	42,631
Public Utilities	7,692	14,384	13,123	8,730	12,790	26,306
Industrial Park	5,870	7,776	5,676	8,793	14,730	9,401
Public space cleaning	18,046	22,809	57,727	68,468	61,703	48,434
Other cleaning	–	–	–	–	–	–
Total	417,657	494,949	537,646	450,390	717,975	569,303

Project Backlog by business segments as at the Latest Practicable Date and the revenue to be recognised since the Latest Practicable Date

The following table sets out the number and value of backlog of our projects by business segments up to the Latest Practicable Date and the revenue to be recognised in 2023 since the Latest Practicable Date:

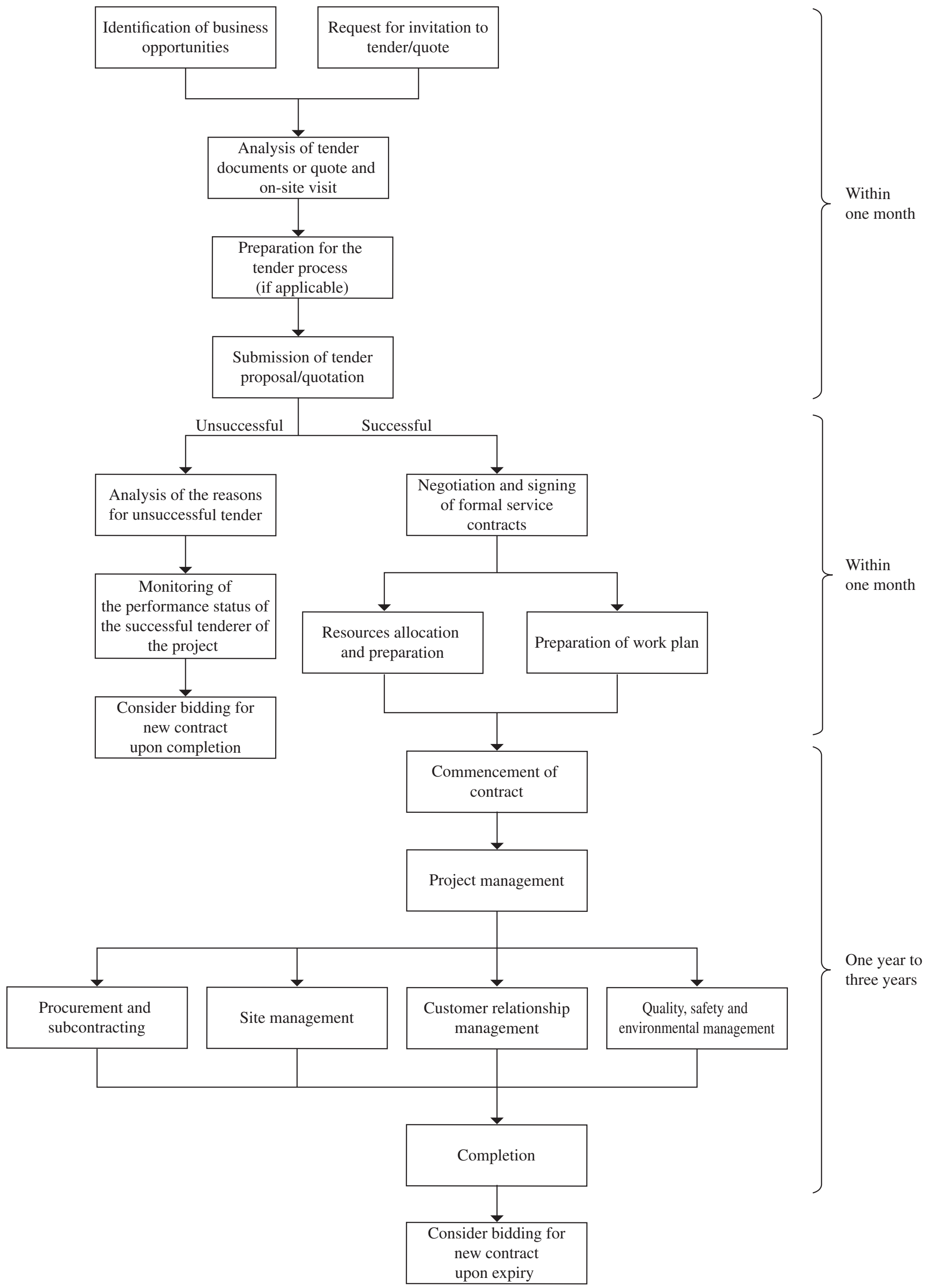
	Number of	Value of backlog	Revenue to be recognised in 2023 since the Latest Practicable Date
		RMB'000	*RMB'000*
Property cleaning			
– Commercial building	177	290,199	31,393
– Residential building	62	136,864	10,887
– Transportation hub	5	15,468	2,187
– Shopping mall	17	42,631	3,737
– Public Utilities	21	26,306	2,150
– Industrial Park	7	9,401	1,042
Public space cleaning	6	48,434	1,955
Other cleaning	–	–	–
Total	295	569,303	53,351

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the total number of loss-making projects of our Group amounted to 19, 7, 1, and nil, recording an aggregate loss of approximately RMB1.8 million, RMB0.4 million, RMB34 and nil, respectively.

As confirmed by our Directors, there was no material-loss making projects during the Track Record Period.

OPERATION FLOW

The following diagram summarises our typical operation flow[Note] including the principal steps and approximate time for the major steps:



Note: The above time-frame is for reference only and individual cases may vary significantly based on the nature of the customer, the number of rounds of tender, the level of competition, the customers' internal approval process and the terms of the service contract.

Identifying new business opportunities

We identify new projects or new contracts for existing projects from customers through open tenders published on websites or other public channels, direct invitations and referrals. Once we identify such opportunities, our marketing department will gather available information on (i) the projects' specifications including service locations, types of services required and timetable; (ii) our customers' background; and (iii) prerequisites and qualification of tenderers. Our marketing department, engineering and technical department and finance department will jointly review gathered information and make preliminary feasibility studies on the attractiveness of the opportunities after taking into account the initial information mentioned above as well as our available capacity and resources, the need for engaging suppliers and the information gathered from our site inspections. If the potential opportunities are considered attractive and consistent with our tender strategy, we will undergo any relevant tender process and relevant customers' approval process to secure such opportunities. We will also monitor contracts near completion and enquire with our customers on whether they intend to renew the project for an extended period.

Initial preparation, proposal submission and award

During the initial preparation stage, our marketing department, engineering and technical department and finance department are responsible for preparing tender proposals, and our marketing staff are also responsible for communicating with our customers. In certain cases, our customers may provide site inspection and question-and-answer sessions in order for us to understand more about the requirement of the tender. In preparing our tender proposals or quotations, we take into account the requirements in relevant tender documents and as determined from site inspections, the estimated costs to procure necessary consumables, equipment and services from suppliers and our estimated internal costs.

Subject to the complexity of the project, we normally complete our tender or quotation proposal within one month with quotations requiring one week to two weeks and tender proposals requiring 20 days to 30 days. Tender periods vary widely based on the nature of the customer and the customers' internal approval process. If we are unsuccessful in our bid, we will analyse the reasons based on information collected so that we can improve our proposals for the future. We will also continue monitoring the project performance status in relation to these unsuccessful bids so that upon the expiry of the relevant service period, we can attempt to bid for such projects.

Tender strategy, tender success rate and overall contracts awarded

During the Track Record Period, we secured our contracts with customers through the tender process or by direct engagement. Taking into account the new contracts awarded to us overall, including both contracts secured through tender and direct engagement, we secured over 668, 732, 773 and 447 contracts for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, we have submitted 325, 405, 238, 98 and 172 tenders/quotations, respectively, and the value of the tenders/quotations amounts to approximately RMB1,771.4 million, RMB1,928.2 million, RMB1,893.0 million, RMB454.9 million and RMB1,016.8 million, respectively. The value of the tenders/quotations refers to the tender/quotation price offered by our Group in the tender documents (without including the tenders which only provide the unit prices that are subject to actual staff involved/service area covered/service hours involved), based on the assumption that our Group will enter into contracts with the tender offerors for one year for tenders/quotations with monthly/yearly quotation should the tender/quotation price be accepted (the "**Assumptions**").

Based on the Assumptions, the following table sets forth the breakdown of the number and approximate value offered by our Group in the tender documents in relation to tenders/quotations submitted by business segments during the Track Record Period:

	For the years ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
	No. tender/ quotations submitted	Approximate value of tender/ quotations submitted	No. tender/ quotations submitted	Approximate value of tender/ quotations submitted	No. tender/ quotations submitted	Approximate value of tender/ quotations submitted	No. tender/ quotations submitted	Approximate value of tender/ quotations submitted	No. tender/ quotations submitted	Approximate value of tender/ quotations submitted
		(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*
Property cleaning	305	1,505,132	374	1,198,595	222	1,346,241	88	347,745	157	826,928
Public space cleaning	20	266,283	31	729,629	16	546,790	10	107,144	15	189,824
Total	325	1,771,415	405	1,928,224	238	1,893,031	98	454,899	172	1,016,752

Based on the Assumptions, the following table sets forth the breakdown of the number and approximate value offered by our Group in the tender documents in relation to successful tenders/quotations by business segments during the Track Record Period[Note]:

	For the years ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
	No. tender/ quotations	Approximate value of tender/ quotations	No. tender/ quotations	Approximate value of tender/ quotations	No. tender/ quotations	Approximate value of tender/ quotations	No. tender/ quotations	Approximate value of tender/ quotations	No. tender/ quotations	Approximate value of tender/ quotations
		(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*		*(RMB'000)*
Property cleaning	107	651,813	108	420,828	121	464,042	39	93,137	79	194,146
Public space cleaning	3	67,725	6	25,032	–	–	–	–	4	26,899
Total	110	719,538	114	445,860	121	464,042	39	93,137	83	221,045

Note: The actual contract sum of the projects shall be determined by the terms indicated in the actual service agreement between our Group and our customers.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our tender success rate was approximately 33.8%, 28.1%, 50.8%, 39.2% and 48.3%, respectively, for all tenders and approximately 87.0%, 73.5%, 77.3%, 81.0% and 78.7%, respectively, for tenders involving new contracts for existing projects. Our Group's tender success rate for new customers within the Track Record Period was approximately 28.2%, 25.6%, 41.3% and 43.9% for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively.

Our Customer retention rates in each year/ period during the Track Record Period amounted to 61.8%, 62.0%, 64.7% and 73.3% for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively. Our tender strategy is to prioritise bidding for contracts involving our existing projects as well as contracts offered by existing customers given the benefits of maintaining a long relationship with our customers and the benefits of having experience and resources in place for a past service location. However, subject to available resources, we will also bid for contracts we find attractive each year as we will be able to build relationships with potential new customers and so we can keep up to date with market trends, prices and increase our chances of securing contracts with favourable terms.

As confirmed by our Directors, the slightly decrease in the tender success rate for the years ended 31 December 2021 as compared to the year ended 31 December 2020 was due to our efforts in tendering for more projects to further expand our business. Since the increase in number of tenders submitted is higher than the increase in tenders secured, the tender success rate has decreased. For the year ended 31 December 2022, the increase in our tender success rate as compared to the year ended 31 December 2021 was mainly attributable to our focus in 2022 on submitting tenders for projects in which our Directors believe have a higher chance of securing, thus lowering the number of total tenders submitted.

Contract negotiation

The period after we are awarded the contract and up to the contract performance stage is normally less than one month. During this period and other than initial preparation work, we will negotiate the final details for execution of the formal service contracts. As the contract sum payable under our formal service contracts is generally for a package of services to be provided, it is variable in nature which is subject to amendments based on the actual scope of service, the actual number of workers provided and days of service or the size of the area to be serviced in accordance with the terms of our formal service contracts (for further details of major terms of the service contracts with our customers, please refer to the paragraph headed "Our customers – Major terms of contracts with customers" in this section). The number of contracts subject to early termination amounted to 2, 1, 25 and 18, which recorded an aggregate negative variance of the contract sum payable of approximately RMB1.2 million, RMB10,000, RMB7.6 million and RMB5.7 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively. The formal service contracts may be in the form of main agreements which sets out the general terms of our services including the scope and prices of our services. Unless the prices are previously agreed in the main agreements, we will negotiate with our customers on the price before entering into further supplemental agreements to expand our service scope or add service locations. The duration of individual contracts with our customers typically ranges from one to three years.

Contract performance

Our engineering and technical department, procurement department and project management centre work together in our contract performance including recruiting, managing, and training front line workers, developing work plans, making necessary arrangements relating to the procurement of consumables, equipment, machineries and other resources. Based on the timetable and our available resources, we may engage service providers in carrying out part of our services. For further details of the reasons for subcontracting and the arrangements with such suppliers, please refer to the paragraph headed "Our suppliers" in this section.

Our inspection officers are responsible for maintaining inspection reports for our projects. Our customers generally conduct a monthly site inspection and we provide our inspection report for their acceptance. At the end of the service period under a contract, we provide a final inspection report for their acceptance. We also gather information on whether there will be an opportunity for tender or direct engagement for the new service period.

PRICING POLICY AND CREDIT MANAGEMENT

Pricing policy

Our pricing policy takes into account the following major factors: (i) scope of services; (ii) service location(s) and area of coverage; (iii) timetable; (iv) prevailing market rates; (v) labour costs; (vi) management costs; (vii) tax; and (viii) determination of a reasonable profit margin.

Depending on the requirements of our contracts, certain above factors may be given greater weight as part of our pricing policy and such factors are typically reflected in the pricing formula specified in our contracts. For example, contracts involving significant manpower or which allow for additional manpower upon customers' requests may specify a price per worker required. In other cases involving a large area of coverage or possible change to such area upon customers' requests, the contracts may specify a unit price per sq.m. In general, we adopt a bundle pricing strategy for the mix of services offered by us, which is in line with market practice and determined with cost-based approach, for easier and more effective operational management and fair and transparent pricing.

Payment terms and credit management

We decide the credit period granted to our customers on a case-by-case basis by taking into account various factors such as the term of service, customer's background, credit-worthiness and our business relationship. Typical credit period granted by us to our customers during the Track Record Period generally ranged from 30 days to 110 days. We normally send monthly invoices to our customers and they settle by way of bank remittance or by cheque in RMB.

Our finance department is responsible for monitoring overdue balances and our receivable balances on an ongoing basis. For further details of our trade receivables and trade receivable turnover days during the Track Record Period, please refer to the section headed "Financial information – Discussion on selected items from the consolidated statements of financial position" of this prospectus. Our finance department is also responsible for monitoring the budget of each project and identifying cost-overrun above our original estimates. In the event of potential overrun, our finance department will investigate and propose ways to prevent or minimise such overrun.

QUALITY CONTROLS

We prioritise quality in our services given the importance of our reputation in attracting new business opportunities. Accordingly, we have established a quality management system which was accredited with ISO 9001 certification since 2009. To ensure the quality of our services, we have also adopted the following major quality control measures:

- **Overall quality management:** Our management department is responsible for the overall quality management of our operations implementation of our quality management system. Internal audit on our quality management system is conducted annually to review and evaluate our compliance with ISO 9001 requirements.

- **Project-specific quality management:** Our regional deputy general managers are responsible for the quality management of specific projects. This includes implementation of the project's tailor-made work plan, particularly compliance with any standards required by our customers and monitoring the service quality in our projects.

- **Regular inspection:** Our inspection officers are responsible for conducting regular inspections and making inspection reports detailing their findings for follow-up.

- **Procurement of consumables and services:** We are careful in the selection of our suppliers and generally select our suppliers of consumables and services based on various factors including their background, quality and prices of the consumables and services, capacity of supply, delivery period, reputation and their past performance. In relation to quality of consumables procured, we will check upon delivery whether they match our specifications as well as if there are any defects and thus should be returned.

- **Customer relationship and complaint management process:** We maintain on-going communications with our customers or their agents to keep them informed of the status of project and address complaints and feedback.

MARKETING ACTIVITIES

Our marketing department is responsible for planning and implementing any marketing activities for our Group. To promote our brand, we also require our front line workers to wear uniforms and/or nameplates with "广州升辉" or our logo to create brand recognition for our services. During the Track Record Period, we incurred certain marketing expenses mainly in connection with the attendance of industry events and exhibitions but did not conduct any major marketing activities as we currently rely on publicly available tender information, direct engagements, referrals and our reputation for obtaining new business opportunities. As we expand to new geographic markets and enhance our capabilities in the public space cleaning sector, we intend to pursue additional promotional efforts (for further details, please refer to the paragraph headed "Business strategies" in this section).

SEASONALITY

We have not experienced significant seasonal fluctuations in our revenue given the relatively consistent demand for cleaning and maintenance services throughout the year. To the best knowledge, information and belief of our Directors, our project tendering is not subject to any significant seasonality.

The majority of the projects conducted by our Group during the Track Record Period were projects carried forward from the previous year. For details of the movement in the number of projects during the Track Record Period, please refer to the section headed "Business – Our projects – Movement in number of projects" in this prospectus. The tender success rate for new contracts from existing projects ranges between approximately 73.5% to 87.0% during the Track Record Period. With such high renewal rate, our Directors believe that the downturn in the property development and property management industries in the PRC recently will not have immediate or significant impact on our Group's business.

In addition, despite the recent downturn in the property development and property management industries in the PRC, our Group still managed to secure 90 new projects for the property cleaning sector for the six months ended 30 June 2023. Meanwhile, for the six months ended 30 June 2023, 14 of the projects of the property cleaning sector are newly established buildings (buildings built within 3 years), which only amounted to 25.8% of the total number of projects of the property cleaning sector of our Group for the six months ended 30 June 2023. This proves our Group's ability in securing new projects despite the unfavourable business environment generally faced by enterprises, and that the recent downturn in the property development sector in the PRC does not have a significant impact of our Group's operations.

OUR CUSTOMERS

Characteristics of customers

Generally, our customers are owners, developers, operators, property managers and tenants of commercial and residential properties in the PRC and public entities responsible for public spaces and other service locations in the PRC which engage us to provide cleaning and maintenance services for such locations.

We have a diversified customer base for our services including government authorities and institutions, state-owned enterprises, companies (or subsidiaries thereof) listed on the Stock Exchange or other major stock exchanges and private enterprises. Our major customers include Fortune Global 500 property developers in the PRC, Fortune Global 500 real estate advisory firm, major property developers and property management companies in Asia and in the PRC, government departments and border control points in Guangdong province and major airport management companies in the PRC. When deciding which contracts to bid for, we take into consideration the customers' background including their reputation and their owned or managed properties in the PRC, as we believe that through the selection of financially strong and reputable partners, we can obtain a stable flow of business opportunities in the near and long term and also maintain our reputation for servicing notable properties. Accordingly, our five largest customers for each year/period during the Track Record Period were (i) property management companies in the PRC; (ii) airport management and operation companies; (iii) companies (or subsidiaries thereof) listed on the Stock Exchange, the London Stock Exchange or stock exchanges in the PRC; or (iv) companies falling within more than one of the above categories. Property management companies were a significant category of customers in terms of revenue contribution during the Track Record Period and our customers within this category included a number of property management groups with a national presence in the PRC and managing high-end commercial properties.

We have encountered circumstances where customers may terminate our Group's projects before the agreed end date of service, or reduce/modify the service scope in relation to the projects. Our number of projects which was subject to early termination during the Track Record Period was 2, 1, 7 and nil, respectively, amounting to a loss of revenue of approximately RMB1,174,000, RMB10,000, RMB2,038,000 and nil, respectively. As confirmed by our Directors, these circumstances was mainly due to the fact that (i) our customers ended their agreements (for example, lease agreements) with related parties (for example, landlords or property management companies); and (ii) the service scope for renewed projects granted by the tender offerors have been reduced/modified.

Five largest customers for each year/period during the Track Record Period

Set out below are certain details of our relationship with and the respective background information of our five largest customers for each year/period during the Track Record Period:

For the year ended 31 December 2020

Customer	Business relationship since	Type of services provided	Credit term	Payment method	Revenue	% of total revenue
					RMB'000	%
Customer F	2016	Property cleaning – industrial park, commercial building, residential building	20 days	Bank remittance or by cheque	28,437	6.1
Customer A	2017	Property cleaning – transportation hub, commercial building	30–110 days	Bank remittance	25,730	5.5
Customer D	2013	Property cleaning – commercial building, residential building, public utilities	30 days	Bank remittance	23,907	5.1
Customer E	2013	Property cleaning – commercial building, transportation hub, residential building	8–60 days	Bank remittance	22,049	4.7

Customer	Business relationship since	Type of services provided	Credit term	Payment method	Revenue	% of total revenue
					RMB'000	*%*
Customer B	2017	Property cleaning – transportation hub	15–30 days	Bank remittance	19,736	4.2
				Total	119,859	25.6

For the year ended 31 December 2021

Customer	Business relationship since	Type of services provided	Credit term	Payment method	Revenue	% of total revenue
					RMB'000	*%*
Customer F	2016	Property cleaning – industrial park, commercial building, residential building	20 days	Bank remittance or by cheque	39,945	7.1
Customer D	2013	Property cleaning – commercial building, residential building, public utilities	30 days	Bank remittance	29,068	5.2
Customer G	2020	Property cleaning – commercial building, residential building, shopping mall	25–45 days	Bank remittance	25,072	4.4
Customer E	2013	Property cleaning – commercial building, transportation hub, residential building	8–60 days	Bank remittance	22,627	4.0
Customer H	2016	Property cleaning – shopping mall, commercial building, residential building, transportation hub	20–30 days	Bank remittance	20,917	3.7
				Total	137,629	24.4

For the year ended 31 December 2022

Customer	Business relationship since	Type of goods or services provided	Credit term	Payment method	Revenue	% of total revenue
					RMB'000	%
Customer F	2016	Property cleaning – industrial park, commercial building, residential building	20 days	Bank remittance or by cheque	43,363	7.3
Customer H	2016	Property cleaning – shopping mall, commercial building, residential building, transportation hub	20–30 days	Bank remittance	35,793	6.0
Customer D	2013	Property cleaning – commercial building, residential building, public utilities	30 days	Bank remittance	24,698	4.2
Customer E	2013	Property cleaning – commercial building, transportation hub, residential building	8–60 days	Bank remittance	24,225	4.1
Customer I	2019	Property cleaning – commercial building, residential building	10–90 days	Bank remittance or by cheque	23,940	4.0
				Total	152,019	25.6

For the six months ended 30 June 2023

Customer	Business relationship since	Type of goods or services provided	Credit term	Payment method	Revenue	% of total revenue
					RMB'000	%
Customer H	2016	Property cleaning – shopping mall, commercial building, residential building, transportation hub	20–30 days	Bank remittance	21,536	7.2
Customer D	2013	Property cleaning – commercial building, residential building, public utilities	30 days	Bank remittance	15,317	5.1
Customer E	2013	Property cleaning – commercial building, transportation hub, residential building	8–60 days	Bank remittance	10,427	3.5
Customer J	2020	Property cleaning – commercial building, residential building	30–40 days	Bank remittance or by cheque	10,252	3.4
Customer F	2016	Property cleaning – industrial park, commercial building, residential building	20 days	Bank remittance or by cheque	10,212	3.4
				Total	67,744	22.6

Notes:

(1) Customer A is a PRC established company, with registered share capital of RMB143.5 million, principally engaged in the provision of property management and related services, and is a subsidiary of a company group engaged in the provision of real estate-related services and consultation, airport operation, with paid-up share capital of approximately RMB11,425 million, whose shares are listed on the Shanghai Stock Exchange.

(2) Customer B is a group of companies established in the PRC principally engaged in the management and operation of an airport, and subsidiaries of a company engaged in airport operation, with paid-up share capital of approximately RMB2,366 million, whose shares are listed on the Shanghai Stock Exchange.

(3) Customer D is a group of companies established in the PRC principally engaged in the provision of property management services, and subsidiaries of a company engaged in real estate-related services, with paid-up share capital of approximately RMB1,420 million and over 87,000 employees, whose shares are listed on the Main Board.

(4) Customer E is a group of companies established in the PRC principally engaged in the provision of property management services and real estate agency services, and subsidiaries of a company engaged in real estate-related services, with paid-up share capital of approximately GBP3.6 million and over 40,000 employees, whose shares are listed on the London Stock Exchange.

(5) Customer F is a group of companies established in the PRC principally engaged in the provision of property management services, and subsidiaries of a company engaged in property management, with paid-up share capital of approximately RMB2,543 million and over 11,000 employees, whose shares are listed on the Main Board.

(6) Customer G is a group of companies established in the PRC principally engaged in the provision of property management services. The registered share capital of the group company is RMB50 million and wholly owned by a state-owned company engaged in development, urban planning and provision of real estate-related services.

(7) Customer H is a group of companies established in the PRC principally engaged in the provision of property management services, one of which is a company, with paid-up share capital of approximately RMB533 million and over 42,000 employees, whose shares are listed on the Main Board.

(8) Customers I is a group of companies established in the PRC principally engaged in the provision of property management services and real estate agency services, subsidiaries of a company engaged in property management and services, with paid-up share capital of approximately RMB1,050 million and over 106,000 employees, whose shares are listed on the Main Board.

(9) Customer J is a company established in the PRC principally engaged in the provision of property management services and real estate agency services and is a subsidiary of a company group engaged in property management, with paid-up share capital of approximately RMB17 million, whose shares are listed on the Main Board.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our single largest customer accounted for approximately 6.1%, 7.1%, 7.3% and 7.2% of our total revenue, respectively, while our five largest customers for each year/period combined accounted for approximately 25.6%, 24.4%, 25.6% and 22.6% of our total revenue, respectively.

All of our five largest customers for each year/period during the Track Record Period are Independent Third Parties and none of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date, had any interest in any of the five largest customers of our Group for each year/period during the Track Record Period.

Number of customers during the Track Record Period

During the Track Record Period, we had over 700 customers. For our tender projects, we need to bid for new tenders again upon the completion of the service period for individual contracts as we normally do not have the right of first refusal for the service contracts of the next period. Accordingly, the number of customers served each year fluctuated depending on our success in attracting new customers and obtaining projects from existing customers. Despite the above, our Directors believe that due to our reputation, quality of services, and strong relationship with customers, we were able to obtain contracts each year from both existing and new customers during the Track Record Period.

Major terms of contracts with customers

As most of our projects were obtained by tender, the terms of contracts with our customers may vary according to the terms of the tender and further negotiations with our customers. Generally, the major terms of the contracts with customers are as follows:

Scope of services	The contract will specify the types of cleaning and maintenance services which we must provide as well as the frequency of our services and the relevant service location.
Period of contract and termination	The period of each contract typically ranges from one year to three years during the Track Record Period. In certain cases, our customers are given an option to renew the contracts (the renewal period typically being one to two years after expiry of the original term). Our contracts normally entitle the customer or us to terminate the agreement when there is a breach of contract by the other party as well as allow for termination by mutual agreement. In certain cases, our customers may be entitled to terminate the contract through prior written notice.
Payment terms and contract sum payable by our customers to us	The contract sum may be a fixed amount, a variable amount or a combination of both. In line with our bundle pricing strategy, the contract sum payable by our customers is generally for a package of services to be provided. The variable amount typically is in the form of a schedule of fixed unit prices of various service items subject to the actual scope of service, the actual number of workers provided and days of service or the size of the area to be serviced. Generally, the schedule of rates in our contracts is fixed and they do not contain any price adjustment clause. Payment terms will be specified in contract but final payment is subject to the customers' verification and approval on the final sum.
Security deposit payable by us to our customers and performance guarantees	We may be required for some contracts to pay our customers refundable deposits or provide them with a performance guarantee in the form of an irrevocable bank guarantee.

OUR SUPPLIERS

Characteristics of suppliers

Our five largest suppliers (including our subcontractors) for each year/period during the Track Record Period were third party service providers, a substantial portion of which were subcontractors assisting our workforce in the provision of our services. Other than the above, we also have suppliers of insurance services and recruitment and administration services given the size and fluctuation in the numbers of our workforce as well as the cross-provincial and labour-intensive nature of our operations. Outside of our five largest suppliers (including our subcontractors) for each year/period during the Track Record Period, our other major category of suppliers include suppliers of consumables such as cleaning products, toiletries and garbage bags.

Selection of suppliers and general payment terms

We normally engage our suppliers (including our subcontractors) on a project-by-project basis or for period of one year to three years. We select our suppliers (including subcontractors) after taking into account their background, quality and prices of the consumables and services, capacity of supply, delivery period, reputation and their past performance.

During the Track Record Period, our purchases were all settled in RMB and normally by way of bank remittance. Where credit periods are provided, credit period offered by our five largest suppliers for each year/period during the Track Record Period (including our subcontractors) range from four days to 30 days.

Five largest suppliers for each year/period (including our subcontractors) during the Track Record Period

Set out below are certain details of our relationship with and the respective background information of our five largest suppliers (including third party service providers, such as the our subcontractors, suppliers of consumables and other suppliers) for each year/period during the Track Record Period:

For the year ended 31 December 2020

Supplier	Business relationship since	Type of goods or services provided	Credit term	Payment method	Transaction amount	% of costs of services
					RMB'000	*%*
Shenzhen Jianke Enterprise Management Co., Ltd.* (深圳市捷安客企業管理有限公司)	2018	Cleaning service	5 days	Bank remittance	65,195	16.9
Xingjiangnan Labour Market (Tianjin) Co., Ltd. * (星江南人力市場(天津)有限公司)	2019	Cleaning service	5 days	Bank remittance	45,398	11.8
Supplier G	2019	Recruitment and administration services	N/A*Note 10*	Bank remittance	12,639	3.3
Lingong Station Service Management (Xiantao) Co., Ltd.* (靈工驛站服務管理(仙桃)有限公司)	2020	Cleaning service	30 days	Bank remittance	8,581	2.2
Generali China Insurance Co., Ltd. Guangdong Branch	2016	Supply of insurance service	N/A*Note 10*	Bank remittance	4,365	1.1
				Total	136,178	35.3

For the year ended 31 December 2021

Supplier	Business relationship since	Type of goods or services provided	Credit term	Payment method	Transaction amount	% of costs of services
					RMB'000	*%*
Shenzhen Jianke Enterprise Management Co., Ltd. * (深圳市捷安客企業管理有限公司)	2018	Cleaning service	5 days	Bank remittance	88,079	18.6
Xingjiangnan Labour Market (Tianjin) Co., Ltd. * (星江南人力市場(天津)有限公司)	2019	Cleaning service	5 days	Bank remittance	39,972	8.4
Lingong Station Service Management (Xiantao) Co., Ltd.* (靈工驛站服務管理(仙桃)有限公司)	2020	Cleaning service	30 days	Bank remittance	26,681	5.6
Supplier G	2019	Recruitment and administration services	N/A *note 10*	Bank remittance	12,956	2.7
Guangzhou Hangzhen Cleaning Products Co., Ltd. * (廣州航臻清潔用品有限公司)	2013	Supply of cleaning materials	5 days	Bank remittance	5,814	1.2
				Total	173,502	36.5

For the year ended 31 December 2022

Supplier	Business relationship since	Type of goods or services provided	Credit term	Payment method	Transaction amount	% of costs of services
					RMB'000	*%*
Supplier J	2022	Cleaning service	5 days	Bank remittance	75,024	15.0
Supplier K	2022	Cleaning service	5 days	Bank remittance	32,269	6.5
Lingong Station Service Management (Xiantao) Co., Ltd.* (靈工驛站服務管理(仙桃)有限公司)	2020	Cleaning service	30 days	Bank remittance	16,206	3.2
Shenzhen Jianke Enterprise Management Co., Ltd.* (深圳市捷安客企業管理有限公司)	2018	Cleaning service	5 days	Bank remittance	15,840	3.2
Supplier L	2021	Cleaning service	5 days	Bank remittance	14,281	2.9
				Total	153,620	30.7

For the six months ended 30 June 2023

Supplier	Business relationship since	Type of goods or services provided	Credit term	Payment method	Transaction amount	% of costs of services
					RMB'000	*%*
Supplier J	2022	Cleaning service	5 days	Bank remittance	39,457	15.7%
Supplier K	2022	Cleaning service	5 days	Bank remittance	22,557	9.0%
Supplier L	2021	Cleaning service	5 days	Bank remittance	10,883	4.3%
Lingong Station Service Management (Xiantao) Co., Ltd.* (靈工驛站服務管理仙桃有限公司)	2020	Cleaning service	30 days	Bank remittance	5,988	2.4%
Guangzhou Hangzhen Cleaning Products Co., Ltd. * (廣州航臻清潔用品有限公司)	2013	Supply of cleaning materials	5 days	Bank remittance	2,111	0.8%
				Total	80,996	32.3%

Notes:

(1) Shenzhen Jianke Enterprise Management Co., Ltd.* (深圳市捷安客企業管理有限公司) is a PRC established company, with registered share capital of RMB2 million, principally engaged in the provision of human resource services and cleaning services.

(2) Generali China Insurance Co., Ltd. Guangdong Branch * (中意財產保險有限公司廣東分公司) is a branch of a PRC established company principally engaged in the provision of insurance services, with a registered share capital of RMB1,300 million and over 400 employees, and is a subsidiary of a company whose shares are listed on the Shenzhen Stock Exchange engaged in property management investment consultation and asset management.

(3) Xingjiangnan Labour Market (Tianjin) Co., Ltd. * (星江南人力市場(天津)有限公司) is a PRC established company, with registered share capital of RMB2.01 million, principally engaged in the provision of labour and human resources services and building cleaning services.

(4) Supplier G is a PRC established company, with registered share capital of RMB5 million and over 400 employees, principally engaged in the provision of technical services in relation to cloud platforms and softwares, human resources services, recruitment services and cleaning services.

(5) Lingong Yizhan Service Management (Xiantao) Co., Ltd.* (Former Name: Hubei Headhunt Human Resource Development Co., Ltd.*) (靈工驛站服務管理(仙桃)有限公司(原名：湖北職場獵人人力資源開發有限公司) is a PRC established company, with registered share capital of RMB2 million, principally engaged in the provision of labour dispatch and human resource services.

(6) Guangzhou Hangzhen Cleaning Products Co., Ltd.* (廣州航臻清潔用品有限公司) is a PRC established company, with registered share capital of RMB2 million, principally engaged in supply of cleaning materials.

(7) Supplier J is a PRC established company, with registered share capital of RMB2 million, principally engaged in the provision of labour dispatch and human resources services.

(8) Supplier K is a PRC established company, with registered share capital of RMB50 million, principally engaged in the provision of labour dispatch and human resources services.

(9) Supplier L is a branch of a PRC established company, with registered share capital of RMB10 million, principally engaged in the provision of corporate management and human resources services.

(10) N/A refers to no credit period specified in the contract.

Five largest subcontractors during the Track Record Period

Set out below are certain details of our relationship with and the respective background information of our five largest subcontractors during the Track Record Period:

For the year ended 31 December 2020

Subcontractor	Business relationship since	Type of goods or services provided	Credit term	Payment method	Transaction amount	% of costs of services
					RMB'000	*%*
Shenzhen Jianke Enterprise Management Co., Ltd.* (深圳市捷安客企業管理有限公司)	2018	Cleaning service	5 days	Bank remittance	65,195	16.9
Xingjiangnan Labour Market (Tianjin) Co., Ltd. * (星江南人力市場(天津)有限公司)	2019	Cleaning service	5 days	Bank remittance	45,398	11.8
Lingong Station Service Management (Xiantao) Co., Ltd.* (靈工驛站服務管理(仙桃)有限公司)	2020	Cleaning service	30 days	Bank remittance	8,581	2.2

Subcontractor	Business relationship since	Type of goods or services provided	Credit term	Payment method	Transaction amount	% of costs of services
					RMB'000	*%*
Guangzhou Ganghao Cleaning Service Co., Ltd.* (廣州市剛浩清潔服務有限公司)	2015	High-altitude cleaning service	15 days	Bank remittance	3,029	0.8
Supplier F	2019	Cleaning service	30 days	Bank remittance	2,626	0.7
				Total	124,829	32.4

For the year ended 31 December 2021

Subcontractor	Business relationship since	Type of goods or services provided	Credit term	Payment method	Transaction amount	% of costs of services
					RMB'000	*%*
Shenzhen Jianke Enterprise Management Co., Ltd.* (深圳市捷安客企業管理有限公司)	2018	Cleaning service	5 days	Bank remittance	88,079	18.6
Xingjiangnan Labour Market (Tianjin) Co., Ltd.* (星江南人力市場(天津)有限公司)	2019	Cleaning service	5 days	Bank remittance	39,972	8.4
Lingong Station Service Management (Xiantao) Co., Ltd.* (靈工驛站服務管理(仙桃)有限公司)	2020	Cleaning service	30 days	Bank remittance	26,681	5.6
Supplier L	2021	Cleaning service	5 days	Bank remittance	5,759	1.2
Supplier F	2019	Cleaning service	30 days	Bank remittance	2,882	0.6
				Total	163,373	34.4

For the year ended 31 December 2022

Subcontractor	Business relationship since	Type of goods or services provided	Credit term	Payment method	Transaction amount	% of costs of services
					RMB'000	%
Supplier J	2022	Cleaning service	5 days	Bank remittance	75,024	15.0
Supplier K	2022	Cleaning service	5 days	Bank remittance	32,269	6.5
Lingong Station Service Management (Xiantao) Co., Ltd.* (靈工驛站服務管理(仙桃)有限公司)	2020	Cleaning service	30 days	Bank remittance	16,206	3.2
Shenzhen Jianke Enterprise Management Co., Ltd.* (深圳市捷安客企業管理有限公司)	2018	Cleaning service	5 days	Bank remittance	15,840	3.2
Supplier L	2021	Cleaning service	5 days	Bank remittance	14,281	2.9
				Total	153,620	30.8

For the six months ended 30 June 2023

Subcontractor	Business relationship since	Type of goods or services provided	Credit term	Payment method	Transaction amount	% of costs of services
					RMB'000	%
Supplier J	2022	Cleaning service	5 days	Bank remittance	39,457	15.7
Supplier K	2022	Cleaning service	5 days	Bank remittance	22,557	9.0
Supplier L	2021	Cleaning service	5 days	Bank remittance	10,883	4.3

Subcontractor	Business relationship since	Type of goods or services provided	Credit term	Payment method	Transaction amount	% of costs of services
					RMB'000	*%*
Lingong Station Service Management (Xiantao) Co., Ltd.* (靈工驛站服務管理(仙桃)有限公司)	2020	Cleaning service	30 days	Bank remittance	5,988	2.4
Supplier M	2020	Cleaning service	15 days	Bank remittance	828	0.3
				Total	79,713	31.7

Notes:

(1) Guangzhou Ganghao Cleaning Service Co., Ltd.* (廣州市剛浩清潔服務有限公司) is a PRC established company, with registered share capital of RMB0.88 million, principally engaged in supply of cleaning products and provision of building cleaning services.

(2) Supplier F is a company established in the PRC, with registered capital of RMB0.5 million, principally engaged in provision of human resource services and cleaning services.

(3) Supplier J is a PRC established company, with registered share capital of RMB2 million, principally engaged in provision of labour dispatch and human resources services.

(4) Supplier K is a PRC established company, with registered share capital of RMB50 million, principally engaged in provision of labour dispatch and human resources services.

(5) Supplier L is a branch of a PRC established company, with registered share capital of RMB10 million, principally engaged in provision of corporate management and human resources services.

(6) Supplier M is a PRC established company, with registered capital of RMB50 million, principally engaged in sale of cleaning products and provision of professional cleaning and building cleaning services.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our single largest supplier (and as our subcontractor) for each year/period accounted for approximately 16.9%, 18.6%, 15.0%, 6.0% and 7.9% of the costs of services, respectively. Our five largest suppliers for each year/period during the Track Record Period (including our subcontractors) together accounted for approximately 35.3%, 36.5%, 30.7%, 30.6% and 32.3% of the total costs of services, respectively. For the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023, the purchases from the five largest suppliers for each year/period (including our subcontractors) together accounted for approximately 74.9%, 71.0%, 67.3%, 67.4% and 72.3% of the total purchases, respectively. For our supplier concentration risk, please refer to the section headed "Risk factors – During the Track Record Period, we relied on certain major suppliers (including our subcontractors) to assist us and major changes to our relationship could result in a material and adverse impact on our business, profitability and results of operations" of this prospectus. Despite such supplier concentration, our Directors consider that our business model to be sustainable as:

(i) our reliance on our five largest suppliers for the years ended 31 December 2020, 2021 and 2022 has been decreasing throughout the Track Record Period in terms of the total purchases;

(ii) our Group has been engaging different suppliers to assist our business operations, for example, Supplier J and K became two of our five largest suppliers for the year ended 31 December 2022 since our commencement of business relationships with them in 2022; and

(iii) our Directors are of the view that, in case of any shortage of supply from certain suppliers, we are able to source from alternative suppliers with comparable quality and prices for similar services or consumables, and hence our business operations would not solely rely on the supply of a particular supplier.

The five largest suppliers for each year/period (including our subcontractors) of our Group during the Track Record Period are Independent Third Parties. None of our Directors, their close associates, or any Shareholders who to our Directors' knowledge owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group for each year/period during the Track Record Period. Our Directors further confirmed that, to their best knowledge and belief, there are no other past or present relationships between our Company and our five largest suppliers and subcontractors, their subsidiaries, directors, shareholders or senior management, or any of their respective associates.

As aforementioned, our Directors consider that given the considerable numbers of alternative suppliers in the market which can offer us comparable terms, we did not have any undue reliance on any particular suppliers.

Major terms of contracts with suppliers (including our subcontractors)

We normally make our purchases from our suppliers (including our subcontractors) by way of written agreements or purchase orders except in the case of small ad-hoc or urgent services conducted by verbal agreement. Our contracts with such suppliers typically include the following major terms:

Subcontractors

Primary obligations of subcontractors	Our subcontractors agree to provide certain cleaning or other services to us on an as-needed basis.
Duration	Duration of contracts varies depending on the nature of the services offered. The arrangement is project-by-project basis so there is not specified or there is a relatively short period specified, being from two days to three years during the Track Record Period.
Payment terms and contract sum	Contracts will generally set out the contract sums payable (or how and when the sums will be determined) and the payment terms. Typically, we will pay the contract sums to our subcontractors on a monthly basis. Some of our contracts specify that payments are made within a certain period after the receipt of payment from our customers under the main service contract. In cases where the contract sum is not fixed, the fees are normally determined on a monthly basis after the provision of services and based on the actual number of workers involved or services provided during the previous month.

Suppliers of consumables

Primary obligations of suppliers of consumables	Our suppliers agree to sell certain consumables to us on an as-needed basis.
Unit price, quantity, types and specifications of the consumables	The quantity, types and specifications of the consumables together with their corresponding unit price will be provided in the contracts.
Duration	Duration of the contracts varies depending on the needs of the projects but are typically fixed for a period of one year.
Payment terms	The payment terms will generally be provided in the contracts and we will usually be offered credit period of five days from the date of the confirmation of invoice.

Return and exchange policy	We are typically entitled to return and exchange goods within a specified period set out in the contract if the quality, quantity, types or specifications of the consumables delivered are inconsistent with the terms of the contract.

As confirmed by Frost & Sullivan, it is a common market practise for customers to request ad-hoc services under verbal agreements in the environmental cleaning and maintenance service market. During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, 2, 4, 4 and nil of our customers, who had already entered into written contracts with us for the then existing projects, engaged our Group for ad-hoc services through verbal agreements, respectively. The total revenue attributable to ad-hoc services provided under verbal agreements were approximately RMB11,000, RMB0.2 million, RMB0.2 million and nil, which contributed approximately less than 0.01%, 0.03%, 0.03% and nil of the total revenue for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively.

Subcontractors and other third party service providers

Reasons for subcontracting and use of other third party service providers

We employ subcontracting arrangements and use various third party service providers in our operations mainly given that (i) cleaning and maintenance services are labour intensive; (ii) we may have a number of ongoing projects from time to time, some of them may be in different provincial-level regions in the PRC; and (iii) we do not own a sufficient number of specialised vehicles to complete certain projects.

According to the Industry Report, it is common market practice to employ subcontractors or other human resource management solutions services providers given the labour shortage in the industry. As advised by our PRC Legal Advisers, there is no mandatory requirement under the PRC laws and regulations which requires the Group to obtain consent from customers prior to the engagement of subcontractors, unless relevant terms are stipulated in the contract between our Group and the customers disallowing our Group to engage subcontractors for the particular project. Our Directors confirm that our Group has obtained necessary consents from our customers prior to engaging subcontractors. In our Directors' experience and in comparison to providing our services through our in-house staff, the outsourcing of certain services to subcontractors and other third party services providers does not provide significant cost advantages although such outsourcing is generally more cost-efficient for one-off projects or to address one-off requests involving a large service scope from customers, but this is subject to terms negotiated on case by case basis. Furthermore, such outsourcing involves more risks and work by us to ensure the third party service providers and their workers meet our standards and comply with our safety, quality and environmental management systems. Given that we maintain a large number of our own staff and increased the number of our operation staff to support our business growth during the Track Record Period, as we prefer to use our own workforce where possible in order to control the quality of our services and protect our reputation, subcontractors and other third party services providers are mainly used for assisting our workforce in the provision of our services and otherwise engaged on as a needed basis.

Accordingly, we shall reduce the scale of our subcontracting from time to time despite the increase in number of projects obtained. During the Track Record Period, some of our subcontractors were engaged mainly for their specialised vehicles, such as garbage collection vehicles and waste suction vehicles, to perform public space cleaning. In connection with our business strategy to tender for more public space cleaning projects, we intend to expand our fleet of vehicles (for further details, please refer to the section headed "Future plans and use of proceeds" of this prospectus).

Basis for determining subcontracting fees and total subcontracting labour costs

Subcontracting fees are typically determined with reference to labour costs, size of area covered by their services, cost of consumables and other costs incurred by the subcontractors. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our subcontracting labour costs amounted to approximately RMB149.9 million, RMB188.9 million, RMB172.9 million, RMB84.4 million and RMB85.9 million, respectively. For relevant sensitivity analysis, please refer to the section headed "Financial information – Key factors affecting our results of operation and financial condition – Our ability to mitigate the impact of employee benefit expenses and subcontracting labour costs" of this prospectus.

Our Group mainly employs subcontractors for the provision of manpower and/or specialised vehicles to partake in our ongoing projects when our Group (i) has a sudden labour shortage due to a large amount of ongoing projects, or (ii) does not own of sufficient number of specialised vehicles to complete certain projects. As disclosed in the section headed "Risk factors – Risks relating to our business and industry – We may be liable for any substandard service or misconduct of our employees and third party service providers and we may incur substantial costs to remedy any defects caused by them" of this prospectus, it is possible for us to incur substantial costs for remedying damages caused by subcontractors, hence we have expanded our labour force to 7,121 employees as at 30 June 2023 to avoid excessive employment of subcontractors. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our subcontracting labour cost largely remained stable, amounting to 38.9%, 39.8%, 34.6%, 34.7% and 34.2% of our costs of services, respectively.

MACHINERY, EQUIPMENT AND VEHICLES

In the course of our operations and especially in the provision of services at outdoor service locations, we use a variety of owned and rented machinery, equipment and vehicles. The exact types and number of machinery, equipment and vehicles required by us may change based on the demand of our projects and our business strategies from time to time. During the Track Record Period, we did not have significant amount of machinery, equipment and vehicles given our focus on property cleaning sector which, according to the Industry Report, is more labour intensive and less reliant on fixed assets unlike the public space cleaning sector. Our owned machinery and equipment includes escalator cleaners, steam scrubbers, ride-on scrubber dryers, marble reconditioning machine and dustproofing device for angle grinder and our owned vehicles includes garbage collection vehicles, carriage trucks and cleaning boats. We rented machinery and equipment including hand push type automatic washing machines and ride-on scrubbers from third parties.

As at the Latest Practicable Date, the Group owned 14 specialised vehicles for operations, mainly consisting of garbage collection vehicles, in which most of them had been in use for over five years and had no residual value. The following table sets out the utilisation rate of our specialised vehicles for the six months ended 30 June 2023:

Types of specialised vehicles	Amount	Average utilisation rate *Note 1*	Average age	Average remaining useful life *Note 2*
Garbage collection vehicles	9	114.7%	5 years	1.18 years
Carriage trucks	3	116.5%	5 years	1.83 years
Cleaning boats	3	107.0%	5 years	0 years

Notes:

(1) The average utilisation rate is derived by the actual working days of the specialised vehicles divided by the designated working days of a specialised vehicle. The designated working days of specialised vehicle is calculated based on the following assumptions: (i) each vehicle is put to work six days per week; and (ii) the maintenance of a specialised vehicle takes two to three days per year.

(2) Calculation of remaining useful life is based on the estimated useful life of five years.

In connection with our business strategy to enhance our capabilities and capture more opportunities in the public space cleaning sector, we intend to purchase additional vehicles, machineries and equipment (for further details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

LICENCES, CERTIFICATES AND QUALIFICATIONS

Our Directors and our PRC Legal Advisers confirmed that we have obtained and currently maintain all necessary licences, certificates and qualifications required for our current business operations in the PRC. As at the Latest Practicable Date, we held the following material licences, certificates and qualifications in the PRC:

Licences, certificates and qualifications	Issuing authority	Holder	Validity Period
Operational Cleaning, Collection and Transportation Services of Municipal Solid Waste Licence* (城市生活垃圾經營性清掃、收集、運輸服務許可證)	Panyu District Branch of the Guangzhou Urban Management and Comprehensive Law* Enforcement Bureau (廣州市番禺區城市管理和綜合執法局)	Guangzhou Shenghui	21 October 2022 to 20 October 2025
Certificate for Indoor Environmental Pollution Control Organisation – Grade A* (室內環境污染治理機構資質等級證書－甲級)	Federation of Indoor Environmental Purification Industry (National) Associations* (室內環境淨化行業(全國)協會聯盟)	Guangzhou Shenghui	29 August 2023 to 21 September 2026
Pest Control Service Qualification Certificate* (有害生物防制服務資質證)	Guangzhou Pest Control Association* (廣州衛生有害生物防制協會)	Guangzhou Shenghui	24 February 2022 to 31 March 2024
Road Transport Permit* (道路運輸經營許可證)	Guangzhou Panyu Traffic Management Terminal* (廣州市番禺區交通管理總站)	Guangzhou Shenghui	3 September 2021 to 30 September 2025
Stone & Floor Application Conservation Specialty Qualification Certificate – AAAAA Grade* (石材地坪應用護理專業資質證書 － AAAAA級)	The Stone Application Conservation Specialty Committee of Guangdong Stone Materials Association* (formerly known as the Professional Stone Care Committee of Guangdong Stone Materials Association*) (廣東省石材行業協會石材應用護理專業委員會)	Guangzhou Shenghui	12 June 2023 to 11 June 2025
Construction Enterprise Qualification Certificate* (建築業企業資質證書)	Guangzhou Municipal Housing and Urban-Rural Development Bureau* (廣州市住房和城鄉建設局)	Guangzhou Shenghui	23 September 2020 to 23 September 2025
Qualification Certificate of Public Cleaning and Disinfection Service Organisation – Grade A* (公共場所清潔消毒服務機構資質等級證書－甲級)	Guangdong Indoor Environmental Health Association* (廣東省室內環境衛生行業協會)	Guangzhou Shenghui	August 2023 to August 2024

Note: In accordance with our practice, we intend to apply for renewal of such licences around one month prior to the expiry date.

Our marketing department is responsible for monitoring the expiration dates of our licenses, certificates and qualifications and arranging for their renewal. During the application for the renewal of such licenses, certificates and qualifications, the marketing department is required to prepare and submit related documents required by relevant issuing bodies for approval. Our Directors confirm that we have not experienced any material difficulty in obtaining or renewing the required licences, certificates and qualifications for our business operations during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND RECOGNITIONS

We have received a number of awards and certificates during our operating history in recognition of the quality of our services and other strengths of our business. The following table summarises certain more recent awards and certificates obtained by our Group:

Award/certificate	Issuing bodies	Year	Recipient
Sewage, Septic Tank, Pipeline Unclogging Treatment Cleaning Service Enterprise Qualification Certificate – National Level 1* (污水、化糞池、管道疏通處理清洗服務企業資質證書－國家一級)	China Standard (Beijing) Certification Service Centre* (華評信標(北京)認證服務中心)	2023	Guangxi Shenghui
Secondary Water Supply Cleaning Service Enterprise Qualification Certificate* (二次供水清潔服務企業資質證書)	China Standard (Beijing) Certification Service Centre* (華評信標(北京)認證服務中心)	2022	Guangxi Shenghui
Certificate of Corporate Integrity Management* (企業誠信管理體系認證證書)	Beijing Zhong'an Quality and Environment Certification Centre Co., Ltd.* (北京中安質環認證中心有限公司)	2022	Guangxi Shenghui
Best Service provider* (最佳服務供應商)	Guangzhou Yuexiu Property Development Co., Ltd. Guangzhou Branch* (廣州越秀物業發展有限公司廣州分公司)	2022	Guangzhou Shenghui

Award/certificate	Issuing bodies	Year	Recipient
Advanced enterprise in anti-epidemic work* (抗疫工作先進企業)	Guangzhou Industry Association of Sanitation* (廣州環衛行業協會)	2021	Guangzhou Shenghui
Honorary Certificate of 2020 Guangdong Poverty Alleviation Day and Yangcheng Charity for the People* (2020年廣東扶貧濟困日暨羊城慈善為民榮耀證書)	People's Government of Xinzao Town, Panyu District, Guangzhou City* (廣州市番禺區新造鎮人民政府)	2021	Guangzhou Shenghui
Credit Enterprise* (誠信優質企業)	Guangzhou Industry Association of Sanitation* (廣州環衛行業協會)	2017–2020	Guangzhou Shenghui
Top 500 Property Services Enterprises – Cleaning Services* (物業服務企業500強－保潔服務)	China Property Management Institution and China Real Estate Appraisal Center of Shanghai E-House Real Estate Research Institute* (中國物業管理協會、上海易居房地產研究院)	2020	Guangzhou Shenghui
Contract Honouring and Credit Keeping Enterprise in Guangdong* (廣東省守合同重信用企業)	Guangzhou Administration Bureau for Industry and Commerce* (廣州市市場監督管理局)	2011–2019	Guangzhou Shenghui
Labour Relations Harmonious Enterprise in Guangzhou City – A Grade* (廣州市勞動關係和諧企業A級)	Office of Tripartite Consultative Meeting on Labour Relations of Panyu District, Guangzhou* (廣州市番禺區勞動關係三方協商會議辦公室)	2017, 2018, 2019	Guangzhou Shenghui
Advanced Cleaning Service Provider in Guangdong province* (廣東省清潔服務先進單位)	China Quality Credit Evaluation Committee, China Quality Brands Promotion Committee, Beijing Bid Evaluation Centre* (中國質量信用企業徵信評估組委會, 中國質量品牌促進推廣組委會, 北京中標評信用評價中心)	2019	Guangzhou Shenghui

Award/certificate	Issuing bodies	Year	Recipient
Consumer Satisfaction Five-Star Enterprise* (消費者滿意度五星企業)	Guangdong Stone Materials Association* (廣東省石材行業協會)	2019	Guangzhou Shenghui
Quality Demonstration Project of Zhujiang New Town Leatop Plaza* (珠江新城利通廣場優質示範工程)	Guangdong Stone Materials Association* (廣東省石材行業協會)	2019	Guangzhou Shenghui
Excellent Property Management Supplier* (優秀物業管理供應商)	Guangzhou Property Management Industry Association* (廣州市物業管理行業協會)	2018	Guangzhou Shenghui
2018 Top Ten Units of Professional Technology in Stone and Floor Conserve Application Industry* (2018年度石材地坪應用護理行業專業技術十佳單位)	The Professional Stone Care Committee of Guangdong Stone Materials Association* (廣東石材應用護理專業委員會) (currently known as the Stone Application Conservation Specialty Committee of Guangdong Stone Materials Association*) (廣東省石材行業協會石材應用護理委員會)	2018	Guangzhou Shenghui
Top 100 Scale of Business* (經營規模100強)	General Chamber of Commerce of Panyu District, Guangzhou* (廣州市番禺區總商會)	2018	Guangzhou Shenghui
Sanitation Industry Advanced Enterprise* (環衛先進企業)	Guangzhou Industry Association of Sanitation* (廣州環衛行業協會)	2017	Guangzhou Shenghui
Honorary Certificate of Accurate Poverty Alleviation* (精準扶貧榮譽證書)	Guangzhou City Management Bureau* (廣州市城市管理委員會)	2017	Guangzhou Shenghui

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

During the Track Record Period, we did not incur significant expenditures for compliance with the environmental laws, and we do not expect to incur significant cost in relation to compliance with environmental laws in the future.

The Group's governance regarding environmental, social and climate-related risks and opportunities

In order to ensure compliance with the relevant environmental and social laws and regulations in the PRC, our Group has established an ESG governance mechanism to oversee the implementation of the environmental, social and governance ("**ESG**") related policies. Our Directors consider that establishing and implementing sound ESG principles and practices will increase the investment value of our Company and provide long term returns to our stakeholders.

To ensure the effectiveness of our ESG risk management measures and respective internal control systems, our Board is and will be responsible for overseeing the formulation and reporting of our ESG strategies and determining the ESG-related risks. The Group has also established an ESG taskforce (the "**ESG Taskforce**"), which is chaired by Mr. Li, the chairman of the Board of Directors, our executive Director and our Chief Executive Officer and members are composed of representatives from different departments of our Group. The ESG Taskforce shall support the Board in establishing and implementing ESG-related policies and procedures, as well as monitoring and collecting ESG-related information for preparing disclosure in compliance with the requirements of the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") in Appendix 27 of the Listing Rules, upon Listing and when appropriate. The ESG Taskforce shall report to the Board regularly with regard to the implementation of the ESG-related risk management and internal control mechanism. In addition, upon Listing and when appropriate, an enterprise risk assessment will be conducted at least once annually to cover the current and potential risks faced by our business, including but not limited to the risks arising from the ESG and climate-related matters. Our Board will continuously assess, or engage qualified independent third parties to evaluate, the risks and our Group's existing strategy, metrics and targets as well as internal controls, and necessary improvements will be implemented to mitigate such risks. The management of relevant business functions is responsible for providing guidance, advice, and support for the implementation of ESG initiatives concerning environmental performance, employment and labour practices, operating practices, as well as community investment. The management regularly conducts key review and supervision on the progress and effectiveness of the ESG initiatives to identify risks brought by ESG issues such as climate change. During the implementation process of ESG initiatives, the management identifies material ESG-related opportunities and reports its analysis, recommendations and action plans to the ESG Taskforce for review regularly.

To manage quality, environmental and occupational health and safety performance, the Group has an established Management System which is certified under ISO 9001, ISO 14001 and ISO 45001 certifications.

Impact of environmental, social and climate-related issues and opportunities

We acknowledge that climate-related issues pose a certain level of threat to us. Climate-related risks identified by us can be classified into two major categories: physical risk and transition risk.

Potential physical risks can arise from extreme weather events such as flooding and typhoons and extreme heat. If such disasters were to occur in the regions where we operate, our delivery of services, especially in the provision of services at outdoor locations, could be adversely affected and disrupted as well as the cleaning service workload would be subsequently increased. Striving to reduce the unforeseen impacts of emergency situations on our operations, we have business continuity measures stipulated in our environmental, social and governance ("**ESG**") policy, which outlines the mitigation measures of enabling our key operation to be resumed under such extreme weather events. For the extreme heat circumstances, the Group has adopted occupational health and safety guidelines, work arrangement plan which is in line with the requirements stipulated under the High Temperature Labor Protection Measures of Guangdong Province (廣東省高溫天氣勞動保護辦法), respective protection measures and high temperature allowance for our operational employees. Regular training is also provided to operational employees to ensure their occupational safety.

Potential transition risks and opportunities may also result from the change in our customers' preference in terms of increasing demand of environmental and social risk assessment on their suppliers and more stringent requirements on environmentally friendly services. Furthermore, the implementation of strict fuel economy and emissions standards by the PRC government in the medium and long term may raise the leasing and purchase costs of machinery, equipment and vehicles, which may adversely impact on our financial performance. Our Group continues to monitor the regulatory environment to ensure that our services meet the demands and expectations of our customers and regulators.

In response to the aforementioned physical risks and transition risks, our ESG Taskforce has further evaluated the likelihood of occurrence of those risks and the potential impact of those risks on our Group's business in the short, medium and long term horizons.

Horizon	Risks	Potential Impacts
Short term	• Extreme weather conditions such as typhoons, floods and droughts • Extreme heat	• Injuries or loss of personnel • Disruption of service operation • Damages to properties and assets • Delay in the supply of consumables

Horizon	Risks	Potential Impacts
Medium term	• Extreme heat • Change in customers' preference	• Injuries or loss of personnel • Disruption of service operation • Increased cost of compliance
Long term	• Change in climate-related regulations	• Higher operating cost

Identification, assessment and management of environmental, social and climate-related risks

Based on the consideration of our business nature, assessments conducted by our ESG Taskforce, as well as materiality maps provided by well-known external institutions including the ESG Industry Materiality Map by MSCI and SASB Standards by Sustainability Accounting Standards Board, we have identified the material ESG issues highly related to our business, and monitored on related performances. Other than the aforementioned governance, our Group will conduct an enterprise risk assessment at least once a year, upon Listing and where appropriate, to cover the current and potential risks that arose in our business including, but not limited to, the risks arising from the ESG aspects and strategic risk around disruptive forces such as climate change. Our Board will also assess or engage qualified independent third parties to evaluate the risks and review our Group's existing strategy and internal control, and necessary improvement will be implemented to manage and mitigate such risks.

Our Group has formulated an integrated management policy to strive for environmental protection and high quality service. Our policy aims to actively promote environmentally friendly practices such as encouraging employees to reduce, reuse and recycle waste. For any hazardous waste generated by our Group, we will engage qualified agencies for the disposal as required by regulatory authorities.

We have established a fair labour practices policy, a training management system and an occupational health and safety standards system which sets out our Group's employment and labour practices. In accordance with the relevant policies, we have adopted the following measures to manage our employment matters.

- **Working condition:** we are committed to providing a positive work environment that values the wide-ranging perspectives inherent in our diverse workforce and fosters the achievement of business goals through implementing the fair labour practices policy and relevant measures. Our policy aims to provide equal opportunities for employees regardless of gender, age, race or any other social or personal characteristics. We have taken measures including, but not limited to, (i) adopting fair labour practices among the workforce and prohibiting discrimination against individuals; and (ii) establishing communication channels such as opinion collection box and email.

- **Employment:** we enter into labour contracts when we establish labour relationships with our employees. The labour contracts set out the terms of employment to ensure that the interest of our employees is protected. The employment relationship will be confirmed by signing a labour contract after both the employee and our Group have clarified their rights and obligations and agreed to the written employment terms. We abide by local laws and regulations regarding employment practices such as compensation, rest periods and working hours.

- **Training:** we have established a training management system to provide corresponding training programmes specialised for the needs and requirements of different employees. Training programmes, including environmental protection, quality and occupational safety and health training, emergency response and rescue training, specialised cleaning skills training and management skills training, are regularly provided or arranged to our employees.

- **Health and safety:** as the majority of our employees are retired persons, the occupational health and safety of our employees is of paramount importance. To protect employees' occupational health and safety, we have implemented the health and safety standards system and relevant measures. Our management department manages our occupational health and safety standards system to strive to reduce the risk of workplace accidents. Our occupational health and safety standards system meets ISO45001 standards and includes features such as the provision of protective gears, safety-awareness education, safety signs and symbols, occupational safety and health training, emergency response and rescue training, implementation of safety officers supervision and the adoption of a major incidents reporting system. We have taken measures including, but not limited to, (i) providing employees with appropriate personal protective equipment during the provision of cleaning and maintenance services; (ii) allocating on-spot emergency treatment materials; and (iii) requiring our employees to comply with occupational health and safety guidelines which cover machinery operation, chemical handling, use of electrical appliances, carrying heavy objects and working at height.

Metrics and targets on environmental, social and climate-related risks

We have established ESG Policy and put in place various measures to govern, manage and mitigate environmental, social and climate-related issues, which includes greenhouse gas ("**GHG**") emissions and resource consumption. The ESG Policy has been established with reference to the standards of Appendix 27 to the Listing Rules. Our GHG emissions consist of (i) direct GHG emissions (scope 1), including the GHG emissions mainly from fuel consumption of the company's vehicles and machinery; and (ii) energy indirect GHG emissions (scope 2), including the GHG emissions mainly from the usage of purchased electricity. The GHG emissions data is presented in terms of tonnes carbon dioxide equivalent ("**tCO_2e**"). The following table sets out a breakdown of our GHG emissions by scope and intensity for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
Direct GHG emissions (Scope 1) (tCO_2e)	313	320	333	167	166
Energy indirect GHG emissions (Scope 2) (tCO_2e)	201	152	160	78	66
Total GHG emissions (tCO_2e)	**514**	**472**	**493**	**245**	**232**
Total GHG emissions intensity (tCO_2e/million RMB revenue)	1.10	0.84	0.83	0.85	0.78

For the year ended 31 December 2022, our Group's total GHG emissions were approximately 493 tCO_2e, which comprises approximately 333 tCO_2e of direct GHG emissions (scope 1) and approximately 160 tCO_2e of energy indirect GHG emissions (scope 2). For the year ended 31 December 2022, our Group's total GHG emissions intensity was approximately 0.83 tCO_2e per RMB million revenue. Considering our Group's business development and the latest available full-year data, we have set an emission target of limiting the increase in our total GHG emissions intensity to be not more than 10% in the next three years, using the intensity level in the year ended 31 December 2022 as the baseline.

Our Group's total GHG emissions decreased by approximately 5% from approximately 245 tCO_2e for the six months ended 30 June 2022 to approximately 232 tCO_2e for the six months ended 30 June 2023. Our Group's total GHG emissions intensity decreased by approximately 8.24% from approximately 0.85 tCO_2e per million RMB revenue for the six months ended 30 June 2022 to approximately 0.78 tCO_2e per million RMB revenue for the six months ended 30 June 2023.

Our resource consumption principally comprises energy consumption and water consumption so as to support our business operations. Our available data on resource consumption is focused on office use and does not include the resource consumption directly resulted from the provision of services to customers. Our Group has established an internal control system to collect quantitative data and monitor the usage on our resources. Such resources include fuels, electricity and water purchased by our Group. The ESG Taskforce is responsible for monitoring our Group's resource consumption levels and the effectiveness of our Group's measures on resource conservation. The major types of energy consumed were direct energy consumption and indirect energy consumption. Direct energy consumption represents fuel consumed by vehicles and machinery, and indirect energy consumption represents purchased electricity. The following table sets out a breakdown of our energy consumption by type and intensity for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
Direct energy consumption (MWh)	1,232	1,260	1,309	655	652
Indirect energy consumption (MWh)	329	249	280	128	116
Total energy consumption (MWh)	**1,561**	**1,509**	**1,589**	**783**	**768**
Total energy consumption intensity (MWh/million RMB revenue)	3.35	2.68	2.67	2.71	2.58

For the year ended 31 December 2022, our Group's total energy consumption was approximately 1,589 MWh, which comprises approximately 1,309 MWh of direct energy consumption and approximately 280 MWh of indirect energy consumption. For the year ended 31 December 2022, our Group's total energy consumption intensity was approximately 2.67 MWh per RMB million revenue. Considering our Group's business development and the latest available full-year data, we have set an energy use efficiency target of limiting the increase in our total energy consumption intensity to be not more than 10% in the next three years, using the intensity level in the year ended 31 December 2022 as the baseline.

Our Group's total energy consumption decreased by approximately 2% from approximately 783 MWh for the six months ended 30 June 2022 to approximately 768 MWh for the six months ended 30 June 2023. Our Group's total energy consumption intensity decreased by approximately 4.80% from approximately 2.71 MWh per million RMB revenue for the six months ended 30 June 2022 to approximately 2.58 MWh per million RMB revenue for the six months ended 30 June 2023.

Our water consumption was mainly from our offices and facilities. The following table sets out our total water consumption and intensity for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
Total water consumption (cubic metres)	**14,858**	**10,108**	**15,980**	**7,295**	**7,114**
Total water consumption intensity (cubic metres/million RMB revenue)	31.91	17.94	26.89	25.23	23.85

For the year ended 31 December 2022, our Group's total water consumption was approximately 15,980 cubic metres. For the year ended 31 December 2022, our Group's total water consumption intensity was approximately 26.89 cubic metres per RMB million revenue. Considering our Group's business development and the latest available full-year data, we have set a water efficiency target of limiting the increase in our total water consumption intensity to be not more than 10% in the next three years, using the intensity level in the year ended 31 December 2022 as the baseline.

Our Group's total water consumption decreased by approximately 2% from approximately 7,295 cubic metres for the six months ended 30 June 2022 to approximately 7,114 cubic metres for the six months ended 30 June 2023. Our Group's total water consumption intensity decreased by approximately 5.47% from approximately 25.23 cubic metres per million RMB revenue for the six months ended 30 June 2022 to approximately 23.85 cubic metres per million RMB revenue for the six months ended 30 June 2023.

To strive to achieve efficient use of resources and GHG emission management, our ESG Policy includes (i) monitoring and reviewing environmental performance indicators such as fuel, electricity and water consumption levels, (ii) encouraging employees to limit the use of unnecessary lighting and turn off machinery and equipment which are not in use to save energy and costs; and (iii) machinery and equipment management programme which comprises regular inspections and repair and maintenance to ensure their satisfactory condition and reliability.

In addition, we consume resources, including electricity and water, as well as use cleaning chemicals when providing cleaning services to our customers. We have adopted an environmental management system and been accredited with ISO 14001 (environmental management) since 2009. Prior to successful tenders or direct engagements by our customers, the relevant customer may require our Group to obtain ISO 14001 certification to demonstrate our commitment to environmental protection. Our ISO 14001-certified environmental management system assists us to manage the consumption of resources, including electricity and water, when providing cleaning services to customers. During the course of our projects, our Group's cleaning and maintenance workers carry out work in our customers' premises, where the electricity and water consumed are provided by our customers. Therefore, the Group is not able to obtain records and data for water and electricity consumption specifically attributable to our services but we still manage the consumption of electricity and water in accordance with our ISO 14001-certified environment management system. We have also formulated usage guidelines for cleaning chemicals used when providing cleaning services to customers.

We place a high priority on the responsible use of cleaning chemicals, recognising that improper handling poses risks to the occupational health and safety of our employees, as well as the environment. Therefore, we provide our employees with training on adhering to guidelines for the proper usage of chemicals.

The following table sets out a breakdown of our use of common cleaning chemicals by types for the year ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023:

	Year ended 31 December			**Six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
Bleach (litres)	164,057	205,342	194,164	86,266	81,700
Total bleach use intensity (litres/million RMB revenue)	352.31	364.38	326.76	298.32	273.93
Detergents (litres)	66,368	89,486	80,139	36,011	30,711
Total detergents use intensity (litres/million RMB revenue)	142.52	158.79	134.87	124.53	102.97

Considering our Group's business development and the latest available full-year data, we have set cleaning chemicals use efficiency targets as follows:

- limit the increase in our total bleach use intensity to be not more than 10% in the next three years, using the intensity level in the year ended 31 December 2022 as the baseline; and

- limit the increase in our total detergents use intensity to be not more than 10% in the next three years, using the intensity level in the year ended 31 December 2022 as the baseline.

We take our corporate social responsibility seriously and in our charitable actions we make donations and also pursue other poverty alleviation measures such as offering job opportunities to the elderly and the retired. In recognition of our charitable actions, we have previously received an Honorary Certificate of Accurate Poverty Alleviation* (精準扶貧榮譽證書) in 2017 from the Guangzhou City Management Bureau* (廣州市城市管理委員會).

PROPERTIES

As at the Latest Practicable Date, we owned and leased a total of 18 properties in the PRC.

Our Directors confirmed that save and except for the properties set forth in Appendix III to this prospectus, no single property interest that forms part of non-property activities has a carrying amount of 15% or more and no single property interest that forms part of property activities has a carrying amount of 1% or more, of the total assets. Accordingly, save and except for the disclosure set forth in Appendix III to this prospectus, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our other property interests, and, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance.

Owned properties

As at the Latest Practicable Date, we owned 11 properties in Guangdong province with an aggregated GFA of approximately 812.2 sq.m.. As at the Latest Practicable Date, we obtained the property ownership certificates for all of the properties we own as set out below. The following table summarises the information regarding our owned properties as at the Latest Practicable Date:

Address	Approximate GFA	Use of the property
	(sq.m.)	
Unit 2101, No.81 Xian Lie Middle Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	35.4	Investment *Note*
Unit 2102, No.81 Xian Lie Middle Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	52.2	Investment *Note*
Unit 2106, No.81 Xian Lie Middle Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	32.2	Investment *Note*
Unit 2107, No.81 Xian Lie Middle Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	31.4	Investment *Note*

Address	Approximate GFA	Use of the property
	(sq.m.)	
Carpark space B113, No.81 Xian Lie Middle Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	10.5	Carpark
Room 501, Block 1, No. 836 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	70.7	Office
Room 502, Block 1, No. 836 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	137.1	Office
Room 503, Block 1, No. 836 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	97.8	Office
Room 504, Block 1, No. 836 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	83.5	Office
Room 505, Block 1, No. 836 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	114.3	Office
Room 506, Block 1, No. 836 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	147.1	Office

Note: These units are currently held for investment purposes and are leased to an Independent Third Party for office purposes. For further details, please refer to the valuation certificate of Property No. 1 in Appendix III to this prospectus which refers to these units collectively as a property.

Leased properties

As at the Latest Practicable Date, we leased seven properties from Independent Third Parties with two in Guangdong province, and one each in Hainan province, Guangxi Zhuang autonomous region, Henan province, Beijing municipality and Chongqing municipality each and with an aggregated GFA of approximately 7,597.7 sq.m..

The following table summarises the information regarding our leased properties as at the Latest Practicable Date:

Address	Approximate GFA	Term	Use of the property
	(sq.m.)		
36 Xinguang Road, Xinzao Town, Panyu District, Guangzhou, Guangdong province, the PRC *(Notes 1 & 2)*	3,122.1	20 years from 1 April 2016 to 31 March 2036	partially as office and partially sub-leased
Area #034, 6/F, Building 2, 15 Xiangyu Road, Airport Development Zone, Shuangfengqiao Street, Yubei District, Chongqing Municipality, the PRC	10.0	one year from 9 December 2022 to 8 December 2023	office
No. 1606, Unit 3, Building 6, Haoran Landscape Community, 178 Minzu Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region, the PRC	120.8	one year form 14 November 2023 to 14 November 2024	office
Room 505, 5th Floor, Building 12, 13, 14, 15, Phase 2, Baoli Xiuying Gang Project, 2 Haixia Road, Xiuying District, Haikou, Hainan Province, the PRC	33.93	one year from 16 April 2023 to 15 April 2024	office

Address	Approximate GFA	Term	Use of the property
	(sq.m.)		
(1) Nanfang Gewu Tuan temporary parking lot, 27 Chigang Road, Haizhu District, Guangzhou, Guangdong province, the PRC	4,155.5	approximately one year from 20 January 2023 to 19 January 2024	(1) as carpark, (2)–(6) sub-leased
(2) No. 13, Building 3, 27 Chigang Road, Haizhu District, Guangzhou, Guangdong province, the PRC			
(3) No. 16, First Floor, 37 Chigang Road, Haizhu District, Guangzhou, Guangdong province, the PRC			
(4) No. 15, First Floor, 27 Chigang Road, Haizhu District, Guangzhou, Guangdong province, the PRC			
(5) No. 12, Building 3, 27 Chigang Road, Haizhu District, Guangzhou, Guangdong province, the PRC			
(6) Room 102, 35 Chigang Road, Haizhu District, Guangzhou, Guangdong province, the PRC			

Address	Approximate GFA	Term	Use of the property
	(sq.m.)		
608, 6th Floor, Henghua Building, No. 65 Zhenghua Road, Jinshui District, Zhengzhou City, Henan province, the PRC	42	one year from 9 June 2023 to 8 June 2024	office
A1, Room 301, 3rd Floor, Tongniu International Building, Building 2, No. 15 Guanghua Road, Chaoyang District, Beijing	113.36	one year from 12 July 2023 to 11 July 2024	office

Notes:

(1) The leased property has a total site area of approximately 10,213.8 sq.m. and a total GFA of 3,122.12 sq.m., of which a site area of approximately 10,000 sq.m. is sub-leased to Guangzhou Pengsheng at monthly rent of RMB86,000 from 1 July 2016 to 31 December 2020 and RMB 51,600 from 1 January 2021 to 30 June 2024, which we previously held a majority interest in prior to its disposal on October 2020 to an Independent Third Party (for reasons and details of the disposal, please refer to the section headed "History, Reorganisation and Group structure – Reorganisation – Step 1: Disposal and deregistration of the Disposed/Deregistered Companies" of this prospectus). The sub-leased portion of this property is used by Guangzhou Pengsheng for sports training purpose.

(2) We had not received the relevant property ownership certificate (《房地產權證》) from the lessor for part of this leased property comprising a security room, a sundries room and the roof of another part. Based on our enquiries, we understand that the lessor, which is a state-owned entity, does not possess the relevant certificates for these areas and such areas satisfy the relevant basic safety standard and are safe for use. In addition, the usage by the sub-lessee for sports training purpose for the same leased property did not fully comply with the approved land use of the property. As advised by our PRC Legal Advisers, if the property is not used for the approved purpose, the landlord may be ordered to return the parcel of land on which the property is situated by the relevant government authority and a fine may be imposed. Accordingly, the validity of our leases may be affected.

As advised by our PRC Legal Advisers, pursuant to the Civil Code of the PRC and the relevant Interpretations of Supreme People's Court, a lessee shall pay the rent within the time limit in accordance with lease contract. The parties may specify in the contract, the certain amount of liquidated damages shall be paid upon default by a party, or the method of calculating the compensation for losses arising from the breach. The lessor may request the lessee to pay fees for occupying the property according to the rent standard stipulated in the contract even if the lease contract is invalid.

Although the usage of the property by the sublessee is defective, as for the property with certificates, the lease contract entered into by our Group and the sublessee is the expression of true intentions of both parties, which does not infringe upon the interests of the state, the collective or others or violate the mandatory rules on effectiveness. The contract is valid and the rent and calculation methods of liquidated damages has been provided for in the contract. Therefore, our Group has the right to receive such payment from the sublessee in accordance with the lease contract. As for the property without certificates, our Group still has the right to request the sublessee to pay fees for occupying the property according to the rent standard stipulated in the lease contract even if the contract is invalid.

Our Directors and our PRC Legal Advisers are of the view that further remedial actions are not necessary and that these legal irregularities are not expected to materially and adversely affect our business and results of operations for the following reasons: (i) the lease by us and sub-lease to Guangzhou Pengsheng is part of a historical arrangement which began in 2016 and we have not received any claim of rights by, or challenges from, any third parties or the PRC government in relation to the title of any of these leased properties up to the Latest Practicable Date; (ii) the leased property has a total site area of approximately 10,213.8 sq.m. and a total GFA of 3,122.12 sq.m., of which as at the Latest Practicable Date approximately 189.0 sq.m. is for self-use as office purpose, and therefore if we are forced to relocate, our Directors expect the cost and difficulty to seek an alternative premise to be relatively low; (iii) we have received a confirmation from the relevant lessor that it agrees (a) to indemnify us for the losses in connection with the lack of property ownership certificate and not to terminate the lease agreement; (b) to the sub-lease by us and such usage by the sub-lessee and the lessor will not claim against us due to such circumstances; (iv) we have received a confirmation from the sub-lessee that it undertakes to indemnify us for the losses and bear the liability in connection with its usage; and (v) pursuant to the Deed of Indemnity, we have obtained an indemnity from our Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such property defects.

In addition to the above, as at the Latest Practicable Date, we had not registered twelve of the lease agreements with the relevant housing administrative authorities. The registration of such leases requires the cooperation of our lessors and as at the Latest Practicable Date, we had not obtained such lease registrations, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. As advised by our PRC Legal Advisers, pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), failure to complete lease registration and filing procedures would not affect the legal validity of the relevant lease agreements. However, according to the Administrative Measures for Commercial Housing Leases (《商品房屋租賃管理辦法》), the housing administrative authorities may require the parties to the lease agreements to complete lease registration within a prescribed period of time and the failure to do so may subject the parties to the lease agreements to fines of no more than RMB10,000 for each case. During the Track Record Period, we had not received any administrative penalties for failure to register our leases. We believe the failure to complete lease registration will not have a material adverse effect on our financial condition or results of operations.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had:

- registered 36 patents (comprising of 34 utility model patents and two invention patent) in the PRC.

- registered two trademarks in the PRC and registered two trademarks in Hong Kong.

- 10 registered copyrights in the PRC.

- registered www.gzshqj.com as our domain name.

Please refer to the section headed "Statutory and general information – Further information about the business of our Group – C. Intellectual property rights of our Group" in Appendix V to this prospectus for further details of our material intellectual property rights.

As at the Latest Practicable Date, we were not aware of any material disputes or pending or threatened claims against our Group in relation to material infringement of any intellectual property rights of third parties.

RESEARCH AND DEVELOPMENT

In an industry characterised by labour intensiveness, we appreciate the need to enhance our service efficiency through innovation and keep in line with the market trend of technological advances. Accordingly, in the past and throughout the Track Record Period, we encouraged our staff to conduct in-house research projects. Typically, such projects will involve preliminary investigations into public sources if certain research is already registered by third parties and if not, we will then commence our research. Once the research reaches a sufficiently advanced stage, we will seek registration of relevant intellectual property rights. During the Track Record Period, we completed research into improvements in our machinery and equipment which can be used in our operation including but not limited to the following:

Research conducted	Description and benefits
Safe and intelligent cleaning technology for exterior wall glass of high-rise building	– Cleaning with an automated drone, thereby increasing the efficiency and reducing the safety risks in connection with cleaning exterior glass walls
Fine stone maintenance technology	– Enhance the speed and quality of stone maintenance through detection of defects and data management and analysis
Remote garbage collection maintenance and management technology	– Monitor the amount of garbage in the garbage bin through sensors and automatically and remotely notify the cleaning staff to remove the garbage based on capacity allowing for timely removal of garbage

For further details of our patents and registered copyrights, please refer to the section headed "Statutory and general information – Further information about the business of our Group – C. Intellectual property rights of our Group" in Appendix V to this prospectus. As at the Latest Practicable Date, all of our patents and registered copyright were for self-use in our operations. In December 2020, Guangzhou Shenghui received recognition as a High and New Technology Enterprise* (高新技術企業) by the relevant PRC governmental authorities.

EMPLOYEES

Employees by function

As at 30 June 2023, we had 7,121 employees, all of whom are based in the PRC. The following table sets out a breakdown of the number of our employees by functions, gender and age group:

Functions	As at 30 June 2023
Administration and management	32
Operation	7,079
Finance	5
Marketing	5
Total	7,121

Gender	As at 30 June 2023
Male	1,718
Female	5,403
Total	7,121

Age group	As at 30 June 2023
18 to 35 years old	129
36 to 49 years old	376
50 years old or above	6,616
Total	7,121

Among all employees as at 30 June 2023, we employed 6,436 retired persons and 48 disabled persons respectively.

Among our 7,078 operating staff, most of them are employed by Guangzhou Shenghui and then re-allocated to different provincial-level regions in the PRC for execution of project work. The following table sets out the number of operating staff allocated by geographical locations as at 30 June 2023:

Geographical locations	As at 30 June 2023
Guangdong	4,902
Hainan	408
Chongqing	338
Guizhou	455
Guangxi	161
Jiangxi	62
Hubei	58
Heilongjiang	39
Anhui	57
Fujian	282
Henan	67
Shaanxi	–
Hunan	249
Total	7,078

A number of our employees hold particular qualifications in connection with our services. The table below sets forth the professional qualifications possessed by our employees as at 30 June 2023:

Qualification	Number of employees possessing such qualification
Special Industry Operation Certificate – Providing installation, maintenance and demolition services at high altitudes* (特種作業操作証 – 高處安裝、維護、拆除作業)	52
Stone Conservation & Floor Professional Qualification* (石材應用護理、地坪從業資格)	11
Employment Certificate of Cleaning of Secondary Water Supply Facilities in Guangzhou* (廣州市二次供水設施保潔上崗証)	38
Guangzhou Rodents Control Officer Employment Certificate* (廣州有害生物防制員)	43

Recruitment policy and training

We normally recruit employees through online recruitment platforms and posting recruitment notices. We use our best endeavours to attract and retain appropriate and suitable workers to serve our Group. Our policy also aims to provide equal opportunities for employees regardless of gender, age, race or any other social or personal characteristics. We prohibit all forms of discrimination based on gender, age, disability and race. In this regard, we received an Honorary Certificate of Accurate Poverty Alleviation* (精準扶貧榮譽證書) in 2017 from the Guangzhou City Management Bureau* (廣州市城市管理委員會). As at 30 June 2023, we achieved the following diversity ratios and social performance:

(a) Female to male gender ratio as approximately 3.14:1

(b) Employment of 6,436 retired persons, representing approximately 90.4% of total workforce

(c) Employment of 48 disabled persons, representing approximately 0.7% of total workforce

After recruitment, we provide or arrange various types of training to our employees, including environmental protection, quality and occupational safety and health training, emergency response and rescue training, specialised cleaning skills training and management skills training. We will provide them with our training manual which we update from time to time.

Labour union and employee relationship

We have a labour union which represents our employees' interests and deals with our management on resolving labour-related issues. Our Directors believe that we have maintained good relationships with our employees and during the Track Record Period and up to the Latest Practicable Date, there had been no complaint or claims from employees or labour dispute which materially and adversely affected, or was likely to have a material adverse effect on our operations.

Remuneration policy

Remuneration for our employees includes basic wages, discretionary bonuses and other staff benefits. We participate in social insurance schemes and provide housing provident funds for our employees in accordance with applicable regulations. Save as disclosed in the paragraph headed "Historical non-compliance incidents" in this section, we have made payments to social insurance and housing provident funds for our qualified employees.

ENVIRONMENTAL, OCCUPATIONAL HEALTH AND SAFETY

Environmental compliance

Our operations are subject to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and other PRC environmental requirements (for further details and other material environmental laws, please refer to the section headed "Regulatory overview – PRC laws and regulations – Laws and regulations on production safety and environmental protection" of this prospectus).

Our Directors believe that our business operation does not generate hazardous materials that would have a significant adverse effect on the environment. During the Track Record Period, we did not incur any significant expenses for compliance with our environmental obligations and do not expect to incur any significant expenses in this respect going forward. As confirmed by our Directors and our PRC Legal Advisers after conducting relevant public searches and/or having obtained relevant compliance certificate issued by the competent PRC government authority, during the Track Record Period and up to the Latest Practicable Date, we had not received any material administrative penalties from any environmental protection departments of the PRC due to any failure to comply with any environmental laws and regulations.

Occupational health and safety

According to the Industry Report, the occurrence of accidents resulting in bodily injury and property damages are not uncommon in the industry. Accordingly, we have adopted an occupational health and safety standards system as managed by our management department which continuously seek to improve our system to reduce the risk of such accidents. Our occupational health and safety standards system meets ISO45001 (formerly GB/T 28001) standards. Our current occupational health and safety standards system includes the following major features:

- **Provision of protective gears:** We provide protective gears, such as soft sole shoes, safety belts, helmets and ropes, googles and reflective safety vests.

- **Safety-awareness education:** We provide safety-awareness education to our employees in order to reduce occupational hazards and prevent injuries and accidents in the workplace.

- **Safety signs and symbols:** We provide safety signs and symbols, such as prohibitions, warnings, instructions, and prompts, in the workplace to remind our employees about safety risks, best practices and other information.

- **Occupational safety and health training:** We provide our employees with occupational safety and health training, covering various topics including regulations governing safety and health, industrial accident prevention, risk assessment, the use of specialised equipment and safety on working at high altitudes.

- **Emergency response and rescue training:** We provide emergency response and rescue training, such as standard first aid, first aid for electric shock and heatstroke and artificial ventilation, in order to train our employees effective emergency response skills, thus reducing the chances of casualties from accidents.

- **Safety officers supervision and major incidents reporting system:** We have safety officers and on-site safety responsible officers to help us monitor the safety conditions in our projects and to check compliance of the works in accordance with relevant safety standards. We have also adopted a reporting system so that major safety incidents are promptly brought to the attention of our management.

During the Track Record Period, our accident rate was relatively low. The table below sets out the number of accidents and accidents rate of our Group during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2020	**2021**	**2022**	**2023**
Number of accidents *Note 1*	39	–	52	7
Accident rate of our Group *Note 2*	0.7%	–	0.8%	0.1%

Notes:

(1) Other than the one fatal accident as described below and another fatal traffic accident that occurred in 2022 in which our Directors confirmed that our Group is not exposed to any liability from the accident as at the Latest Practicable Date, the accidents which occurred during the Track Record Period were relatively minor and included, inter alia, (i) contusion and bruise; (ii) slipping, tripping or falling on same level; and (iii) sprain and strain. Our number of accidents increased during the Track Record Period mainly due to the increase in our number of employees and projects over such period.

(2) The accident rate of our Group is calculated by dividing the number of accidents recorded in our internal records by total number of frontline workers as at the end of the relevant period. Our Directors confirm that the slightly increase in our accident rate for the year ended 31 December 2020 was mainly attributable to the relatively heavier workload of our frontline workers at the start of the COVID-19 pandemic which made them more susceptible to workplace injury.

To the best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers' safety except for one fatal accident which occurred in December 2019 as noted below. This fatal accident relates to one of our employees who walked up to the edge of the ninth floor of a building without permission and then lost balance and fell from such height. Given that the relevant governmental authority was of the view that we did not conduct sufficient safety supervision of on-site workers, did not seriously implement the screening, identification and control of work safety accident hazards, and failed to effectively and timely stop on-site worker's violations of operation procedures in high-altitude operations and risky operations, it imposed a fine of RMB230,000 on 20 May 2020. Our Group has paid the fine accordingly. As advised by our PRC Legal Advisers, the penalty has been satisfied and our Group is no longer exposed to any liability from the incident. After this accident and despite the exceptional circumstances, we have strengthened our safety measures and provided safety training to our employees particularly relating to high-altitude safety. We also require a safety officer and an on-site safety responsible officer for every project to monitor safety levels and check and keep records on, before and after the work, (i) the guard-rails of the suspended working platform and other safety facilities, (ii) whether the workers' safety belts, safety ropes and other protective gears are properly worn, and (iii) whether the safety facilities and protective gears are damaged. In preparation for the Listing, we have engaged independent internal control consultants to perform a review over our internal controls, including but not limited to, (i) relevant records such as attendance records for safety training of our employees; (ii) our relevant occupational health and safety policies such as guidelines for cleaning external walls; (iii) our safety measures focusing on prevention of high-altitude accident; and (iv) our crisis management focusing on high-altitude accident such as emergency response plans. Based on the review findings and recommendations provided by the internal control consultants, we have strengthened our safety measures focusing on high-altitude safety, including the provision of mandatory training to new employees, and promotion of safety measures through posting materials regarding high-altitude safety on internal advertisement boards. Except for the abovementioned fine, during the Track Record Period and up to the Latest Practicable Date, there was no material claims or legal proceedings against us with respect to this accident.

INSURANCE

We maintain insurance policies that are required under the PRC laws and regulations including pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance. We also maintain public liability insurance to cover liabilities for damages suffered by third parties arising out of our business operations.

Our Directors believe that our current insurance policies are adequate and the coverage of the above insurance policies is consistent with industry norm considering our current operations and the prevailing industry practice. However, we have certain uninsured risks which are not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. For further details, please refer to the section headed "Risk factors – There is no guarantee that our insurance coverage will adequately cover the risks related to our business and operations and that our insurance expenses will not rise." of this prospectus.

Our insurance expenses were approximately RMB4.6 million, RMB2.3 million, RMB3.7 million, RMB2.0 million and RMB1.0 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

LEGAL PROCEEDINGS

From time to time, we may be involved in legal proceedings or disputes during the ordinary course of business, such as contractual disputes with our customers and suppliers. During the Track Record Period and up to the Latest Practicable Date, none of our Company or any of our subsidiaries have been involved in any litigation or arbitration of material importance that would have a material adverse effect on our business, financial position or results of operations, and to the best knowledge of our Directors, we are not aware of any pending or threatened litigation, arbitration or claim of material importance against us or any of our subsidiaries, which could have a material adverse effect on our Group's business, financial position or results of operations.

HISTORICAL NON-COMPLIANCE INCIDENTS

We had certain historical non-compliance incidents during the Track Record Period and up to the Latest Practicable Date. As confirmed by our Directors and our PRC Legal Advisers, save as disclosed below, our Group has complied in all material respects with the applicable laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date and did not receive any notices for any fines or penalties for any non-compliance that is material or systemic.

We set out below a summary of our material and/or systemic non-compliance matters during the Track Record Period and up to the Latest Practicable Date, their rectification actions taken and current status:

Non-compliance incident	Reason(s) for the non-compliance	Possible legal consequences and potential maximum penalties	(a) Remedies taken/to be taken, the latest status (b) rectification measures to prevent future breach	Potential impact on our operations and financial condition
Failure to make full social insurance and housing provident fund contributions				
During the Track Record Period, we did not make full social insurance and housing provident fund contributions for all of our eligible employees. Our Directors have assessed and estimated that the amount of shortfall of social insurance for the years ended 31 December 2020, 2021 and 2022, and for the six months ended 30 June 2023 was approximately RMB1.9 million, nil, nil and nil, respectively, and the shortfall of contributions to the housing provident funds was approximately RMB1.1 million, nil, nil and nil, respectively, over the same period.	The non-compliance was primarily due to our large labour force, our additional staff arising from the establishment of our new Chongqing branch office which we are in the process of setting up accounts for, the miscalculations of the payment amount for certain individuals after their salary changes and our human resources staff lacking sufficient understanding of the relevant requirements of the relevant PRC laws and regulations.	Our PRC Legal Advisers have advised that, pursuant to the relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equivalent to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we will be liable to a fine amounting to one to three times to the amount of the outstanding payments. In respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period. If the payment is not made within such time limit, an application may be made by the authorities to PRC courts for compulsory enforcement. On such basis, the maximum potential penalties arising from such non-compliance would be RMB3.5 million, RMB4.8 million, RMB6.1 million and RMB6.8 million as at 31 December 2020, 2021 and 2022 and 30 June 2023.	We had not received any orders or notifications from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date. We have updated our records on the social insurance and housing provident fund system. However, if we are demanded by the relevant government authorities, we will make full contributions or pay any shortfalls within the time period prescribed by them. We have made full social insurance and housing provident fund contributions for all of our eligible employees in accordance with the relevant PRC laws and regulations since May 2021. We have also made provisions in relation to such incidents. The total provisions made by our Group in respect of the shortfall in contribution to social insurance and housing provident funds and penalty amounted to RMB22.2 million as at 30 June 2023. We have adopted additional mechanisms for ensuring the due payment of social insurance and housing provident fund contributions including the double checking of the calculations by our finance department.	We have obtained written confirmations from the relevant local social insurance and housing provident fund regulatory authorities *(Note)*, all of which state that no administrative penalty was imposed during the Track Record Period due to the non-compliance. As advised by our PRC Legal Advisers, such local regulatory authorities are the competent authorities to issue the above confirmations. Our PRC Legal Advisers are of the view that based on (i) written confirmations from the relevant regulatory authorities, which state that no administrative penalty has been imposed on us; (ii) that we have taken rectification measures for the payment of outstanding social insurance and housing provident fund contributions; (iii) that the employees who failed to make full social insurance or housing provident fund contributions had submitted their undertakings to us that they would not claim against us and the deficit was attributable to their personal reasons; (iv) that provisions have been made to the shortfall in the unpaid social insurance and housing provident fund contributions so that we will be able to pay the shortfall within the prescribed time limit upon the request of the relevant regulatory authorities; and (v) our Controlling Shareholders have executed the Deed of Indemnity to indemnify any economic loss we suffered from the failure to fully contribute to social insurance and housing provident funds, the risk that we would be subject to administrative penalties in relation to social insurance or compulsory enforcement in relation to housing provident funds is very low and the said non-compliance would not have any material adverse effect on our financial conditions or results of operations.

Note: The relevant regulatory confirmations were obtained from (i) the Guangzhou Municipal Human Resources and Social Security Affairs Service Centre (廣州市人力資源和社會保障事務服務中心), (ii) the Human Resources and Social Security Bureau of Panyu District, Guangzhou (廣州市番禺區人力資源和社會保障局), (iii) the Healthcare Security Administration of Guangzhou (廣州市醫療保障局), (iv) the Guangzhou Housing Provident Fund Management Centre (廣州住房公積金管理中心), (v) the Human Resources and Social Security Bureau of Yubei District, Chongqing (重慶市渝北區人力資源和社會保障局), (vi) the Healthcare Security Affairs Centre of Yubei District, Chongqing (重慶市渝北區醫療保障事務中心), (vii) the Chongqing Municipal Housing Provident Fund Administration Centre (重慶市住房公積金管理中心), (viii) the Nanning Municipal Human Resources and Social Security Bureau (南寧市人力資源和社會保障局), (ix) the Nanning Healthcare Security Affairs Administration Centre (南寧市醫療保障事業管理中心), (x) the Healthcare Security Administration of Nanning (南寧市醫療保障局), (xi) Guangxi Quzhi Housing Provident Fund Management Centre (廣西區直住房公積金管理中心), (xii) the Social Insurance Bureau of Haikou (海口市社會保險事業局), (xiii) the Housing Provident Fund Administration of Haikou (海口住房公積金管理局), (xiv) the Human Resources and Social Security Bureau of Zhengzhou (鄭州市人力資源和社會保障局) and (xv) the Zhengzhou Housing Provident Fund Administration Centre (鄭州住房公積金管理中心).

Non-compliance incident	Reason(s) for the non-compliance	Possible legal consequences and potential maximum penalties	(a) Remedies taken/to be taken, the latest status (b) rectification measures to prevent future breach	Potential impact on our operations and financial condition
Lack of relevant qualification in relation to project				
In May 2020, Guangzhou Shenghui entered into a contract with a customer which belongs to a PRC state-owned company, with a registered share capital of approximately RMB525 million, and is principally engaged in the provision of municipal and public work, highway work and constructions work, for a road construction project in Longyan, Fujian province, where it is responsible for comprehensive pipe gallery engineering, slope and foundation pit support engineering (the "**Ancillary Services**"), with a contract sum of RMB23.5 million prior to obtaining the Construction Enterprise Qualification Certificate. It obtained the relevant qualification in September 2020. As confirmed by the Directors, we undertook the project on the basis that (i) the services that our Group agreed to undertake were labour-intensive and did not require specialised knowledge or skillset from workers which, in nature, was similar to the cleaning services provided by our Group; (ii) our Group was not required under the contract to provide any technicians and specialised equipment to conduct the project; and (iii) the customer may further engage our Group to conduct cleaning services upon the completion of the project. As confirmed by the Directors, our Group did not provide similar services in other occasions during the Track Record Period. During the year ended 31 December 2020, the net income generated from such project was approximately RMB2.7 million.	As the project did not relate to our core business and we were approached by the customer to render our assistance, our marketing department staff, being the responsible department for our licences, was not familiar with the qualification requirement prior to entering into the contract.	Our PRC Legal Advisers have advised that, pursuant to the relevant PRC laws and regulations, the relevant authority may order cessation of the illegal activity, impose a fine of 2% to 4% of the contract sum, and confiscate the illegal income, if any.	We had not received any orders or notifications from the relevant PRC authorities requiring us to cease such works nor received any administrative penalties in relation to such incident during the Track Record Period and up to the Latest Practicable Date. After this incident, we adopted a more formal procedure to be followed by our marketing department prior to bidding for new projects and particularly when starting a new business line and we will consult legal advice when necessary.	We have obtained written confirmation from the Housing and Urban-Rural Development Bureau of Longyan, Fujian (福建省龍岩市住房和城鄉建設局), which states, among others, that: (i) although we had not received the relevant qualification upon signing of the contract, it was not considered a material violation; and (ii) it will not confiscate the relevant income or impose any fine or other penalties. As stated in the above confirmation and advised by our PRC Legal Advisers, the labour services performed in the road construction project were governed by the local regulatory authority as stated above and the said authority is the competent authority to issue the above confirmation. Our PRC Legal Advisers are of the view that based on the above and that we had obtained the relevant qualification in September 2020, the risk of penalty against us for such incident is remote.

Non-compliance incident	Reason(s) for the non-compliance	Possible legal consequences and potential maximum penalties	(a) Remedies taken/to be taken, the latest status (b) rectification measures to prevent future breach	Potential impact on our operations and financial condition
Failure to register lease agreements				
As at the Latest Practicable Date, we had not registered twelve of the lease agreements with the relevant housing administrative authorities.	The registration of such leases requires the cooperation of our lessors and as at the Latest Practicable Date, we had not obtained such lease registrations, primarily due to the difficulty of procuring our lessors' cooperation to register such leases.	Our PRC Legal Advisers have advised that, pursuant to the Administrative Measures for Commercial Housing Leases (《商品房屋租賃管理 辦法》), the housing authorities may require the parties to the lease agreements to complete lease registration within a prescribed period of time and the failure to do so may subject the parties to the lease agreements to fines no more than RMB10,000 for each case.	As advised by our PRC Legal Advisers, pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), failure to complete lease registration and filing procedures would not affect the legal validity of the relevant lease agreements. During the Track Record Period, we had not received any administrative penalties for failure to register our leases.	Our PRC Legal Advisers are of the view that the failure to complete leases registration will not have a material adverse effect on our financial condition or results of operations.

Our Directors are of the view that the non-compliance incidents, individually and collectively, will not have any material adverse impact on our Group's business operations and financial position having considered (i) the non-compliance incidents have been properly rectified or otherwise is unlikely to reoccur; (ii) preventative measures have been or will be put in place to prevent future occurrence; (iii) our PRC Legal Advisers' advice having taken into account the confirmations received from relevant regulatory authorities; and (iv) provision has been made for the non-compliance incidents relating to social insurance and housing provident fund contributions.

Our Directors are of the view that our internal control is sufficient and effective to prevent the occurrence of the non-compliance incidents in the future. Our Directors have reached this view after taking into account the reasons for such incidents and the preventative measures to address them.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of among others, any liabilities and penalties which may arise from among others any non-compliance incidents of our Group prior to the Share Offer becoming unconditional. Further details of the Deed of Indemnity are set out in the section headed "Statutory and general information – F. Other information – 1. Tax and other indemnities" in Appendix V to this prospectus.

Provisions

We made provisions in respect of our failure to make adequate social insurance and housing provident fund contributions as discussed above. Except as noted, no provision was made in the financial statements of our Group in respect of the aforesaid non-compliances on the basis that (i) the issues have been rectified or otherwise is unlikely to reoccur; (ii) up to the Latest Practicable Date, our Directors were not aware of any prosecution instituted against us or any notice for any fines or penalties in relation to the above non-compliances; (iii) our PRC Legal Advisers' advice on the risk of penalty having taken into account the confirmations received from relevant regulatory authorities; and (iv) our Controlling Shareholders shall indemnify our Group against the liabilities arising from such non-compliances pursuant to the Deed of Indemnity.

IMPACT OF COVID-19

An outbreak of COVID-19 was first reported in December 2019, and the COVID-19 pandemic spread around the world during the Track Record Period. The PRC government took a number of actions to control the spread, which included quarantining individuals infected with or suspected of having COVID-19 and temporarily restricting residents from free travel. In December 2022, the PRC government eased the restrictions previously imposed with respect to the control of the COVID-19 pandemic. In May 2023, the World Health Organisation ended the global emergency status for COVID-19, declaring that it is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern. As a result, regional lockdown, quarantine requirements and inter-region travel restrictions have been gradually lifted.

Impact on relevant industry and outlook

According to the Industry Report, due to the outbreak of COVID-19, the PRC government has established related national policies to reinforce and standardised large-scale cleaning and sanitising activities to improve cleaning and maintenance condition at community level. As such, providing a clean and hygienic living environment has become an essential part in pandemic control. Therefore, despite the adverse impact of COVID-19 pandemic on the PRC's economy, the environmental cleaning and maintenance service providers are able to benefit from these unprecedented times. The increasing demand for service from the downstream market will serve as an opportunity for the environmental cleaning and maintenance service industry and such demand is anticipated to continue during the post-pandemic stage.

Impact on our business operations

To minimise the spread of COVID-19 in our workplace, we have implemented the following measures and policies:

- provide personal protection equipment (including but not limited to surgical masks, gloves and hand sanitisers) to our employees;

- require mandatory body temperature check before entering our offices and project sites and those who have fever or upper respiratory tract infection symptoms shall be prohibited from working and should seek medical advice promptly;

- require our employees to wear masks at our offices and project sites; if any of our employees are requested by governmental authorities to be quarantined, the affected employees will continue to be paid during the quarantine period;

- require our employees to report to their respective project management team or department if they or their close relatives have been confirmed to have contracted COVID-19;

- maintain environmental hygiene and cleanliness of our offices and project sites;

- maintain adequate social distancing at our offices and project sites; and

- provide our workers the COVID-19 safety training.

As at the Latest Practicable Date, to the best knowledge and belief of our Directors, none of our employees, including our senior management and our employees in higher-risk projects such as relating to airports, had been confirmed as having contracted COVID-19 and there was no material disruption to the daily administration and operation of our Group as a result of COVID-19.

Our Directors confirm that given the nature of our business, during the Track Record Period and up to the Latest Practicable Date, our projects were not halted, delayed or cancelled due to the COVID-19 outbreak and instead COVID-19 has led to more business opportunities for us in terms of customers' interest in our cleaning and maintenance service as reflected in the steady increase in the number of our projects and increasing revenue during the Track Record Period.

Our current financial condition

Our cash and cash equivalent as at 30 June 2023 was approximately RMB49.9 million. We will closely monitor the epidemic situation of COVID-19 and promptly implement necessary measures to minimise any adverse effect on our financial condition and results.

Our Directors confirm that to the best of their knowledge and belief, subsequent to the Track Record Period and up to the Latest Practicable Date, our Group had not received any notice from: (i) our major customers terminating our existing projects with them; or (ii) our major suppliers terminating our existing contracts with them relating to their provision of consumables or services. Taking into account the above and the current levels of cash and cash equivalents, we believe the outbreak of COVID-19 does not have a significant adverse impact on our continuing business operation.

RISK MANAGEMENT AND INTERNAL CONTROL

In preparation for the Listing, we have engaged independent internal control consultants (the "**Internal Control Consultants**") to perform a review over our internal controls in December 2020 (the "**Internal Control Review**"). The selected areas of our internal control that were reviewed by the Internal Control Consultants included overall corporate governance, financial reporting, tender management cycles, revenue management of projects, cash and fund management, investment management, fixed asset management, human resources and salary management and information and technology management. During the course of the Internal Control Review, the Internal Control Consultants provided their findings and recommendations. We have accordingly taken the enhanced internal control measures to make improvements. The Internal Control Consultants performed follow-up reviews from February 2021 to April 2022 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultants did not have any further recommendation in the Follow up Review. The Internal Control Review and the Follow-up Review were conducted based on information provided by us and no assurance or opinion on internal control was expressed by the Internal Control Consultants. After considering the implementation of the enhancement measures and the result of such Follow-up Review, our Directors are satisfied that our internal control system is adequate and effective for our current operational environment.

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Detailed risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For more details on the major risks identified by our management, please refer to the section headed "Risk factors – Risks relating to our business and industry" of this prospectus.

In addition, we face various financial risks, including interest rate risk, credit risk, liquidity risk and capital risk that arise during our ordinary course of business. Please refer to the section headed "Financial information – Financial risk management" of this prospectus for a discussion of these financial risks.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Share Offer, we have adopted or will adopt prior to Listing, among other things, the following:

Risk management policies and fostering a compliance culture

- To manage key risks, we have adopted stringent measures and procedures under our quality, safety and environmental management systems (for further details, please refer to the paragraphs headed "Quality controls" and "Environmental, occupational health and safety" in this section).

- We strive to foster a strong compliance culture in our Group through: (i) a detailed employee handbook provided to each of them after recruitment; (ii) on-going training on various areas as detailed in the sub-paragraph headed "Recruitment policy and training" in this section; and (iii) signs and posters placed on-site to provide day to day reminders of risks and best practices.

- We are committed to social responsibilities as disclosed in the paragraph headed "Environmental, social and governance" in this section, and consider environmental, social and governance ("**ESG**") essential to our continuous development. We plan to set up metrics and targets for these ESG issues and to review our key ESG performance on a regular basis. Our Directors will actively participate in designing our ESG strategies and targets, and will evaluate, determine and address our ESG-related risk. We may from time to time engage independent professional third parties to help us to make necessary improvements. After the Listing, we will publish an Environmental, Social and Governance Report each year pursuant to Appendix 27 of the Listing Rules to analyse and disclose important ESG matters, risk management and the accomplishment of performance and objectives.

Anti-corruption and anti-bribery measures

As recommended by our Internal Control Consultants, we have formulated and adopted an anti-corruption and anti-bribery regime. Key anti-corruption and anti-bribery measures include the following:

- We provide anti-fraud and ethics training to our employees and distribute our anti-corruption and anti-bribery policy including express prohibitions against non-compliance to all employees;

- Our administration department is responsible for identifying improper conduct of our employees and monitoring inter-department activities. The duties of our administration department also include providing anti-corruption and anti-bribery compliance advice, investigating potential corruption or fraudulent incidents, and initiating anti-fraud promotional activities with our Group;

- Our customers and suppliers are required to sign an agreement to undertake that they will not engage in bribery, corruption or unethical behaviors with our employees or their families;

- We have a whistleblowing and complaint handling process and we will conduct investigations for any suspected cases of bribery, corruption or other related misconduct or fraudulent activities; and

- We undertake rectification measures with respect to any identified corrupt activities, evaluation of the identified corrupt activities and establish preventative measures to avoid future non-compliance.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, there were no legal proceedings regarding corrupt or bribery practices brought against us or any of our directors and employees.

Key corporate governance measures

- Our Directors attended a training session conducted by our legal advisers as to Hong Kong laws on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.

- We have engaged Cinda International as our compliance adviser and will, upon Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the Listing Rules and/or other relevant laws and regulations applicable to our Company.

- Our Board is responsible for reviewing and approving our strategic development, devising our risk management strategies and operational plans as well as appointing our senior management. We will also have four Board committees, namely our Audit Committee, our Remuneration Committee, our Nomination Committee and our Investment Committee (for further details of their composition and duties, please refer to the section headed "Directors and senior management – Board committees" of this prospectus).

- We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance reports to be included in our annual reports after Listing. To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed "Relationship with our Controlling Shareholders – Corporate governance measures" of this prospectus.

- We shall establish systems and manuals in relation to distribution of annual and interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules.

INVESTMENT MANAGEMENT POLICY

We adopt stringent procedures for conducting investment activities. The entire process is managed at the Group level by our finance department, working in close coordination with our Investment Committee. We have established an investment management policy (the "**Investment Management Policy**") which sets out a clear guidance on the procedures relating to account opening and closing, fund allocation, and transactions. In accordance with the Investment Management Policy, the Company is prohibited from (i) conducting any securities trading activities in secondary markets including, but not limited to, the trading of stocks, bonds, options, futures, and derivatives, and (ii) borrowing to wholly or partially fund any investments. To execute investment transactions, the following procedures shall be involved:

- **Investment research:** our staff shall conduct their own investment research or engage third party researchers to analysis investment prospects. Upon completing the research, a report shall be filed in our Company's document system. Our finance department shall hold regular meetings with our Investment Committee to discuss on the report findings. Our Investment Committee and finance department will be informed regularly on the condition of investment markets with sufficient research work done, hence our Group shall be able to make investment decision efficiently and effectively to prevent any loss-making investment.

- **Decision-making:** should our department staff decide to execute an investment transaction, feasibility studies on the proposed transaction including, but not limited to, the purchase amount, price, expected risks, risk control cost-benefit analysis, stop-profit and cut-loss percentage, impacts on the operations of our Group and key performance indicators, shall be sent together with the transaction request, to our Investment Committee for approval. Our finance department must also formulate asset allocation plans, including asset allocation types and proportions among different markets, stocks, funds, bonds, and cash, and adjust asset allocation plans according to market conditions, and report to our Investment Committee. Moreover, our finance department may seek or engage investment consultant to assist on making any investment decisions. These procedures enhance the cautiousness of our Group to make any investment decision and prevent misappropriation of use of working capital.

- **Execution of transaction:** all transactions shall be carried out under the supervision of the department head of our finance department, and all information relating the transactions shall be kept confidential. The department head of our finance department supervises all transactions, and our finance department must review the transactions details on the transaction day, including, but not limited to, the stock name, number of stocks traded, stock price and the total cost. The department head of our finance department can request for fund transfer by submitting the reason(s) for the transfer and the amount of funds when there is a need for funds in the stock account, the funds can be transferred after the approval of our Investment Committee. In addition, the enhanced internal control policy states clearly the prohibition of short-term securities trading, including stocks, bonds, options, futures, derivatives etc, except commercial mergers or acquisition and equity investment and the prohibition of the use of margin financing for investment. Meanwhile, our finance department must review the risk of investment portfolio monthly and inform our Investment Committee of the market situation in a timely manner, in order to facilitate the adjustment of investment strategies. Our Investment Committee must issue investment summary and report to our Directors on a monthly basis, analyse and summarise the investment behaviour of our Group, and provide the suitable direction and evaluation for future investments. With sufficient internal control, timely analysis and review in different aspects, prohibition of short-term securities trading and use of margin financing, risk of severe loss in investment can be minimised.

- **Verification:** Our department staff shall review all of the executed transactions through the verification of transaction data. If an department has recorded a loss of more than 20% of the investment amount, our department staff shall suggest to our Investment Committee and our Board of the relevant risks. Moreover, if it is discovered that a particular transaction may violate relevant laws or regulations, our finance department shall immediately report to the Investment Committee.

The Investment Committee shall be responsible for the regular review of the Investment Management Policy. The responsibilities of our Investment Committee include:

(a) reviewing and evaluating the performance of our Group's past investment projects and making recommendations to our Directors;

(b) monitoring and prohibiting our Group from participating in short-term securities transactions, including stocks, bonds, options, futures, derivatives etc, except commercial mergers or acquisition and equity investment;

(c) monitoring and prohibiting our Group from the use of margin financing;

(d) researching and reviewing our Group's future development investment projects (including mergers and acquisitions, joint ventures, equity investments, etc.), ensuring that our Group can only invest in business related to its principal business and make recommendations to our Directors;

(e) implementing investment decision-making procedures within the scope of the authority of our Directors, and supervising the implementation of the investment decision-making procedures;

(f) understanding and reviewing the policies related to our Group's development, and reporting to our Directors on matters that may have a significant impact on our Group's development and providing comments and suggestions; and

(g) handling other matters authorised by our Directors.

Our Investment Committee comprised at least two members and our executive Directors will not be members of the committee. Taking into account of the experience and qualifications of the independent non-executive Directors including Ms. Yau Yin Hung (who has approximately 11 years of experience in the banking industry with a focus on providing securities and asset management services) and Ms. Chong Sze Pui Joanne MH (who has over 18 years of experience in auditing, taxation and business development), our Directors are of the view that our Investment Committee has sufficient knowledge and qualification in advising and monitoring our Group's commercial mergers or acquisitions and equity investments.

For further details of its composition and duties, please refer to the section headed "Directors and senior management – Board committees – Investment Committee" of this prospectus.

As at the Latest Practicable Date, the Group is not involved in any securities trading activities.

COMPETITIVE LANDSCAPE

According to the Industry Report, the environmental cleaning and maintenance industry in the PRC is dominated by certain market players. In 2022, the top five market participants accounted for an aggregate market share of approximately 9.3% by revenue in the environmental cleaning and maintenance industry in the PRC. Our Group had a market share of approximately 0.1% of the environmental cleaning and maintenance industry in the PRC in 2022 in terms of revenue. According to the Industry Report, this industry mainly comprises and is largely dominated by two sectors: the property cleaning sector and the public space cleaning sector. The public space cleaning sector mostly involves high contract sum projects with local government customers which prefer large-scale service providers with good industry recognition. In contrast, the property cleaning sector is more competitive and with lower barriers to entry given that it is much more labour intensive with newcomers not required to invest heavily in fixed assets. For further details of the competitive landscape, please refer to the section headed "Industry overview – Competitive landscape of environmental cleaning and maintenance service market in the PRC – Competition overview" of this prospectus. Our Group is able to compete effectively given our competitive strengths including: -(i) being one of the well-established service providers for property cleaning in Guangdong province with a strong brand recognition and proven track record; (ii) being able to provide a variety of cleaning and maintenance services and having strong capabilities to support our service offering; and (iii) having a diversified customer base and strong relationship with our major customers (for further details of the above and other competitive strengths, please refer to the paragraph headed "Competitive strengths" in this section).

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), 36.095% of the issued share capital of our Company will be owned by Prosperity Cleanness, which is a company wholly-owned by Mr. Li; and 36.095% of the issued share capital of our Company will be owned by Sunrise Cleanness, which is a company wholly-owned by Mr. Chen. Accordingly, each of Prosperity Cleanness, Sunrise Cleanness, Mr. Li and Mr. Chen is a Controlling Shareholder. For details of the shareholding interest of our Controlling Shareholders, please refer to the section headed "Substantial Shareholders". Mr. Li and Mr. Chen, who are both our executive Directors, have confirmed that they are a group of Controlling Shareholders, further details of which are set out in the paragraph headed "Controlling Shareholders' Confirmation" in this section.

Save as disclosed above, there is no other person who will, immediately following the completion of the Share Offer and Capitalisation Issue (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

Prosperity Cleanness and Sunrise Cleanness are incorporated in the BVI by Mr. Li and Mr. Chen, respectively, as private limited liability companies on 10 December 2020 and are investment holding companies. Following our Reorganisation, Prosperity Cleanness and Sunrise Cleanness became our Controlling Shareholders. For further details of the Reorganisation, see the paragraph headed "History, Reorganisation and Group structure – Reorganisation" of this prospectus.

For the background of Mr. Li and Mr. Chen, please refer to the section headed "Directors and senior management" of this prospectus.

CONTROLLING SHAREHOLDERS' CONFIRMATION

In preparation for the Listing, on 16 March 2021, Mr. Li and Mr. Chen executed the Controlling Shareholders' Confirmation, pursuant to which Mr. Li and Mr. Chen confirmed that they have been a group of Controlling Shareholders and voted in an unanimous manner on all matters required to be resolved by them in all shareholders' meetings as shareholders and/or ultimate beneficial owners (as the case may be) of Guangzhou Shenghui, Guangzhou Xinhui and Guangxi Shenghui since the respective date of establishment of the foregoing companies and will continue to be a group of Controlling Shareholders and vote in a unanimous manner on all matters required to be resolved by them in all board (where applicable) and shareholders' meeting as directors (where applicable), shareholders and/or ultimate beneficial owners (as the case may be) of our Group until the Controlling Shareholders' Confirmation is terminated in writing.

DELINEATION OF BUSINESS

Our Group is a cleaning and maintenance services provider providing a wide range of services in the PRC including the provision of basic cleaning and maintenance service, garbage collection and transportation service, waste collection and transportation service, water tank cleaning service and ancillary services. As at the Latest Practicable Date, other than our Group, one of our Controlling Shareholders, Mr. Chen, has invested in or operated business providing housing construction services in the PRC (the "**Business currently owned by Mr. Chen**"). Furthermore, during the Track Record Period, Mr. Chen had disposed of his entire equity interest in Guangzhou Yuneng, which was engaged in green waste handling and handling and recycling of waste woodwork and Wuhan Chuangsheng, which was engaged in the collection, storage, utilisation and disposal of hazardous waste, as well as wholesale and retail of its recycled products (the "**Other Businesses formerly owned by Mr. Chen**", together with the Business currently owned by Mr. Chen, the "**Other Businesses of Mr. Chen**"). Given the difference in the nature of the businesses operated by our Group and the Other Businesses of Mr. Chen as further detailed below, our Directors are of the view that there is clear delineation between our business and the Other Businesses of Mr. Chen and as a result, none of the Other Businesses of Mr. Chen would compete, or is expected to compete, directly or indirectly with our businesses.

Our Directors also confirmed that our Group had/has no overlapping shareholders and directors (except Mr. Chen) with Zhujiang Sanitation, Wuhan Chuangsheng and Guangzhou Yuneng during the Track Record Period. Also, there was no sharing of personnel, premises and other resources among our Group, any of our Group's members (or its shareholders, directors, employees or their respective associates), each of Zhujiang Sanitation, Wuhan Chuangsheng and Guangzhou Yuneng and/or their respective associates without being fully recharged to the respective parties as at the Latest Practicable Date.

Zhujiang Sanitation

Zhujiang Sanitation is a sole proprietorship established in the PRC on 28 April 1999 by Mr. Chen. As at the Latest Practicable Date, Zhujiang Sanitation had a registered capital of RMB15,000 and Mr. Chen remained as its sole proprietor.

Zhujiang Sanitation was principally engaged in the provision of domestic waste transfer and disposal services from 1 January 2018 to 10 December 2020. Domestic waste includes kitchen and other waste generated by households were collected by Zhujiang Sanitation from residential premises for disposal.

The revenue of Zhujiang Sanitation was approximately RMB0.4 million, RMB2.1 million, RMB18,000 and nil for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. Zhujiang Sanitation recorded a net profit of approximately RMB11,700, RMB60,200, nil and nil for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023. Mr. Chen confirmed that Zhujiang Sanitation was a profit-making entity for the foregoing financial years. However, the business of Zhujiang Sanitation could not achieve much growth due to its small size of operation. In light of the insignificant return and operation, Zhujiang Sanitation was not merged to our Group so to keep our Group's structure simple. To have a clear delineation from our Group's business, the business scope of Zhujiang Sanitation was changed to provision of housing construction services with effect from 11 December 2020.

During the Track Record Period, there was no transaction between Zhujiang Sanitation and our Group. Mr. Chen confirmed that there were no overlapping clients or sharing of personnel, premises and other resources between Zhujiang Sanitation and our Group or any of our Group's members (or its shareholders, directors, employees or their respective associates) without being fully recharged to the respective parties as at the Latest Practicable Date. Mr. Chen further confirmed that Zhujiang Sanitation was not involved in any incidents of material non-compliance with the applicable laws and regulations in the PRC, nor was it engaged in any litigation, arbitration or claim of material importance in the PRC during the Track Record Period and up to the Latest Practicable Date.

Wuhan Chuangsheng

Wuhan Chuangsheng is a company established in the PRC with limited liability on 5 November 2007. During the Track Record Period, Wuhan Chuangsheng was owned as to 50%, 30%, 15% and 5% by Mr. Zhang Xiaonan (張小南) ("**Mr. Zhang**"), Mr. Chen, Mr. Sun Dalu (孫大路) and Ms. Zhou Chunfang (周春芳), respectively, all of whom (save for Mr. Chen) are Independent Third Parties. On 21 September 2022, Mr. Zhang and Mr. Chen transferred their entire shareholdings of 50% and 30% respectively to Wuhan Hechang Mechanical Equipment Manufacture Company Limited* (武漢和昌機械設備製造有限公司). The registered capital of Wuhan Chuangsheng was RMB10 million as at the Latest Practicable Date.

When Wuhan Chuangsheng was first established, it was wholly-owned by Mr. Hao Yunhua (郝運華) ("**Mr. Hao**"), an Independent Third Party. Mr. Chen first became a 40% shareholder of Wuhan Chuangsheng on 4 June 2014, when he acquired 40% equity interest of Wuhan Chuangsheng from Mr. Hao at a consideration of RMB400,000, which was determined with reference to the then registered capital of Wuhan Chuangsheng. On 20 October 2014, Wuhan Chuangsheng's registered capital was increased from RMB1 million to RMB10 million. On 28 March 2018, Mr. Chen divested 10% of his equity interest in Wuhan Chuangsheng to Mr. Zhang at a consideration of RMB1 million, which was determined with reference of the registered capital of the company, and became a 30% shareholder of Wuhan Chuangsheng. Mr. Chen was an executive director of Wuhan Chuangsheng from 4 June 2014 to 4 April 2018, and became a supervisor of Wuhan Chuangsheng from 4 April 2018 to 21 September 2022. During the Track Record Period, Wuhan Chuangsheng was primarily engaged in the collection, storage, utilisation and disposal of hazardous waste, as well as wholesale and retail of its recycled products. The hazardous waste includes dyeing reagents, printing oils and organic solvents which require holder of Hazardous Waste Operation Licence to collect and handle. Wuhan Chuangsheng holds the relevant licence but our Group does not. The hazardous waste is collected by Wuhan Chuangsheng from the industrial properties in Wuhan, whereas our Group collects waste from commercial and residential properties, hence the target customers of Wuhan Chuangsheng and our Group are fundamentally different. In addition, the waste collection and transportation services provided as part of our cleaning and maintenance services does not focus on hazardous waste and we do not engage in the wholesale and retail of recycled products.

Based on the financial statements of Wuhan Chuangsheng, the revenue of Wuhan Chuangsheng was approximately RMB20.3 million, RMB41.02 million, RMB2.6 million and RMB40,000 for the years ended 31 December 2020, 2021, 2022 and six months ended 30 June 2023, respectively. Wuhan Chuangsheng recorded a net profit of approximately RMB2.7 million, RMB4.1 million, RMB1.3 million and RMB9,000 for the years ended 31 December 2020, 2021, 2022 and six months ended 30 June 2023, respectively.

During the Track Record Period, there was no transaction between Wuhan Chuangsheng and our Group. Mr. Chen confirmed that there were no overlapping clients or sharing of personnel, premises and other resources between Wuhan Chuangsheng and our Group or any of our Group's members (or its shareholders, directors, employees or their respective associates) without being fully recharged to the respective parties as at the Latest Practicable Date. Mr. Chen further confirmed that Wuhan Chuangsheng was not involved in any incidents of material non-compliance with the applicable laws and regulations in the PRC, nor was it engaged in any litigation, arbitration or claim of material importance in the PRC during the Track Record Period.

Guangzhou Yuneng

Guangzhou Yuneng is a company established in the PRC with limited liability on 4 May 2016 and is owned as to 70% and 30% by Mr. Chen Zhipeng (陳志鵬), the son of Mr. Chen, and Mr. Zou Hongjin (鄒鴻金) ("**Mr. Zou**") an Independent Third Party, with a registered capital of RMB3 million as at the Latest Practicable Date.

When Guangzhou Yuneng was first established, it was owned as to 70% and 30% by Mr. Chen Zhipeng and Mr. Chen, respectively. On 23 December 2020, Mr. Chen disposed of his entire equity interest in Guangzhou Yuneng (the "**Guangzhou Yuneng Disposal**") to Mr. Zou, an Independent Third Party at the consideration of RMB0.9 million, which was determined with reference to the registered capital of Guangzhou Yuneng. On the same day, Mr. Chen resigned as the managing director and general manager of Guangzhou Yuneng. Immediately after the Guangzhou Yuneng Disposal, Mr. Chen ceased to hold any equity interest in Guangzhou Yuneng.

During the Track Record Period, Guangzhou Yuneng was primarily engaged in green waste (tree debris) handling, handling and recycling of waste woodwork (furniture, old building formwork and wood). Guangzhou Yuneng derived majority of its revenue from the collection, recycling and re-processing of the green waste. During the Track Record Period, our Group did not engage in the collection, recycling and re-processing of green waste and the sales of the recycled products. As such, there is no overlapping of service provided by Guangzhou Yuneng and our Group.

Based on the financial statements of Guangzhou Yuneng, the revenue of Guangzhou Yuneng was approximately RMB7.2 million, RMB5.0 million, RMB3.5 million and RMB1.2 million for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. It recorded a net loss of approximately RMB2.9 million and RMB1.1 million for the year ended 31 December 2022 and the six months ended 30 June 2023, and a net profit of approximately RMB1.2 million and RMB0.5 million for the years ended 31 December 2020 and 2021 respectively.

During the Track Record Period, there was no transaction between Guangzhou Yuneng and our Group. Mr. Chen confirmed that there were no overlapping clients or sharing of personnel, premises and other resources between Guangzhou Yuneng and our Group or any of our Group's members (or its shareholders, directors, employees or their respective associates) without being fully recharged to the respective parties as at the Latest Practicable Date. Mr. Chen further confirmed that Guangzhou Yuneng was not involved in any incidents of material non-compliance with the applicable laws and regulations in the PRC, nor was it engaged in any litigation, arbitration or claim of material importance in the PRC during the Track Record Period and prior to the Guangzhou Yuneng Disposal.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and Directors confirmed that neither of them nor their respective close associates have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors consider that our Group is capable of carrying on our business independently from our Controlling Shareholders and their respective close associates (other than the members of our Group) upon Listing.

Financial independence

We are financially independent of our Controlling Shareholders and their respective close associates. We have sufficient capital and are able to independently obtain banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent financial system and makes financial decisions according to our own business needs. As at the Latest Practicable Date, all personal guarantees provided by our Controlling Shareholders on our borrowings have been fully released.

During the Track Record Period, our Group had certain amounts due to and/or from our Controlling Shareholders, namely Mr. Li and Mr. Chen. As at 31 December 2020, the amount due from Mr. Li to our Group was approximately RMB2.0 million respectively as shareholder's loan. As at 31 December 2021, 2022 and 30 June 2023, the amount due to Mr. Li was approximately RMB6.3 million, RMB13.8 million and RMB16.1 million respectively represented mainly the funds advance from Mr. Li mainly for paying the listing expenses and the consideration payable to Mr. Li in relation to our Group's acquisition of the interest in Guangzhou Shenghui from him in FY2021 as part of the Reorganisation. As at 31 December 2020, 2021, 2022 and 30 June 2023, the amount due to Mr. Chen was approximately RMB0.2 million, RMB1.4 million, RMB1.4 million and RMB1.4 million respectively represented mainly the consideration payable to Mr. Chen in relation to our Group's acquisition of the interest in Guangzhou Shenghui from him in FY2021 as part of the Reorganisation. The amounts due to Mr. Li and Mr. Chen will be waived by our Group before Listing. Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

Operational independence

We have sufficient operational capacity in terms of capital, facilities, premises and employees to operate our business independently. We also have independent access to suppliers and customers.

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities. Our Group had not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their close associates during the Track Record Period. Our Group has also established a set of internal control procedures to facilitate the effective operation of our business. We also have our own capability and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and information technology.

Our major customers and suppliers (including the suppliers of consumables and services) are independent from our Controlling Shareholders and their respective close associates. We do not rely on our Controlling Shareholders or their close associates and have independent access to our suppliers for the provision of services, consumables and equipment.

Based on the above, our Directors are satisfied that we had been operating independently from our Controlling Shareholders during the Track Record Period and will continue to operate independently.

Management independence

Although our Controlling Shareholders will maintain controlling interests in our Company upon completion of the Share Offer and the Capitalisation Issue, the day-to-day management and operations of our Group will be the responsibility of all our executive Directors and senior management. Our Board has five Directors comprising two executive Directors and three independent non-executive Directors.

Our Board and senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to our Shareholders as a whole after the Listing without reference to our Controlling Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, amongst other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) will abstain from voting and participation at the relevant Board meetings of our Company in respect of such transactions and will not be counted in the quorum. In the circumstances where all our executive Directors are required to abstain from voting on board resolutions due to potential conflict of interest, it will fall to our independent non-executive

Directors to exercise their business judgement to make decision as our Board. Given the experience of our independent non-executive Directors, details of which are set out in the section headed "Directors and senior management" of this prospectus, our Group believes that the remaining Board can still function properly in the event that all our executive Directors are required to abstain from voting. Our Group has also employed other senior management with the experience and calibre to conduct our business.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our business independently from our Controlling Shareholders.

NON-COMPETITION UNDERTAKINGS

In order to avoid any future competition between our Group and our Controlling Shareholders, each of our Controlling Shareholders has entered into the Deed of Non-competition on 14 November 2023 under which each of them has jointly and severally and unconditionally and irrevocably undertaken and covenanted with our Company (for itself and as trustee for each of its subsidiaries) that for so long as he/it and/or his/its close associates, directly or indirectly, whether individually or taken together, remain a controlling shareholder of our Company:

(i) he/ it will not, and will procure his/its close associates not to (other than through our Group or in respect of each of our Controlling Shareholders (together with his/ its close associates), as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange) directly or indirectly carry on, engage or otherwise be interested (in each case whether as shareholder, director, partner, agent, employee or otherwise and whether for profit, reward or otherwise) in any business which is or may be in competition with the business carried on by our Group from time to time (the "**Restricted Activity**"), except where our Company's approval as mentioned in the paragraph below is obtained;

(ii) he/it will not, and will procure his/its close associates not to, directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of our Controlling Shareholders' knowledge, as at the date of the Deed of Non-competition, is or has been or will after the date of the Deed of Non-competition be, a customer, supplier, distributor, sales or management, technical staff or an employee (of managerial grade or above) of any member of our Group; and

(iii) he/it will not, and will procure his/its close associates not to, exploit his/its knowledge or information obtained from our Group to compete, directly or indirectly, with the Restricted Activity.

If any of our Controlling Shareholders and/or his/its close associates decides to invest, be engaged, or participate in any Restricted Activity (the "**New Business Opportunities**"), whether directly or indirectly, in compliance with the Deed of Non-competition, he/it shall and/or shall procure his/its close associates (other than members of our Group) to disclose the terms of such New Business Opportunities to our Company and our Directors as soon as practicable and use his/its best endeavours to procure that such New Business Opportunities are offered to our Company on terms no less favourable than the terms on which such New Business Opportunities are offered to him/it and/or his/its close associates. When any New Business Opportunities are referred to our Company by any of our Controlling Shareholders, our independent non-executive Directors will consider such opportunity on various aspects including viability and profitability.

Our Controlling Shareholders and their respective close associates are entitled to engage or have an interest in the New Business Opportunities, provided that our Company has confirmed in writing (the "**Approval Notice**") that none of our Group members wishes to be engaged or interested in such New Business Opportunities and that our Company has approved in writing the relevant Controlling Shareholders and their respective close associates to engage or have any interest in such New Business Opportunities. Any Director who is interested in such New Business Opportunities shall not vote on relevant resolutions approving the Approval Notice. If prior to its consummation there is any material change in the nature, terms or conditions of any New Business Opportunities pursued by any Controlling Shareholder and/or his/its close associates with the approval of our Company, such Controlling Shareholder shall and shall procure his/its close associates to, refer such revised opportunities to our Company as if they were New Business Opportunities.

The Deed of Non-competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing.

The obligations of each Controlling Shareholders under the Deed of Non-competition will remain in effect until:

(a) the date on which our Shares cease to be listed on the Stock Exchange; or

(b) such Controlling Shareholder and his/its close associates, individually and/or collectively, cease to be deemed as a controlling shareholder of our Company (within the meaning defined in the Listing Rules from time to time); or

(c) such Controlling Shareholder and his/its close associates, individually and/or collectively beneficially own or are interested in the entire issued share capital of our Company,

whichever occurs first.

Nothing in the Deed of Non-competition shall prevent our Controlling Shareholders or any of their associates from carrying on any business whatsoever other than the Restricted Activity.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted to monitor the compliance of the Deed of Non-competition and to avoid any other potential conflicts of interest:

(a) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, please refer to the paragraph headed "Directors and senior management – Directors – Independent non-executive Directors" of this prospectus;

(b) our independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders and their respective close associates;

(c) our Board shall request our Controlling Shareholders to promptly provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition and provide to our Company a written confirmation relating to the compliance of the Deed of Non-competition and make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;

(d) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to compliance with and enforcement of the non-competition undertakings by our Controlling Shareholders in the annual reports of our Company and/or by way of announcements published by our Company;

(e) any New Business Opportunities under the Deed of Non-Competition and all other matters determined by our Board as having a potential conflict of interest with our Controlling Shareholders will be referred to our independent non-executive Directors for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on the relevant matters. In the event any New Business Opportunities presented by or otherwise arising in connection with any of our Controlling Shareholders are turned down by our Group according to the Deed of Non-competition, our Company will disclose the decision, as well as the basis for such decision in the annual report of our Company. The annual report of our Company will include the views and decisions, with bases, of our independent non-executive Directors on whether to take up any New Business Opportunities under the Deed of Non-competition or other matters having a potential conflict of interest with our Controlling Shareholders that have been referred to our independent non-executive Directors;

(f) our independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to involve or participate in the New Business Opportunities and if so, any condition to be imposed;

(g) in the event that there is any potential conflict of interest relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the Listing Rules, be required to declare his/her/its interests and, where required, abstain from participating in the relevant Board meeting or general meeting and voting on the transaction and not count as quorum where required; and

(h) our Company has appointed Cinda International as our compliance adviser, which upon enquiry of our Company, will provide advice and guidance to our Company in respect of compliance with the Listing Rules.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements. With the corporate governance measures comprising the measures set out above, our Directors believe that the interest of our Shareholders will be protected.

OVERVIEW

Prior to Listing, our Group has entered into certain transactions with a connected person of our Company during the Track Record Period. These transactions will continue after Listing and constitute continuing connected transactions (as defined under the Listing Rules) of our Company. Details of these transactions are set out in the paragraph headed "Fully exempted continuing connected transactions" below.

Guangzhou Zhujia Hotel Management Company Limited* (廣州住家酒店管理有限公司) is a limited liability company established in the PRC on 12 March 2014 ("**Guangzhou Zhujia**") and is principally engaged in the management of a hotel in Panyu District, Guangzhou city of the PRC. Guangzhou Zhujia is owned by Mr. Chen and Mr. Li (both are our Controlling Shareholders and executive Directors), together with Mr. Yi Yulin (易余林) and Mr. Huang Lin (黃林) (both of whom are Independent Third Parties) as to 45%, 25%, 20% and 10%, respectively.

Mr. Chen is our executive Director and a Controlling Shareholder. By virtue of Mr. Chen holding over 30% equity interest of Guangzhou Zhujia, Guangzhou Zhujia is an associate of Mr. Chen and therefore a connected person of our Company under Chapter 14A of the Listing Rules.

FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Background

During the Track Record Period and up to the Latest Practicable Date, in the ordinary course of business, Guangzhou Zhujia provided accommodation, transportation, hospitality and/or other related services (the "**Services**") to (i) Guangzhou Shenghui's employees ordinarily based in other provinces and cities of the PRC who came to Guangzhou for business purposes such as for meetings, trainings or providing support to our Group; and (ii) Guangzhou Shenghui's clients for business purpose. The aggregate amount of fees paid by Guangzhou Shenghui to Guangzhou Zhujia for the Services was approximately RMB33,150, RMB21,600, nil and nil for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, respectively.

Framework agreement

On 14 November 2023, Guangzhou Shenghui and Guangzhou Zhujia entered into a framework agreement (the "**Framework Agreement**"), pursuant to which Guangzhou Zhujia agreed to provide accommodation, hospitality, and other services to Guangzhou Shenghui (the "**Transactions**") for a term of three years with effect from the Listing Date (which can be extended or renewed), in accordance with the basic principles set out in the Framework Agreement. The basic principles require (i) the terms and conditions of the Transactions (including the pricing) to be fair and reasonable, comply with the Listing Rules relating to connected transactions, and on normal commercial terms applicable to transactions entered into by our Group with Independent Third Parties, i.e., determined after arm's length negotiation, with reference to the prevailing market rate, and no less favourable to our Group than offered by Independent Third Parties for the provision of the same or similar services; and (ii) the total annual Transactions amount shall not exceed the de minimis exemption threshold under the Rule 14A.76 of the Listing Rules.

Listing Rules implication

As all applicable percentage ratios in respect of the provision of Services by Guangzhou Zhujia to Guangzhou Shenghui is expected by our Directors to fall below 0.1%, the provision of Services by Guangzhou Zhujia to Guangzhou Shenghui falls within the de minimis transaction exemption under Rule 14A.76(1)(a) of the Listing Rules and is not subject to any reporting, announcement or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

View of our Directors

In light of the above, our Directors consider that the Framework Agreement is entered into (i) in the ordinary and usual course of our business; and (ii) on normal commercial terms or better to our Group, which are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules as and when required.

OVERVIEW

Our Board consists of two executive Directors and three independent non-executive Directors. Our senior management team consists of four individuals (excluding our executive Directors). The following table sets out the information concerning our Directors and members of our senior management:

DIRECTORS

Name	Age	Date of joining our Group	Present position within our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Director(s)/ member(s) of senior management (other than that through or relating to our Group) *(Note)*
Executive Directors						
Li Chenghua (李承華)	50	4 August 2000	Chairman, chief executive officer and executive Director	4 January 2021	Overall strategic planning, management, operation and business development of our Group	Nil
Chen Liming (陳黎明)	53	4 August 2000	Executive Director	16 March 2021	Providing industrial advice to our Group as well as strategic management of and formulating business strategies for our Group	Nil

Name	Age	Date of joining our Group	Present position within our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Director(s)/ member(s) of senior management (other than that through or relating to our Group) (Note)
Independent non-executive Directors						
Chong Sze Pui Joanne, MH (張詩培)	50	14 November 2023	Independent non-executive Director	14 November 2023	Providing independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	Nil
Cheung Bo Man (張寶文)	35	14 November 2023	Independent non-executive Director	14 November 2023	Providing independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	Nil

Name	Age	Date of joining our Group	Present position within our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Director(s)/ member(s) of senior management (other than that through or relating to our Group) (Note)
Yau Yin Hung (邱燕虹)	36	14 November 2023	Independent non-executive Director	14 November 2023	Providing independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	Nil

Note: This refers to spouse; any person cohabiting with a Director or senior manager as a spouse; and any relative meaning a child or step-child regardless of age, a parent or step-parent, a brother, sister, step-brother or step-sister, a mother-in-law, a father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

Executive Directors

Mr. Li Chenghua (李承華), aged 50, joined our Group in August 2000 and is one of the founders of our Group. He was appointed as a Director on 4 January 2021 and re-designated as the Chairman, chief executive officer and an executive Director of our Company on 16 March 2021. Mr. Li is responsible for overall strategic planning, management, operation and business development of our Group. He is currently also a director of our subsidiaries Shenghui Cleanness (BVI), Shenghui Cleanness (HK), Guangzhou Xinhui and Guangzhou Shenghui.

Mr. Li is an entrepreneur with over 25 years of management and operational experience in the cleaning service industry and has led the growth of our Group over the years.

Mr. Li completed an on-job CEO Training Course (Executive Master of Business Administration)* (EMBA課程總裁研修班) at Sun Yat-sen University in the PRC in April 2014. Mr. Li is also an active member of the sanitation industry in Guangzhou as he served as the president of the Industry Association of Sanitation of Panyu District of Guangzhou City* (廣州市番禺區環衛行業協會) from October 2016 to October 2020 and was elected as the vice president of the Guangzhou Industry Association of Sanitation (廣州環衛行業協會) for three consecutive terms from December 2011 to December 2023.

Mr. Li was a director or supervisor of the following companies at the time of their respective dissolution. The relevant details are as follows:

Company name	Place of establishment	Position held	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
Guangzhou Shengfeng	PRC	Executive director and general manager	Guangzhou Shengfeng was a dormant company prior to dissolution	11 November 2020	Deregistration
Guangzhou Pinwaipin	PRC	Supervisor	Food importer	23 November 2020	Deregistration

Mr. Li confirmed that the above companies were solvent immediately prior to their respective dissolution. He further confirmed that there was no fraudulent act or misfeasance on his part leading to the dissolution of such companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of such companies.

Mr. Chen Liming (陳黎明), aged 53, joined our Group in August 2000 and is one of the founders of our Group. He was appointed as a Director on 16 March 2021 and re-designated as an executive Director on the same day. Mr. Chen is responsible for providing industrial advice to our Group, as well as strategic management of and formulating business strategies for our Group. He is also a director of our subsidiaries Shenghui Cleanness (BVI) and Shenghui Cleanness (HK).

Mr. Chen is an entrepreneur with over 23 years of management and operational experience in the cleaning service industry and has led the growth of our Group over the years. Prior to the establishment of our Group, Mr. Chen had experience in the cleaning industry. Since April 1999, he has been operating Zhujiang Sanitation as a sole proprietor, which principally provided waste transfer and disposal services since its establishment and during most of the Track Record Period. For the purpose of focusing the operations of cleaning related businesses by our Group, Mr. Chen ceased the operation of the domestic waste transfer and disposal business of Zhujiang Sanitation on 11 December 2020. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" of this prospectus.

In August 2000, Mr. Chen co-founded Guangzhou Shenghui with Mr. Li and has been responsible for overseeing the daily operations of Guangzhou Shenghui. He also provided strategic advice to our Group since our establishment. Mr. Chen also gained managerial and operational experience when he served as (i) an executive director and manager of Guangzhou

Shuoguo Property Management Co., Ltd.* (廣州碩果物業管理有限公司), a property management company, since April 2007; (ii) an executive director of Wuhan Chuangsheng, an environmental technology company, from June 2014 to April 2018; as well as (iii) the executive director and manager of Guangzhou Yuneng, an environmental technology company, from May 2016 to December 2020.

Mr. Chen also completed three on-job courses conducted by Sun Yat-sen University (中山大學) in the PRC, namely (i) the Executive Master of Business Administration Course for Corporate CEOs (企業CEO總裁EMBA課程研修班) in June 2011; (ii) the CEO Training Course (Executive Master of Business Administration) (EMBA課程總裁研修班) in May 2013; and (iii) the Advanced Training Course on Corporate Entrepreneurship and Innovation* (企業創業創新高級研修班) in December 2013.

Mr. Chen has been actively engaged in social and political affairs in the PRC. Set out below are some of the key positions held by Mr. Chen:

No.	Name of organisation	Position held	Year of appointment
1.	Guangzhou Panyu New Chamber of Commerce* (廣州市番禺區新造商會)	Member	October 2010
2.	Guangzhou Panyu General Chamber of Commerce* (廣州市番禺區工商業聯合會(總商會))	Executive committee member	January 2013
		Vice-chairman	2016
3.	Guangzhou Panyu Nancun Town Chamber of Commerce* (廣州市番禺區南村鎮商會)	Board member	June 2013
4.	Guangzhou Panyu General Chamber of Commerce* (番禺區總商會)	Board member	December 2013
5.	Guangzhou Panyu Nancun General Chamber of Commerce* (廣州市番禺區南村總商會)	Vice president	June 2016

No.	Name of organisation	Position held	Year of appointment
6.	Chinese People's Political Consultative Conference Guangzhou Municipal Committee of Nansha District (中國人民政治協商會議廣州市南沙區委員會)	Committee member	October 2016
7.	Hunan Chamber of Commerce in Guangdong* (廣東省湘籍企業家商會)	President	January 2017

Mr. Chen was a director or supervisor of the following companies at the time or within 12 months from the time of their respective dissolution. The relevant details are as follows:

Company name	Place of establishment	Position held	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
湖北盛源華環保科技有限公司 (Hubei Shengyuanhua Environmental Technology Co., Ltd.*)	PRC	Executive director and general manager	Research, development and sales of, among others, environmentally friendly products	30 September 2015	Deregistration
廣州高尚環保科技有限公司 (Guangzhou Gaoshang Environmental Technology Co., Ltd.*)	PRC	Supervisor	Promotion and development of environmentally friendly technological services	20 May 2019	Deregistration
Guangzhou Shengfeng	PRC	Supervisor	Dormant	11 November 2020	Deregistration

Mr. Chen confirmed that the above companies were solvent immediately prior to their respective dissolution. He further confirmed that there was no fraudulent act or misfeasance on his part leading to the dissolution of such companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of such companies.

Independent non-executive Directors

Ms. Chong Sze Pui Joanne, MH (張詩培), aged 50, was appointed as an independent non-executive Director on 14 November 2023 and is responsible for providing independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. She is the chairperson of our Audit Committee and our Investment Committee and a member of our Remuneration Committee and our Nomination Committee.

Ms. Chong has over 19 years of experience in auditing, taxation and business development. She started her career as an accountant trainee at Gary Posner Chartered Accountant in Ontario, Canada from November 1996 to December 1997. Ms. Chong was then employed by Render & Partners LLP, an accounting firm, in Ontario, Canada from January 1999 to September 2000. She returned to Hong Kong to join Charles Chan, Ip & Fung CPA Ltd. in July 2001 as an audit supervisor and left the company in July 2004 as a manager. Ms. Chong then worked for Deloitte Touche Tohmatsu since August 2004 and left the firm in October 2016 as a manager of their clients and markets department. Since then, she spent her time on serving the community and was appointed as an independent non-executive director of Art Group Holdings Limited, a company principally engaged in property operating business and biotechnology business listed on the Main Board (stock code: 565), since December 2016.

Ms. Chong obtained a Bachelor's Degree of Commerce from the University of Melbourne in Australia in 1994.

Ms. Chong is (i) a member of the American Institute of Certified Public Accountants since February 1998; (ii) a Chartered Accountant of the Institute of Chartered Accountants of Ontario, Canada since January 2000; and (iii) a member of the Hong Kong Institute of Certified Public Accountants since February 2003. She has an outstanding contribution to community service and has been awarded The Medal of Honour by the Hong Kong government in 2014.

Ms. Chong was a director of the following company at the time of its dissolution. The relevant details are as follows:

Company name	Place of incorporation	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
China Asian International Limited	Hong Kong	No business commenced	22 August 2008	Deregistration

Ms. Chong confirmed that the above company was solvent immediately prior to its dissolution. Ms. Chong further confirmed that there was no fraudulent act or misfeasance on her part leading to the dissolution of such company and she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution of such company.

Ms. Cheung Bo Man (張寶文) ("**Ms. Cheung**"), aged 35, was appointed as an independent non-executive Director on 14 November 2023 and is responsible for providing independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. She is the chairperson of the Remuneration Committee and a member of our Audit Committee, our Nomination Committee and our Investment Committee.

Ms. Cheung has over 11 years of experience in the legal industry. She joined Messrs. Cheung Tong & Rosa Solicitors, which ceased to operate in August 2021, as a trainee solicitor in July 2012 and was admitted as a solicitor of Hong Kong in September 2014. Ms. Cheung began practising corporate and commercial law at Messrs. Cheung Tong & Rosa Solicitors since then and practised as a partner of the firm from October 2017 to July 2021. She joined Messrs. Ronald Tong & Co as a part-time partner in June 2021 and practised as a full-time partner since August 2021. Ms. Cheung has experience in corporate transactions involving listed companies, takeover and mergers transactions, and advises listed companies on transactions and compliance issues involving the Listing Rules and the Takeovers Code. Since 25 April 2017, she has been the company secretary of China Display Optoelectronics Technology Holding Limited (stock code: 334), a company principally engaged in the manufacture and sale of liquid crystal display (LCD) modules for use in mobile phones and tablets and providing processing services of LCD modules and listed on the Main Board.

Ms. Cheung obtained a Bachelor of Business Administration (Law) degree and a Bachelor of Laws degree from the University of Hong Kong in December 2009 and November 2011 respectively, and further obtained a Postgraduate Certificate in Laws from the University of Hong Kong in June 2012.

Ms. Yau Yin Hung (邱燕虹), aged 36, was appointed as an independent non-executive Director on 14 November 2023 and is responsible for providing independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. She is the chairperson of our Nomination Committee and a member of our Audit Committee, our Remuneration Committee and our Investment Committee.

Ms. Yau has approximately 12 years of experience in the banking industry with a focus on providing securities and asset management services. She started her career as an account executive trainee at HSBC Broking Securities (Asia) Limited in December 2009, where she was responsible for handling client account matters, with her last position as an account executive when she left the firm in February 2011. From March 2011 to April 2011, Ms. Yau worked as a securities officer of Citibank (Hong Kong) Limited, where she provided securities dealing services to bank retail customers. From April 2011 to February 2016, Ms. Yau served in Nomura International (Hong Kong) Limited, an investment firm, where her last position was wealth manager. Ms. Yau then worked for Credit Suisse AG Hong Kong Branch from March 2016 to December 2018 and provided services on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO. From September 2019 to September 2020, she was employed by Parksong Mining and Resource Recycling Limited, a subsidiary of Greentech Technology International Limited (a company listed on the Main Board (stock code: 195) ("**Greentech**"), and was a responsible officer of Ocean Cedar Asset Management Company Limited, also a subsidiary of Greentech, for Type 4 (advising on securities) and Type 9 (asset management) regulated activities defined under the SFO from May 2020 to September 2020. Since then, Ms. Yau has been devoting her time to managing accounts for her family business. Ms. Yau was appointed as director of Green Education Foundation Limited since October 2021.

Ms. Yau obtained a Bachelor of Science with a major in Environmental Economics and Policy from the University of California, Berkeley in December 2008. She further obtained a Master of Finance from the University of Hong Kong in November 2012.

Disclosure under Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed companies in the three years prior to the date of this prospectus. Immediately following completion of the Share Offer and the Capitalisation Issue, save as the interests in our Shares which are disclosed in the section headed "Substantial Shareholders" in this prospectus, each of our Directors will not have any interest in our Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Position within our Group	Roles and responsibilities	Relationship with other Director(s)/ member(s) of senior management (other than that through or relating to our Group) *(Note)*
Xing Guojun (邢國軍)	44	1 November 2002	Managing director	Overall management and operation of our Group	Nil
Cao Zuoping (曹祚平)	47	1 November 2010	Merchandising manager	Supervision and management of the procurement of cleaning products and equipment of our Group	Nil
Chen Chiqiong (陳熾瓊)	39	24 December 2009	Administrative manager	Overall supervision of our operations as well as managing internal and external relationships of our Group	Nil
Li Langquan (李浪全)	38	1 May 2013	Marketing director	Overseeing and supervising tendering and marketing activities as well as business development of our Group	Nil

Note: This refers to spouse; any person cohabiting with a Director or senior manager as a spouse; and any relative meaning a child or step-child regardless of age, a parent or step-parent, a brother, sister, step-brother or step-sister, a mother-in-law, a father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

Mr. Xing Guojun (邢國軍), aged 44, is the managing director of our Group. He joined our Group as a head of administration in November 2002 where he was responsible for managing the daily operation of the domestic cleaning services department. In January 2006, Mr. Xing was promoted as an administrative assistant manager and was thereafter promoted to general manager in January 2010. He became a managing director of Guangzhou Shenghui in March 2017. He has approximately 19 years of managerial experience in the cleaning service industry and is responsible for the overall management and operation of our Group.

Mr. Xing started off his career as a trainee civilian policeman of Hubei Zaoyang Public Security Bureau Criminal Police Brigade* (湖北省棗陽市公安局刑警大隊直屬中隊) from June 2001 to October 2002, prior to joining our Group.

Mr. Xing keeps abreast with industrial development and completed vocational training courses between December 2005 to December 2019 conducted by the Guangzhou Industry Association of Sanitation* (廣州環衛行業協會), the Senior Civil Servant Training Centre of the PRC* (中國高級公務員培訓中心) and the Talent Exchange Centre of Ministry of Industry and Information Technology of the PRC* (中國工業和信息化部人才交流中心). He was also accredited as a third level/senior skill level cleaner* (三級/高級技能保潔員) in November 2014 by the Ministry of Human Resources and Social Security of the PRC* (人力資源和社會保障部).

Mr. Xing completed his studies in criminal investigation at Hubei Public Security College* (湖北公安高等專科學校) (now known as Hubei University of Police* (湖北警官學院)) in June 2001.

Mr. Cao Zuoping (曹祚平), aged 47, is the merchandising manager of our Group. He joined our Group in November 2010 as project manager and was promoted to his current position in May 2011. Mr. Cao is primarily responsible for the supervision and management of the procurement of cleaning products and equipment of our Group.

Prior to joining our Group, Mr. Cao started his career as a fire and security foreman at Guangdong Weibo Communication Bureau* (廣東省微波通信局), from January 1997 to December 2001, where he was responsible for handling fire safety matters. He then gained over seven years of managerial experience as a property manager and head of security at Guangdong Gongcheng Property Management Co., Ltd.* (廣東省公誠物業管理有限公司) from January 2002 to October 2009, during which he was mainly responsible for property management and security of the management office.

Mr. Cao completed the property management programme at China Central Radio and TV University* (中央廣播電視大學) (now known as the Open University of China* (國家開放大學)) in the PRC in January 2011. He also obtained a completion certificate (結業證書) from the Guangzhou Property Management Association* (廣州市物業管理協會) in November 2003.

Ms. Chen Chiqiong (陳熾瓊), aged 39, is the administrative manager of our Group. She has approximately 12 years of experience in administrative management. Ms. Chen first joined our Group in December 2009 as an administrative assistant. She was then promoted to administrative supervisor in May 2011 where she was responsible for settling payment and arranging employment contracts. In March 2018, Ms. Chen was promoted to her current position and she is primarily responsible for the overall supervision of our operations as well as managing internal relationships of our Group.

Ms. Chen completed her computer studies at Hubei Huangshi Institute of Education* (湖北省黃石教育學院) (now known as Huangshi Polytechnic College* (黃石高等專科學校) in July 2004. She was also accredited a second level labour relations coordinator* (二級勞動關係協調員) by the Ministry of Human Resources and Social Security of the PRC* (中國人力資源和社會保障部) in January 2019.

Mr. Li Langquan (李浪全), aged 38, is the marketing director of our Group. He has over six years of tendering and marketing experience and is primarily responsible for overseeing and supervising tendering and marketing activities as well as business development of our Group.

Mr. Li first joined our Group as a marketing manager in May 2013 but left our Group in May 2014. He re-joined our Group in May 2016 as a marketing manager and was promoted to vice marketing director in August 2018. Mr. Li was further promoted to his current position in March 2021.

Mr. Li completed his studies in plant protection* (植物保護) at the South China University of Tropical Agriculture* (華南熱帶農業大學) in the PRC in June 2007. He was accredited as a fifth level/primary skill level pest control officer* (五級/初級技能有害生物防制員) by the Ministry of Human Resources and Social Security in Guangzhou of the PRC* (廣州市人力資源和社會保障局) in May 2014. Mr. Li has also obtained a Stone Application Conservation and Floor Project Manager Certificate of Post Training* (石材應用護理、地坪項目經理任職培訓證書) accredited by the Guangdong Stone Materials Association Stone Application Specialised Committee* (廣東省石材行業協會石材應用護理專業委員會) in June 2019. He has further obtained a Certificate of Training Project for Urgent and Shortage Talents in the Industry and Information Technology Field* (工業和信息化領域急需緊缺人才培養工程證書) as an Urban Sanitation Engineer* (城市環衛工程師) accredited by the Ministry of Industry and Information Technology Talent Exchange Center* (工業和信息化部人才交流中心) of the PRC in December 2019.

Directorship of our senior management

None of the members of our senior management team has held any directorship in any company, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the last three years.

COMPANY SECRETARY

Ms. Law Kwok Wing (羅幗詠) ("**Ms. Law**"), aged 37, was appointed as the company secretary of our Company on 16 March 2021 and is responsible for our company secretarial affairs.

Ms. Law has over five years of experience in the auditing field and over six years of experience in compliance and corporate governance matters for various listed companies in Hong Kong. From January 2012 to January 2014, she worked at Deloitte Touche Tohmatsu as senior of its audit department. From March 2014 to January 2021, she worked at Greater China Appraisal Limited (a valuation company) with her last position as manager of its professional development and standards division. Since January 2021, Ms. Law has been working with Acclime Corporate Services Limited which amalgamated with BPO Global Services Limited (a corporate services company) as senior manager of its listed company division.

Ms. Law obtained a Degree of Bachelor of Business Administration from Lingnan University in Hong Kong in October 2008. Ms. Law has been a member of the Hong Kong Institute of Certified Public Accountants since September 2013.

During the three years preceding the Latest Practicable Date, Ms. Law has not been a director of any public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

BOARD COMMITTEES

We have established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee. Each committee operates in accordance with its terms of reference established by our Board.

Audit Committee

Our Audit Committee was established on 14 November 2023 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3.3 of the Corporate Governance Code. Our Audit Committee comprises three independent non-executive Directors, namely Ms. Chong Sze Pui Joanne, MH, Ms. Cheung Bo Man and Ms. Yau Yin Hung. The chairperson of our Audit Committee is Ms. Chong Sze Pui Joanne, MH.

The primary duties of our Audit Committee include reviewing and monitoring our external auditor's independence and objectivity and the effectiveness of the audit process, monitoring the integrity of our financial information and reviewing significant financial reporting judgements and overseeing our financial reporting system and risk management and internal control systems.

Remuneration Committee

Our Remuneration Committee was established on 14 November 2023 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1.2 of the Corporate Governance Code. Our Remuneration Committee comprises three independent non-executive Directors, namely Ms. Cheung Bo Man, Ms. Chong Sze Pui Joanne, MH and Ms. Yau Yin Hung. The chairperson of our Remuneration Committee is Ms. Cheung Bo Man.

The primary role of our Remuneration Committee includes making recommendations to our Board on our remuneration policy and structure of the remuneration packages, bonuses and other compensation payable to our Directors and senior management, the establishment of a formal and transparent procedure for developing our remuneration policy as well as to ensure that no Director or his/her associate is involved in deciding his/her own remuneration.

Nomination Committee

Our Nomination Committee was established on 14 November 2023 with written terms of reference in compliance with paragraph B.3.1 of the Corporate Governance Code. Our Nomination Committee comprises three independent non-executive Directors, namely Ms. Yau Yin Hung, Ms. Chong Sze Pui Joanne, MH and Ms. Cheung Bo Man. The chairperson of the Nomination Committee is Ms. Yau Yin Hung.

The primary duties of our Nomination Committee include conducting an annual review of the structure, size and composition of our Board and making recommendations on any proposed changes to our Board, identifying suitably qualified individuals to become Board members and making recommendations to our Board on the selection of individuals nominated for Board membership, assessing the independence of our independent non-executive Directors and making recommendations to our Board on the appointment and re-appointment of Directors and succession planning for Directors.

Investment Committee

Our Investment Committee was established on 14 November 2023 with written terms of reference. Our Investment Committee comprises three independent non-executive Directors, namely Ms. Chong Sze Pui Joanne, MH, Ms. Cheung Bo Man and Ms. Yau Yin Hung. The chairperson of our Investment Committee is Ms. Chong Sze Pui Joanne, MH.

The primary duties of our Investment Committee include reviewing and monitoring the performance of our Group's investments and reporting to our Board, overseeing the implementation of the investment management policies and developing relevant investment management policies.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of fees, salaries, allowances, benefits in kind, discretionary bonuses and defined contributions, and their respective remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities, workload, the time devoted to our Group, individual performance and the performance of our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to the operations of our Group. Our Group regularly reviews and determines the remuneration packages of our Directors and senior management. After Listing, our Remuneration Committee will assist our Board in reviewing and determining the remuneration packages.

For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, the aggregate amount of compensation (including fees, salaries, allowances, benefits in kind, discretionary bonuses and defined contributions) paid by our Group to our Directors was approximately RMB0.4 million, RMB0.5 million, RMB0.6 million and RMB0.3 million, respectively. Under the current arrangements, we estimate that the aggregate amount of compensation payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonuses) for the year ending 31 December 2023 will be approximately RMB0.6 million.

For the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, the aggregate amount of compensation (including fees, salaries, allowances, benefits in kind, discretionary bonuses and defined contributions) paid by our Group to our five highest paid individuals (excluding our executive Directors) was approximately RMB2.1 million, RMB2.4 million, RMB2.5 million and RMB1.3 million, respectively.

Please refer to note 10 to the Accountant's Report set out in Appendix I to this prospectus for details of the remuneration of our Directors and the five highest paid individuals during the Track Record Period and the paragraph headed "D. Disclosure of interests – 3. Particulars of service agreements and letters of appointment" in Appendix V of this prospectus for details of the terms of our Directors' service agreements and letters of appointment.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived or agreed to waive any emoluments during the Track Record Period. Save as disclosed in this paragraph, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

SHARE OPTION SCHEME

Our Directors may also receive options to be granted under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "E. Share Option Scheme" in Appendix V to this prospectus.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company will comply with the Corporate Governance Code, with the exception of code provision C.2.1, which requires the roles of chairman and chief executive to be separate and not to be performed by the same individual.

Mr. Li currently holds both positions. Throughout our history, Mr. Li, our Chairman, chief executive officer, executive Director and Controlling Shareholder, has held key leadership position of our Group and has been responsible for overseeing all aspects of the operations of our Group including strategic planning, management, operation and business development. Our Directors (including our independent non-executive Directors) consider that Mr. Li is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Group and our Shareholders as a whole.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and apply the "comply or explain" principle in our corporate governance report which will be included in our annual reports after the Listing.

OUR BOARD DIVERSITY POLICY

Our Directors have a balanced mix of experience and industry background, including but not limited to experience in the fields of cleaning services, legal, banking as well as auditing and accounting. Further, our Directors range from 35 years old to 53 years old, and comprise two male and three female. Our three independent non-executive Directors who have different industry backgrounds, represent more than one-third of our Board members.

We have adopted a Board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our Board diversity policy, selection of Board candidates will be based on a range of diversity perspectives with reference to our business model and specific needs, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After Listing, our Nomination Committee will review our Board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our Board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Cinda International as our compliance adviser to provide advisory services to our Company. Pursuant to Rule 3A.23 of the Listing Rules, it is expected that our compliance adviser will, among others, advise our Company with due care and skill on the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where our Company proposes to use the proceeds from the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), based on the information available on the Latest Practicable Date, the following persons/entities will have an interest or a short position in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Substantial Shareholders	**Capacity/ Nature of interest**	**Number of Shares held** *(Note 1)*	**Percentage of shareholding interest in our Company**
Prosperity Cleanness	Beneficial owner *(Notes 2 and 3)*	1,173,087,500 (L)	72.19%
Mr. Li	Interest of controlled corporation *(Notes 2 and 3)*	1,173,087,500 (L)	72.19%
Ms. Tang Yongzhen (唐永珍) ("**Ms. Tang**")	Interest of Spouse *(Note 4)*	1,173,087,500 (L)	72.19%
Sunrise Cleanness	Beneficial owner *(Notes 2 and 5)*	1,173,087,500 (L)	72.19%
Mr. Chen	Interest of controlled corporation *(Notes 2 and 5)*	1,173,087,500 (L)	72.19%

Notes:

1. The letter "L" denotes the entity/person's long position in our Shares.

2. On 16 March 2021, Mr. Li and Mr. Chen executed the Controlling Shareholders' Confirmation, pursuant to which Mr. Li and Mr. Chen confirmed that they have been a group of controlling shareholders, details of which are set out in the section headed "Relationship with our Controlling Shareholders" of this prospectus. Accordingly, each of our Controlling Shareholders, i.e. Mr. Li, Prosperity Cleanness (being wholly owned by Mr. Li), Mr. Chen and Sunrise Cleanness (being wholly owned by Mr. Chen) are deemed to be interested in 72.19% of the issued share capital of our Company.

3. Shares in which Mr. Li is interested consist of (i) 586,543,750 Shares held by Prosperity Cleanness, a company he wholly owned, and Mr. Li is therefore deemed to be interested in all the Shares held by Prosperity Cleanness by virtue of the SFO; and (ii) 586,543,750 Shares in which Mr. Li is deemed to be interested as a result of the Controlling Shareholders' Confirmation.

4. Ms. Tang is the spouse of Mr. Li and is therefore deemed to be interested in all the Shares held or interested in by Mr. Li by virtue of the SFO.

5. Shares in which Mr. Chen is interested consist of (i) 586,543,750 Shares held by Sunrise Cleanness, a company he wholly owned, and is therefore deemed to be interested in all the Shares held by Sunrise Cleanness by virtue of the SFO; and (ii) 586,543,750 Shares in which Mr. Chen is deemed to be interested as a result of the Controlling Shareholders' Confirmation.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of our Shares held by them to our Company, the Sole Sponsor, the Sole Overall Coordinator (for itself and on behalf of the Public Offer Underwriters) and the Stock Exchange, details of which are set out in the section headed "Underwriting" of this prospectus. Our Controlling Shareholders and our Company have also given undertakings in respect of the Shares to the Stock Exchange as required by Rules 10.07(1) and 10.08 of the Listing Rules, respectively.

SHARE CAPITAL

The authorised and issued share capital of our Company fully paid up or credited as fully paid up immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) are as follows:

Authorised share capital:		*HK$*
10,000,000,000	Shares	100,000,000

Shares in issue or to be issued, fully paid or credited as fully paid:		
1,000	Share in issue as at the date of this prospectus	10
1,251,249,000	New Shares to be issued pursuant to the Capitalisation Issue (including 40,625,000 Sale Shares) *(Note)*	12,512,490
373,750,000	New Shares to be issued pursuant to the Share Offer	3,737,500
1,625,000,000	Total Shares	16,250,000

Note: Pursuant to the written resolutions of all our then Shareholders passed on 14 November 2023, conditional upon the share premium account of our Company being credited as a result of the allotment and issue of new Shares pursuant to the Share Offer, our Directors were authorised to capitalise the amount of HK$12,512,490 standing to the credit of the share premium account of our Company and to apply such sum in paying up in full at par a total of 1,251,249,000 new Shares (including 40,625,000 Sale Shares) for allotment and issue to our then existing Shareholders registered as such at the close of business on 14 November 2023, in proportion to their then respective existing shareholding in our Company.

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes no account of any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the Listing Rules).

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolutions of all our then Shareholders passed on 14 November 2023, conditional upon the share premium account of our Company being credited as a result of the allotment and issue of new Shares pursuant to the Share Offer, our Directors were authorised to allot and issue a total of 1,251,249,000 new Shares (including 40,625,000 Sale Shares) to our then existing Shareholders registered as such at the close of business on 14 November 2023, in proportion to their then respective existing shareholding in our Company, credited as fully paid at par, by way of capitalisation of the sum of HK$12,512,490 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the Shares in issue (save for the right to participate in the Capitalisation Issue).

SHARE OPTION SCHEME

Pursuant to the written resolutions of all our then Shareholders passed on 14 November 2023, our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "E. Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and conditions of the Share Offer" of this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to, among others, allot, issue and deal with Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders in general meeting) shall not exceed:

(a) 20% of the aggregate number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and

(b) the aggregate number of Shares repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed "General mandate to repurchase Shares" in this section below.

This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the date by which the next annual general meeting of our Company is required by the Articles or any other applicable laws of the Cayman Islands to be held; or

(c) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying or renewing the authority given to our Directors,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "A. Further information about our Company – 4. Written resolutions of our Shareholders" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed "Structure and Conditions of the Share Offer" of this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all powers of our Company to purchase on the Stock Exchange or on any other stock exchange(s) on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange(s) on which the Shares are listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the Listing Rules.

The general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the date by which the next annual general meeting of our Company is required by the Articles or any other applicable laws of the Cayman Islands to be held; or

(c) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying or renewing the authority given to our Directors,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "A. Further information about our Company – 6. Repurchase by our Company of our own securities" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Act and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of our Shareholders (i) increase our share capital; (ii) consolidate our capital into shares of larger amount; (iii) divide our Shares into several classes; (iv) subdivide Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Act, reduce the share capital or capital redemption reserve by our Shareholders passing a special resolution. For further details, please refer to the paragraph headed "2. Articles of Association – (a) Shares – (iii) Alteration of capital" in Appendix IV to this prospectus.

Pursuant to the Companies Act and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to our Shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For further details, please refer to the paragraph headed "2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares" in Appendix IV to this prospectus.

You should read the following discussion and analysis of our financial conditions and results of operations in conjunction with our consolidated financial statements included in the Accountant's Report, which has been prepared in accordance with HKFRSs, as set out in Appendix I to this prospectus, and the unaudited pro forma financial information included in Appendix II to this prospectus, in each case together with the accompanying notes.

The following discussion contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements that involve risks and uncertainties; and could be the result of various factors, including but not limited to those set out under the section headed "Risk factors" of this prospectus.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

We are a cleaning and maintenance services provider in Guangdong province in the PRC. With industry experience of over 20 years and foothold in Guangdong province, we have steadily developed our business since our establishment in 2000 to offer a wide range of services to over 700 customers and extend the coverage of our operations to 14 provincial-level regions in the PRC.

All of our revenue is derived from the provision of cleaning and maintenance services. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our revenue was approximately RMB465.7 million, RMB563.5 million, RMB594.2 million, RMB289.2 million and RMB298.3 million, respectively, and our profit and total comprehensive income attributable to owners of the Company was approximately RMB31.3 million, RMB39.9 million, RMB34.4 million, RMB15.4 million and RMB15.3 million, respectively. We achieved growth in our revenue mainly by increasing the number of our projects in progress and increased revenue from our customers by leveraging our well-established position, strong brand recognition and proven tracking record allowing us to capture the growing demand for cleaning and maintenance service in the PRC. Our net profit margin before non-recurring listing expenses was relatively stable for the respective years ended 31 December 2020, 2021 and 2022 and the respective periods for the six months ended 30 June 2022 and 30 June 2023.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

The level of expenditure on cleaning and maintenance services by customers in the PRC

All of our revenue during the Track Record Period was derived from the provision of cleaning and maintenance services in the PRC, with a majority being derived from the provision of property cleaning services. According to Industry Report, due to the increasingly complicated cleaning requirements, property management groups, tenants, and owners will outsource the cleaning service to the professional cleaning services providers in order to reduce their overall operation costs. Furthermore, the volume of floor space completed per annual construction of property building in the PRC remains robust and serves as a strong market driver for the development and growth of the property cleaning sector (for details of markets drivers in the industry, please refer to the section headed "Industry overview – Environmental cleaning and maintenance service market analysis in the PRC – Market drivers" of this prospectus). If there is any reduction in the level of expenditure on cleaning and maintenance services by customers in the PRC or its property cleaning sector, it may affect the demand for our services and affect our prices. If this were to occur, our business, financial condition and prospects may be materially and adversely affected.

Our ability to mitigate the impact of employee benefit expenses and subcontracting labour costs

Given that our business operation is labour-intensive, a significant portion of our operating costs comprises employee benefit expenses and subcontracting labour costs. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our employee benefit expenses recorded in our cost of services were approximately RMB208.8 million, RMB254.5 million, RMB291.9 million, RMB142.4 million and RMB151.1 million, representing approximately 54.1%, 53.7%, 58.4%, 58.5% and 60.2% of our cost of services, respectively. Employee benefit expenses recorded in our general and administrative expenses amounted to approximately RMB23.3 million, RMB30.3 million, RMB32.1 million, RMB14.6 million and RMB14.8 million, representing approximately 69.2%, 67.3%, 62.9%, 54.8% and 61.8% of our general and administrative expenses, respectively. We have also outsourced certain general cleaning, high-altitude cleaning and water cleaning services to third party service providers. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, we incurred subcontracting labour costs of approximately RMB149.9 million, RMB188.9 million, RMB172.9 million, RMB84.4 million and RMB85.9 million, representing approximately 38.9%, 39.8%, 34.6%, 34.7% and 34.2% of our cost of services, respectively. Our employee benefit expenses is impacted by our strategy to offer attractive remuneration packages and bonuses to our workers. In the future, our employee benefit expenses and subcontracting labour costs may be affected by further increases in the size of our workforce, the costs charged by our third party service providers and the prescribed minimum wage and employee benefits in the provincial-level regions which we operate.

The following table sets forth the sensitivity analysis illustrating the impact of hypothetical fluctuations of our employee benefit expenses and subcontracting labour cost in our cost of services on our gross profit for the year during the Track Record Period with all other variables being held constant. The hypothetical fluctuation rate for our employee benefit expenses and subcontracting labour cost are set at 15% and 20% during the Track Record Period, which are determined by reference to the historical year-on-year fluctuation of employee benefit expenses and subcontracting labour cost during the Track Record Period.

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Employee benefit expenses					
Increase/(Decrease) by:					
+20%	(41,757)	(50,898)	(58,388)	(28,485)	(30,228)
+15%	(31,318)	(38,174)	(43,791)	(21,363)	(22,671)
-15%	31,318	38,174	43,791	21,363	22,671
-20%	41,757	50,898	58,388	28,485	30,228

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Subcontracting labour cost					
Increase/(Decrease) by:					
+20%	(29,988)	(37,776)	(34,582)	(16,873)	(17,188)
+15%	(22,491)	(28,332)	(25,937)	(12,654)	(12,891)
-15%	22,491	28,332	25,937	12,654	12,891
-20%	29,988	37,776	34,582	16,873	17,188

Our profitability is largely affected by our ability to control our operating costs, in particular, employee benefit expenses and subcontracting labour costs. If we are unable to control our operating costs or successfully pass on the cost impact to our customers, we may be unable to maintain our profitability and our business, financial condition and results of operation may be materially and adversely affected.

Our ability to compete effectively in a highly competitive market and offer competitive bids to attract new business

The environmental cleaning and maintenance service industry is highly competitive according to the Industry Report. Depending on the relevant sector within the industry, we may need to adjust our strategies to compete effectively against larger and smaller market players. According to the Industry Report, in relation to the public space cleaning sector, it is an industry norm that the local governments, which are the main clients in this sector, prefer large-scale service providers equipped with sufficient amount of machinery, equipment and vehicles such as garbage collection vehicles and waste suction vehicles. On the other hand, the property cleaning sector comparatively requires lower level of mechanisation than the public space cleaning sector. Generally, handy machinery and equipment are used, such as escalator cleaners, steam scrubbers, ride-on scrubber dryers, marble reconditioning machine and dust proofing device for angle grinder. Thus, small and medium-scale businesses are still able to acquire the contracts with relatively lower rates and higher flexibility compare to large-scale service providers. Given the above, we may need to invest more heavily in garbage collection vehicles and waste suction vehicles for bids in relation to larger projects in the public space cleaning sector and make more competitive bids by adjusting our prices for smaller projects in the property cleaning sector. If we do not adjust our tender strategies and business strategies effectively, we may lose business opportunities. Even if we are successful, our investments to secure our projects and our offer of competitive bids may reduce our profit margins and expose us to losses if our cost of services increases beyond expectation. Accordingly, if we cannot compete effectively, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Furthermore our customers typically award contracts through a competitive process, we generally secure our major contracts with customers through the tender process. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our tender success rate was approximately 33.8%, 28.1%, 50.8%, 39.2% and 48.3%, respectively, for all tenders and approximately 87.0%, 73.5%, 77.3%, 81.0% and 78.7%, respectively, for tenders involving new contracts for existing projects. In the event of direct engagement by our customers, we may still need to submit quotation proposals attractive enough to our customers in the event they are seeking quotes from multiple service providers. There is no guarantee that we can successfully obtain contracts in the future as it is subject to our ability to meet the requirements imposed by our customers and offer competitive bids. If we are unable to identify and secure sufficient new contracts on commercially attractive terms, our financial results and prospects may be materially and adversely affected.

Branding positioning and pricing ability

Our financial position and results of operations are affected by our ability to maintain or increase the fee we charge for our services, which is, in part, affected by our ability to continuously maintain and enhance our brand recognition and industry position. We intend to further strengthen our brand recognition to expand our property cleaning business and facilitate our business development.

Our revenue is dependent on fees charged for our services. We generally price our cleaning and maintenance services by taking into account following major factors: (i) scope of services; (ii) service location(s) and area of coverage; (iii) timetable; (iv) prevailing market rates; (v) labour costs; (vi) management costs; (vii) tax; and (viii) determination of a reasonable profit margin. We have to achieve a balance between pricing our services competitively while maintaining our brand image as a quality cleaning and maintenance service provider and ensuring reasonable profit margins. Failure to balance various factors in determining our pricing could materially and adversely affect our financial position and results of operations.

BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, our business is conducted through Guangzhou Shenghui and its subsidiaries and controlled by our Controlling Shareholders. Pursuant to the Reorganisation, our business is transferred to and held by our Company. Our Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of our business with no change in management of such business and the ultimate controlling shareholders of our business remain the same. For further details, please refer to Note 1.3 of the Accountant's Report in Appendix I to this prospectus.

SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as set out below. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss which are measured at fair value. The significant accounting policies adopted by our Group and estimates which are important for the understanding of our financial conditions and results of operations are set forth in Note 2 and Note 34 of the Accountant's Report in Appendix I to this prospectus.

Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The revenue of our Group arises from the provision of cleaning and maintenance services. Depending on the terms of the contract, control of the service may be transferred over time or at a point in time. Control of the service is transferred over time if our Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as our Group performs; or
- does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When either party to a contract has performed, our Group presents the contract in the consolidated statements of financial position as a contract asset or a contract liability, depending on the relationship between our Group's performance and the customer's payment.

A contract asset is our Group's right to consideration in exchange for services that our Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalised and presented as assets under "contract assets" and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or our Group has a right to an amount of consideration that is unconditional, before the services are provided to the customer, our Group presents the amount as a contract liability when the payment is received or a receivable is recorded (whichever is earlier).

A receivable is recorded when our Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Employee benefits

(a) Pension obligations

Our Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of our Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which our Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, our Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of our Group in independently administrated funds managed by the governments.

Our Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of our Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurances. Our Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. Our Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Trade and other receivables

Trade receivables are amounts due from customer for services provided in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Our Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Further information about our Group's accounting for trade receivables and other receivables and a description of our Group's impairment policies is set out in Note 21 and Note 3.1 (iii) of the Accountant's Report in Appendix I to this prospectus respectively.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Leases

Our Group as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by our Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by our Group under residual value guarantees;
- the exercise price of a purchase option if our Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects our Group exercising that option.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated statements of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Our lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in our Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Our Group's right-of-use assets consist of leases for building and machinery.

Right-of-use assets resulted from lease payments are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the assets and other direct related costs from the date when the respective rights were granted. Depreciation of lease payments is calculated on a straight-line basis over the lease terms as stated in the lease contracts and is charged to profit or loss.

Our Group as a lessor

Lease income from operating leases where our Group acts as the lessor is recognised on a straight-line basis over the lease term. Initial direct costs incurred in obtaining the operating lease are added to the carrying amount of the underlying asset and recognised as expenses over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statements of financial position based on their nature.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Our Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. Further details are set out in Note 4 of the Accountant's Report in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The consolidated statements of comprehensive income during the Track Record Period are summarised below, which have been extracted from, and should be read in conjunction with, the Accountant's Report set out in Appendix I to this prospectus:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	465,664	563,541	594,204	289,173	298,251
Cost of services	(385,746)	(474,296)	(499,795)	(243,433)	(251,074)
Gross profit	79,918	89,245	94,409	45,740	47,177
Selling and marketing expenses	(3,111)	(3,076)	(3,983)	(1,966)	(2,730)
General and administrative expenses	(33,682)	(45,033)	(51,060)	(26,627)	(24,042)
Impairment losses on financial assets	(4,580)	(2,333)	(4,185)	(1,905)	(5,016)
Other income, net	8,238	7,155	5,109	3,437	2,235
Other gain/(loss), net	(7,345)	(3)	–	–	–
Operating profit	39,438	45,955	40,290	18,679	17,624
Finance expenses, net	(1,172)	(404)	(422)	(236)	(197)
Share of net profit of associates	236	–	–	–	–
Profit before income tax	38,502	45,551	39,868	18,443	17,427
Income tax expenses	(7,190)	(5,630)	(5,479)	(3,051)	(2,119)
Profit and total comprehensive income for the year/period attributable to owners of the Company	31,312	39,921	34,389	15,392	15,308

DESCRIPTION ON SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we derived our revenue primarily from (i) property cleaning services for various type of commercial building, residential building, transportation hub, shopping mall, public utilities and industrial park; (ii) public space cleaning services primarily for road sweeping and cityscape cleaning and (iii) other cleaning services such as river cleaning. For details, please refer to the paragraph headed "Business – Our services" in this prospectus. We recorded revenue of approximately RMB465.7 million, RMB563.5 million, RMB594.2 million, RMB289.2 million and RMB298.3 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our revenue generated from property cleaning services accounted for 95.9%, 96.5%, 96.6%, 96.4% and 95.8%, respectively, of our total revenue. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our revenue generated from public space cleaning accounted for 3.9%, 3.5%, 3.4%, 3.6% and 4.2%, respectively, of our total revenue. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our revenue generated from other cleaning accounted for 0.1%, nil, nil, nil and nil, respectively, of our total revenue.

The following table sets out a breakdown of our revenue by principal service categories during the years/periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (Unaudited)	%	*RMB'000*	%
Property cleaning										
– Commercial building	211,433	45.4	249,927	44.3	289,624	48.7	133,863	46.3	159,780	53.6
– Residential building	96,078	20.6	135,813	24.1	143,721	24.2	70,255	24.3	64,446	21.6
– Transportation hub	63,362	13.6	61,384	10.9	52,029	8.8	28,913	10.0	16,759	5.6
– Shopping mall	52,749	11.3	71,171	12.6	64,372	10.8	34,721	12.0	27,228	9.1
– Public utilities[Note 1]	16,691	3.6	12,696	2.3	11,981	2.0	4,724	1.6	9,122	3.1
– Industrial park	6,624	1.4	12,981	2.3	12,339	2.1	6,453	2.2	8,276	2.8
Public space cleaning[Note 2]	18,360	3.9	19,569	3.5	20,138	3.4	10,244	3.6	12,640	4.2
Other cleaning[Note 3]	367	0.1	–	–	–	–	–	–	–	–
	465,664	100.0	563,541	100.0	594,204	100.0	289,173	100.0	298,251	100.0

Notes:

(1) Public utilities cleaning primarily consists of government offices and school cleaning.

(2) Public space cleaning primarily consists of road sweeping and cityscape cleaning.

(3) Other cleaning primarily consists of river cleaning.

Revenue from property cleaning service

Our revenue generated from our property cleaning service amounted to approximately RMB446.9 million, RMB544.0 million, RMB574.1 million, RMB278.9 million and RMB285.6 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively, representing approximately 95.9%, 96.5%, 96.6%, 96.4% and 95.8%, respectively, of our total revenue for the same period. Revenue from property cleaning service recorded an increasing trend during the Track Record Period. The increase was primarily driven by the increase in our number of projects during the years in property cleaning service. Our number of projects in property cleaning service during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 was 238, 252, 291, 251 and 285, respectively. For more details, please refer to the paragraph headed "– Period-to-period comparison of results of operations" in this section.

Revenue from public space cleaning service

Our revenue generated from our public space cleaning service amounted to approximately RMB18.4 million, RMB19.6 million, RMB20.1 million, RMB10.2 million and RMB12.6 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively, representing approximately 3.9%, 3.5%, 3.4%, 3.6% and 4.2%, respectively, of our total revenue for the same period. Our revenue generated from public space cleaning service during the Track Record Period remained relatively stable but decrease in the percentage of total revenue, as our specialised vehicles, which are the core fixed assets for providing public space cleaning, were fully utilised. Our number of projects in public space cleaning service during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 was 4, 7, 5, 5 and 7, respectively. For more details, please refer to the paragraph headed "– Period-to-period comparison of results of operations" in this section.

Revenue from other cleaning service

Our revenue generated from our other cleaning service amounted to RMB0.4 million, nil, nil, nil and nil for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2022 and 2023, respectively, representing approximately 0.1%, nil, nil, nil and nil, respectively, of our total revenue for the same period. The continuous decrease in the revenue generated from our other cleaning service during the Track Record Period was primarily driven by the decrease in our number of projects during the years in other cleaning service. Our number of projects in other cleaning service during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 was 1, nil, nil, nil and nil, respectively. For more details, please refer to the paragraph headed "– Period-to-period comparison of results of operations" in this section.

The following table sets out a breakdown of our revenue generated from the sales by provincial-level regions in the PRC of the customers for the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Guangdong	390,973	84.0	459,108	81.5	467,337	78.6	224,353	77.6	234,692	78.7
Hainan	45,382	9.7	43,287	7.7	42,936	7.2	25,303	8.8	15,870	5.3
Chongqing	9,047	1.9	21,200	3.8	24,384	4.1	12,247	4.2	13,036	4.4
Guangxi	8,767	1.9	10,100	1.8	10,545	1.8	5,107	1.7	5,527	1.8
Others[Note]	11,495	2.5	29,846	5.2	49,002	8.3	22,163	7.7	29,126	9.8
	465,664	100.0	563,541	100.0	594,204	100.0	289,173	100.0	298,251	100.0

Note: Others include Anhui, Fujian, Guizhou, Heilongjiang, Henan, Hubei, Hunan, Jiangxi, Shaanxi and Yunan.

During the Track Record Period, we generated majority of our sales from Guangdong which contributed approximately 84.0%, 81.5%, 78.6%, 77.6% and 78.7% of the total sales for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively. Following Guangdong, Hainan contributed the second largest sales to our Group. Approximately 9.7%, 7.7%, 7.2%, 8.8% and 5.3% of the total sales were generated from Hainan for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively. Starting from the year ended 31 December 2020, Chongqing contributed the third largest sales to our Group with a number of notable property cleaning projects. During the Track Record Period, the Group's revenue generated in Hainan Province and Chongqing, in aggregate, amounted to approximately RMB54.4 million, RMB64.5 million, RMB67.3 million, RMB37.6 million and RMB28.9 million respectively, representing approximately 11.6%, 11.5%, 11.3%, 13.0% and 9.7% of the total revenue for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

During the Track Record Period, our revenue from Guangxi, Chongqing, Hainan and others was approximately RMB74.7 million, RMB104.4 million, RMB126.9 million and RMB64.8 million and RMB63.6 million, respectively, representing a CAGR of approximately 30.3% from 2020 to 2022 and a slightly decrease of approximately 1.9% from the six months ended 30 June 2022 to 30 June 2023.

Cost of services

Our cost of services primarily consisted of employee benefit expenses, subcontracting labour costs, cost of cleaning materials consumed, insurance expenses, depreciation, maintenance and utilities expenses and other expenses. Our employee benefit expenses consist primarily of (i) salaries, wages and bonuses; (ii) social insurance and housing provident fund contribution; and (iii) other employee benefits. Our subcontracting labour costs consist primarily of fees paid to third party service providers for cleaning service, high-altitude cleaning service, water cleaning services and other services. Cost of cleaning materials consumed mainly comprised cost of garbage bags, toilet papers, chemicals and detergents which used when providing general cleaning services. Our insurance expenses consist primarily of the pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance. Other expenses mainly related to taxes and surcharges, uniform expenses, motor vehicles expenses, short-term lease expenses and other sundry expenses.

The following table sets forth a breakdown of our cost of services during the years/periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Employee benefit expenses	208,786	54.1	254,490	53.7	291,941	58.4	142,423	58.5	151,138	60.2
Subcontracting labour costs	149,939	38.9	188,882	39.8	172,910	34.6	84,363	34.7	85,939	34.2
Cost of cleaning materials consumed	12,897	3.3	17,034	3.6	18,903	3.8	9,175	3.9	7,732	3.1
Insurance expenses	4,594	1.2	2,261	0.5	3,664	0.7	1,958	0.8	957	0.4
Depreciation	2,134	0.6	2,582	0.5	2,572	0.5	1,267	0.5	1,335	0.5
Maintenance and utilities expenses	2,284	0.6	1,509	0.3	1,803	0.4	907	0.4	907	0.4
Other expenses[Note]	5,112	1.3	7,538	1.6	8,002	1.6	3,340	1.2	3,066	1.2
TOTAL	385,746	100.0	474,296	100.0	499,795	100.0	243,433	100.0	251,074	100.0

Note: Other expenses mainly related to taxes and surcharges, uniform expenses, motor vehicles expenses, short-term lease expenses and other sundry expenses.

During the Track Record Period, the main factors affecting our cost of services were our employee benefit expenses and subcontracting labour costs. The increase in employee benefit expenses and subcontracting labour costs was mainly due to the expansion of our scale of operations in different provincial-level regions in the PRC, given that our cleaning and maintenance services are labour intensive and we cannot permanently retain all necessary operation staff for project and execution and do not own a sufficient number of specialised vehicles to complete certain projects. Our employee benefit expenses included in cost of sales and our subcontracting labour costs in aggregate amounted to RMB358.7 million, RMB443.4 million, RMB464.9 million, RMB226.8 million and RMB237.1 million, accounting for approximately 93.0%, 93.5%, 93.0%, 93.2% and 94.4% of our cost of services for the years ended 31 December 2020, 2021 and 2022 and 30 June 2022 and 2023, respectively.

Gross profit and gross profit margin

The following table sets out a breakdown of our revenue, gross profit and gross profit margin according to principal service categories during the years/periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Property cleaning										
– Commercial building	38,637	18.3	44,303	17.7	51,126	17.7	23,546	17.6	27,765	17.4
– Residential building	12,918	13.4	14,761	10.9	15,727	10.9	7,755	11.0	6,798	10.5
– Transportation hub	10,338	16.3	9,602	15.6	8,367	16.1	4,573	15.8	2,600	15.5
– Shopping mall	10,515	19.9	12,138	17.1	10,985	17.1	5,886	17.0	4,623	17.0
– Public utilities[Note 1]	2,787	16.7	2,052	16.2	1,961	16.4	770	16.3	1,459	16.0
– Industrial park	1,345	20.3	2,672	20.6	2,536	20.6	1,260	19.5	1,658	20.0
Public space cleaning[Note 2]	3,367	18.3	3,717	19.0	3,707	18.4	1,950	19.0	2,274	18.0
Other cleaning[Note 3]	11	3.1	–	–	–	–	–	–	–	–
	79,918	17.2	89,245	15.8	94,409	15.9	45,740	15.8	47,177	15.8

Notes:

(1) Public utilities cleaning primarily consists of government offices and school cleaning.

(2) Public space cleaning primarily consists of road sweeping and cityscape cleaning.

(3) Other cleaning primarily consists of river cleaning.

We generated gross profit of approximately RMB79.9 million, RMB89.2 million, RMB94.4 million, RMB45.7 million and RMB47.2 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively, representing gross profit margins of approximately 17.2%, 15.8%, 15.9%, 15.8% and 15.8% for the corresponding periods, respectively.

Other income

Our other income mainly comprised (i) rental income earned from the lease or sub-lease of our owned or leased properties in the PRC to Independent Third Parties, one of which is Guangzhou Pengsheng, which we previously held a majority interest in prior to its disposal in October 2020 to an Independent Third Party; (ii) penalty on late payment of rental income from the sub-lease of a leased property to Guangzhou Pengsheng; (iii) non-recurring net income/(losses) from the provision of ancillary services for a road construction project during the year ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and (iv) value added tax refund.

The following table sets forth a breakdown of our other income, net for the years/periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Rental income	1,345	848	2,917	1,194	1,687
Penalty on late payment of rental income *(Note)*	1,241	–	–	–	–
Value-added tax refund	2,425	2,107	2,193	1,093	643
Government grant	172	37	777	768	–
Net income/(losses) from the provision of construction labor services	2,656	4,328	(822)	330	–
Dividend income from financial assets at fair value through profit or loss	84	–	–	–	–
Donation	(130)	–	(50)	(50)	(70)
Others	445	(165)	94	102	(25)
	8,238	7,155	5,109	3,437	2,235

Note: The penalty arising from the late payment of rental income represented an interest of 0.1% charged on the outstanding rental income receivable from Guangzhou Pengsheng during the Track Record Period. The late payment from Guangzhou Pengsheng was mainly due to the fact that we previously held a majority interest in it prior to its disposal until October 2020. Our Directors considered that there was no liquidity or operational negative impact for the late payment allowed to Guangzhou Pengsheng as it was controlled by Guangzhou Shenghui until October 2020. In January 2021, our Group reached a commercial settlement with Guangzhou Pengsheng to settle the total rental receivables at approximately RMB1.2 million and all remaining of rental receivables penalty on late payment of rental income previously charged, in total of RMB5,915,000 were waived and were written off as bad debts for the year ended 31 December 2021. Please refer to the section headed "History, Reorganisation and Group Structure – Reorganisation" of this prospectus for details.

Other loss

Our other loss comprised (i) fair value loss on financial assets at fair value through profit or loss; (ii) loss on disposal of investments in associates; and (iii) loss on disposal of property, plant and equipment.

The following table sets forth a breakdown of our other loss for the years/periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Fair value loss on financial assets at fair value through profit or loss ("**FVTPL**")	(7,114)	–	–	–	–
Loss on disposal of investments in associates, net	(174)	–	–	–	–
Loss on disposal of property, plant and equipment, net	(57)	(3)	–	–	–
	(7,345)	(3)	–	–	–

Please refer to the paragraph headed "Financial assets at fair value through profit or loss" in this section for details.

Selling and marketing expenses

Our selling and marketing expenses primarily consisted of marketing and entertainment expenses, office and communication expenses and tendering expense with the increases in such expenses in line with the expansion of our operations. The following table sets forth a breakdown of our marketing expenses for the periods indicated:

	For the year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (Unaudited)	%	*RMB'000*	%
Marketing and entertainment expenses	1,862	59.8	2,635	85.7	3,434	86.2	1,855	94.3	2,113	77.4
Office and communication expenses	53	1.7	–	–	–	–	–	–	–	–
Tendering expenses	610	19.6	433	14.1	549	13.8	111	5.7	617	22.6
Others	586	18.9	8	0.2	–	–	–	–	–	–
TOTAL	3,111	100.0	3,076	100.0	3,983	100.0	1,966	100.0	2,730	100.0

General and administrative expenses

Our general and administrative expenses mainly comprised (i) employee benefit expenses payable to our Directors and staff in the administrative functions; (ii) cost of cleaning material consumed for research and development; (iii) Listing expenses; (iv) depreciation expenses of property, plant and equipment, investment properties and right-of-use assets; and (v) motor vehicle expenses. Our general and administrative expenses amounted to approximately, RMB33.7 million, RMB45.0 million, RMB51.1 million, RMB26.6 million and RMB24.0 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

The following table sets forth a breakdown of our general and administrative expenses for the years/periods indicated:

	For the year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Employee benefit expenses	23,312	69.2	30,314	67.3	32,120	62.9	14,595	54.8	14,848	61.8
Cost of cleaning material consumed	1,215	3.6	2,373	5.3	1,125	2.2	784	2.9	813	3.4
Listing expenses	3,892	11.6	5,777	12.8	7,859	15.4	6,428	24.1	3,233	13.4
Depreciation	1,224	3.6	1,221	2.7	1,147	2.2	581	2.2	545	2.3
Motor vehicle expenses	459	1.4	1,073	2.4	741	1.5	350	1.3	592	2.5
Maintenance and utility expenses	247	0.7	144	0.3	310	0.6	141	0.5	101	0.4
Office and communication expenses	1,589	4.7	1,716	3.8	1,543	3.0	635	24	773	3.2
Travelling expenses	662	2.0	1,146	2.5	1,682	3.3	1,261	4.8	976	4.1
Short-term lease expense	110	0.3	144	0.3	2,175	4.3	1,007	3.8	1,168	4.9
Professional service fees	353	1.1	113	0.3	100	0.2	50	0.2	158	0.7
Other expenses*(Note)*	619	1.8	1,012	2.3	2,258	4.4	795	3.0	835	3.3
TOTAL	33,682	100.0	45,033	100.0	51,060	100.0	26,627	100.0	24,042	100.0

Note: Other general and administrative expenses mainly comprised of bank fees and charges, information technology expenses, telecommunication expenses and other miscellaneous administrative expenses.

Finance expenses, net

Our net finance expenses comprised interest income from banks and loan interest expense arising from bank borrowings and lease liabilities amounted to approximately RMB1.2 million, RMB0.4 million, RMB0.4 million, RMB0.2 million and RMB0.2 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively. Please refer to the paragraph headed "Indebtedness" in this section for details.

The following table sets forth a breakdown of our finance costs for the years/periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Finance income					
Bank interest income	134	92	153	109	72
Finance expenses					
Interest expense on bank and other borrowings	(848)	(55)	(148)	(121)	(53)
Interest expense on lease liabilities	(458)	(441)	(427)	(224)	(216)
	(1,172)	(404)	(422)	(236)	(197)

Share of net profit of associates

Our share of net profit of associates were approximately RMB0.2 million, nil, nil, nil and nil for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively. All investments in associates were disposed during the year ended 31 December 2020 due to reorganisation in preparation for the Listing. Please refer to the section headed "History, Reorganisation and Group structure – Reorganisation" of this prospectus and Note 18 of the Accountant's Report in Appendix I to this prospectus for details.

Income tax expenses

Our income tax expenses primarily consist of current income tax payable at the statutory rates applicable to our assessable profit before taxation as determined under relevant laws and regulations and deferred income tax expense/credit arising from the movement in deferred tax assets recognised for the reporting periods. For the year ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our income tax expenses were approximately RMB7.2 million, RMB5.6 million and RMB5.5 million, RMB3.1 million and RMB2.1 million, respectively. The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	Year ended 31 December			**Six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current income tax	6,618	6,160	6,108	3,337	2,871
Deferred income tax	572	(530)	(629)	(286)	(752)
	7,190	5,630	5,479	3,051	2,119

According to the applicable PRC tax regulations, the general enterprise income tax rate in PRC is 25% and our PRC entities had been subject to the statutory enterprise income rate during the Track Record Period. Guangzhou Shenghui has been qualified as a High and New Technology Enterprise and enjoyed a preferential income tax rate of 15% since 2020, which is subject to review and renewal once every three years. The High and New Technology Enterprise Certificate was obtained and be remained valid for 3 years from December 2020 to December 2023. No provision for Hong Kong Profits Tax has been made as we had no assessable profits arising in Hong Kong during the Track Record Period. Our effective income tax rates were 18.7%, 12.4%, 13.7%, 16.5% and 12.2% for the year ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively. Our effective income tax rates decreased from 18.7% for the year ended 31 December 2020 to approximately 12.4% for the year ended 31 December 2021, which was mainly attributable to a subsidiary with a preferential income tax rate of 15% since December 2020. Our effective tax rate increased from approximately 12.4% for the year ended 31 December 2021 to approximately 13.7% for the year ended 31 December 2022, which was mainly attributable to the decrease in deductible expenses incurred for the year ended 31 December 2022. Our effective tax rate decreased from approximately 16.5% for the six months ended 30 June 2022 to approximately 12.2% for the six months ended 30 June 2023, which was mainly attributable to Guangzhou Shenghui enjoyed the increased additional tax deduction rate from 75% to 100% since 2023.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any unresolved tax issue or dispute with the relevant tax authorities.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2023 compared to six months ended 30 June 2022

Revenue

Our total revenue increased by approximately 3.1% from approximately RMB289.2 million for the six months ended 30 June 2022 to approximately RMB298.3 million for the six months ended 30 June 2023, primarily due to our overall business growth.

- Property cleaning service. Our revenue generated from our property cleaning service increased by approximately 2.4% from approximately RMB278.9 million for the six months ended 30 June 2022 to approximately RMB285.6 million for the six months ended 30 June 2023, which was mainly driven by the increase in cleaning service at commercial buildings, public utilities and industrial park. Our number of projects in property cleaning service increased from 251 projects during the six months ended 30 June 2022 to 285 projects during the six months ended 30 June 2023.

  – *Commercial building*. Our revenue generated from commercial building increased by approximately 19.3% from approximately RMB133.9 million for the six months ended 30 June 2022 to approximately RMB159.8 million for the six months ended 30 June 2023, which was primarily attributable to (i) 46 new projects which contributed approximately RMB20.4 million of revenue in total during the six months ended 30 June 2023, such as a project engaged by a leading property developer listed on the Hong Kong Stock Exchange; (ii) our broadened service scope such as not only providing basic cleaning and maintenance but also garbage collection and transportation in existing projects; and (iii) our increased service coverage due to increased serving units in the existing projects during the six months ended 30 June 2023 as a result of our business expansion contributed by our increased tendering efforts.

  – *Residential building*. Our revenue generated from residential building decreased by approximately 8.4% from approximately RMB70.3 million for the six months ended 30 June 2022 to approximately RMB64.4 million for the six months ended 30 June 2023, which was primarily attributable to several contracts in different projects which have ended during 2022 and partially offset by the 18 new projects which contributed approximately RMB6.6 million of revenue in total during the six months ended 30 June 2023, such as a project engaged by a leading property management company listed on the Hong Kong Stock Exchange, as a result of our business expansion contributed by our increased tendering efforts.

– *Transportation hub*. Our revenue generated from transportation hub decreased by approximately 41.9% from approximately RMB28.9 million for the six months ended 30 June 2022 to approximately RMB16.8 million for the year ended 30 June 2023, which was primarily attributable to several contracts in different projects which have ended during 2022 and first quarter of 2023 and partially offset by a new project which contributed approximately RMB1.3 million of revenue in total during the six months ended 30 June 2023 as a result of our business expansion contributed by our increased tendering efforts.

– *Shopping mall*. Our revenue generated from shopping mall decreased by approximately 21.6% from approximately RMB34.7 million for the six months ended 30 June 2022 to approximately RMB27.2 million for the six months ended 30 June 2023, which was primarily due to a project which contributed significant revenue has ended in 2022.

– *Public utilities*. Our revenue generated from public utilities increased by approximately 93.6% from approximately RMB4.7 million for the six months ended 30 June 2022 to approximately RMB9.1 million 30 June 2023, which was mainly due to four new projects which contributed approximately RMB5.2 million of revenue in total during the six months ended 30 June 2023, as a result of our business expansion contributed by our increased tendering efforts.

– *Industrial park*. Our revenue generated from industrial park increased by approximately 27.7% from approximately RMB6.5 million for the six months ended 30 June 2022 to approximately RMB8.3 million for the six months ended 30 June 2023, which was primarily due to four new projects which contributed approximately RMB2.5 million of revenue in total during the six months ended 30 June 2023 as a result of our business expansion contributed by our increased tendering efforts.

• *Public space cleaning service*. Our revenue generated from public space cleaning service increased by approximately 23.5% from approximately RMB10.2 million for the six months ended 30 June 2022 to approximately RMB12.6 million for six months ended 30 June 2023, which was primarily attributable to two new projects which contributed approximately RMB2.5 million of revenue in total during the six months ended 30 June 2023.

• *Other cleaning service*. There was no revenue generated from other cleaning service for the six months ended 30 June 2022 and 2023.

Cost of services

Our cost of services increased by approximately RMB7.7 million or 3.2% from approximately RMB243.4 million for the six months ended 30 June 2022 to approximately RMB251.1 million for the six months ended 30 June 2023. Such increase was mainly attributable to the increase in employee benefit expenses from approximately RMB142.4 million to approximately RMB151.1 million due to the increased number of workers employed over the corresponding periods in order to meet the manpower requirement of increased number of projects.

Gross profit and gross profit margin

As a result of the foregoing, our total gross profit increased by 3.3% from approximately RMB45.7 million for the six months ended 30 June 2022 to approximately RMB47.2 million for the six months ended 30 June 2023. Our gross profit margin remained relatively stable at 15.8% and 15.8% for the six months ended 30 June 2022 and 2023, respectively.

- *Property cleaning service*. Gross profit of our property cleaning service increased by approximately 2.5% from approximately RMB43.8 million for the six months ended 30 June 2022 to approximately RMB44.9 million for the six months ended 30 June 2023 due to the increase in revenue during the six months ended 30 June 2023, mainly driven by revenue generated from commercial building, public utilities and industrial park. Gross profit margin of our property cleaning service remained relatively stable at 15.7% and 15.7% for the six months ended 30 June 2022 and 2023, respectively.

  – *Commercial building*. Gross profit of our commercial building increased by approximately 18.3% from approximately RMB23.5 million for the six months ended 30 June 2022 to approximately RMB27.8 million for the six months ended 30 June 2023 which was mainly due to the increase in our revenue during the six months ended 30 June 2023. Gross profit margin of our commercial building remained relatively stable at 17.6% and 17.4% for the six months ended 30 June 2022 and 2023, respectively.

  – *Residential building*. Gross profit of our residential building decreased by approximately 12.8% from approximately RMB7.8 million for the six months ended 30 June 2022 to approximately RMB6.8 million for the six months ended 30 June 2023 which was mainly attributable to the decrease in our revenue during the six months ended 30 June 2023 and the gross profit margin of our residential building remained relatively stable at 11.0% and 10.5% for the six months ended 30 June 2022 and 2023, respectively.

– *Transportation hub*. Gross profit of our transportation hub decreased by approximately 43.5% from approximately RMB4.6 million for the six months ended 30 June 2022 to approximately RMB2.6 million for the six months ended 30 June 2023 which was mainly due to the decrease in our revenue during the six months ended 30 June 2023. Gross profit margin of our transportation hub remained relatively stable at 15.8% and 15.5% for the six months ended 30 June 2022 and 2023, respectively.

– *Shopping mall*. Gross profit of our shopping mall decreased by approximately 22.0% from approximately RMB5.9 million for the six months ended 30 June 2022 to approximately RMB4.6 million for the six months ended 30 June 2023 which was mainly due to the decrease in our revenue during the six months ended 30 June 2023. Gross profit margin of our shopping mall remained relatively stable at 17.0% and 17.0% for the six months ended 30 June 2022 and 2023, respectively.

– *Public utilities.* Gross profit of our public utilities increased by approximately 87.5% from approximately RMB0.8 million for the six months ended 30 June 2022 to approximately RMB1.5 million for the six months ended 30 June 2023 which was mainly due to the increase in our revenue during the six months ended 30 June 2023. Gross profit margin of our public utilities remained relatively stable at 16.3% and 16.0% for the six months ended 30 June 2022 and 2023, respectively.

– *Industrial park*. Gross profit of our industrial park increased by approximately 30.8% from approximately RMB1.3 million for the six months ended 30 June 2022 to approximately RMB1.7 million for the six months ended 30 June 2023 which was mainly due to the increase in our revenue during the six months ended 30 June 2023. Gross profit margin of our industrial park remained relatively stable at 19.5% and 20.0% for the six months ended 30 June 2022 and 2023, respectively.

• *Public space cleaning service*. Gross profit of our public space cleaning service increased by approximately 15.0% from approximately RMB2.0 million for the six months ended 30 June 2022 to approximately RMB2.3 million for the six months ended 30 June 2023 which was mainly due to the increase in revenue during the six months ended 30 June 2023. Gross profit margin of our public space cleaning service remained relatively stable at 19.0% and 18.0% for the six months ended 30 June 2022 and 2023, respectively.

• *Other cleaning service*. Gross profit of our other cleaning service remained at nil for the six months ended 30 June 2022 and 2023 as no revenue was derived from other cleaning service during the six months ended 30 June 2022 and 2023.

Other income

Our other income decreased by approximately RMB1.2 million or 35.3% from approximately RMB3.4 million for the six months ended 30 June 2022 to approximately RMB2.2 million for the six months ended 30 June 2023. The decrease was mainly attributable to the decrease in PRC government grant by RMB0.8 million and the decrease in value–added tax refund by approximately RMB0.5 million.

Other loss

Our other loss remained stable at nil and nil for the six months ended 30 June 2022 and 2023, respectively.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately RMB0.7 million or 35.0% from approximately RMB2.0 million for the six months ended 30 June 2022 to approximately RMB2.7 million for the six months ended 30 June 2023. The increase was mainly attributable to the increase in tendering expenses by RMB0.5 million, which contributed to increase in number of tenders.

General and administrative expenses

Our general and administrative expenses decreased by approximately RMB2.6 million or 9.8% from approximately RMB26.6 million for the six months ended 30 June 2022 to approximately RMB24.0 million for the six months ended 30 June 2023. Such decrease was mainly attributable to the decrease in Listing expenses by approximately RMB3.2 million.

Finance expenses, net

Our finance expenses, net remained stable at RMB0.2 million and RMB0.2 million for the six months ended 30 June 2022 and 2023, respectively.

Income tax expenses

Our income tax expenses decreased by approximately RMB1.0 million or 32.3% from approximately RMB3.1 million for the six months ended 30 June 2022 to approximately RMB2.1 million for the six months ended 30 June 2023. Effective tax rate decreased from approximately 16.5% for the six months ended 30 June 2022 to 12.2% for the six months ended 30 June 2023, which was mainly attributable to Guangzhou Shenghui enjoyed the increased additional tax deducting rate from 75% to 100% since 1 January 2023. For details, please refer to Note 12 of the Accountant's Report in Appendix I to this prospectus.

Net profit and net profit margin

As a result of the foregoing, our net profit slightly decreased from approximately RMB15.4 million for the six months ended 30 June 2022 to approximately RMB15.3 million for the six months ended 30 June 2023, and our net profit margin remained stable at 5.3% and 5.1% for the six months ended 30 June 2022 and 2023, respectively.

Year ended 31 December 2022 compared to year ended 31 December 2021

Revenue

Our total revenue increased by approximately 5.4% from approximately RMB563.5 million for the year ended 31 December 2021 to approximately RMB594.2 million for the year ended 31 December 2022, primarily due to our overall business growth.

- *Property cleaning service*. Our revenue generated from our property cleaning service increased by approximately 5.5% from approximately RMB544.0 million for the year ended 31 December 2021 to approximately RMB574.1 million for the year ended 31 December 2022, which was mainly driven by the increase in cleaning service at commercial buildings and residential buildings. Our number of projects in property cleaning service increased from 252 projects during the year ended 31 December 2021 to 291 projects during the year ended 31 December 2022.

  – *Commercial building*. Our revenue generated from commercial building increased by approximately 15.9% from approximately RMB249.9 million for the year ended 31 December 2021 to approximately RMB289.6 million for the year ended 31 December 2022, which was primarily attributable to (i) 54 new projects which contributed approximately RMB33.0 million of revenue in total during the year ended 31 December 2022, such as a project engaged by one of the largest property management companies in the PRC who listed on the Main Board in Hong Kong; (ii) our broadened service scope such as not only providing basic cleaning and maintenance but also garbage collection and transportation in existing projects; and (iii) our increased service coverage due to increased serving units in the existing projects during the year ended 31 December 2022 as a result of our business expansion contributed by our increased tendering efforts.

  – *Residential building*. Our revenue generated from residential building increased by approximately 5.8% from approximately RMB135.8 million for the year ended 31 December 2021 to approximately RMB143.7 million for the year ended 31 December 2022, which was primarily attributable to 23 new projects which contributed approximately RMB12.1 million of revenue in total during the year ended 31 December 2022, such as a project engaged by one of the largest property management companies in the PRC who listed on the Main Board in Hong Kong, as a result of our business expansion contributed by our increased tendering efforts.

– *Transportation hub*. Our revenue generated from transportation hub decreased by approximately 15.3% from approximately RMB61.4 million for the year ended 31 December 2021 to approximately RMB52.0 million for the year ended 31 December 2022, which was primarily attributable to a project which contributed significant revenue which has ended in 2021 and the completion of several contracts in different projects in 2022.

– *Shopping mall*. Our revenue generated from shopping mall decreased by approximately 9.6% from approximately RMB71.2 million for the year ended 31 December 2021 to approximately RMB64.4 million for the year ended 31 December 2022, which was primarily due to the completion of several contracts in different projects in 2022 and offset by three new projects which contributed approximately RMB1.9 million of revenue in total during the year ended 31 December 2022 as a result of our business expansion contributed by our increased tendering efforts.

– *Public utilities*. Our revenue generated from public utilities decreased by approximately 5.5% from approximately RMB12.7 million for the year ended 31 December 2021 to approximately RMB12.0 million 31 December 2022, which was mainly due to several contracts in different projects which have ended during 2022 and offset by eight new projects which contributed approximately RMB2.0 million in total in 2022 as a result of our business expansion contributed by our increased tendering efforts.

– *Industrial park*. Our revenue generated from industrial park decreased by approximately 5.4% from approximately RMB13.0 million for the year ended 31 December 2021 to approximately RMB12.3 million for the year ended 31 December 2022, which was primarily due to the completion of several contracts in different projects in 2022 and offset by two new projects which contributed approximately RMB1.0 million of revenue in total during the year ended 31 December 2022 as a result of our business expansion contributed by our increased tendering efforts.

• *Public space cleaning service*. Our revenue generated from public space cleaning service increased by approximately 2.6% from approximately RMB19.6 million for the year ended 31 December 2021 to approximately RMB20.1 million for year ended 31 December 2022, which was primarily attributable to a new project which contributed approximately RMB2.5 million of revenue in total during the year ended 31 December 2022.

• *Other cleaning service*. There was no revenue generated from other cleaning service for the years ended 31 December 2021 and 2022.

Cost of services

Our cost of services increased by approximately RMB25.5 million or 5.4% from approximately RMB474.3 million for the year ended 31 December 2021 to approximately RMB499.8 million for the year ended 31 December 2022. Such increase was mainly attributable to the increase in employee benefit expenses from approximately RMB254.5 million to approximately RMB291.9 million due to the increased number of workers employed over the corresponding periods in order to meet the manpower requirement of increased number of projects.

Gross profit and gross profit margin

As a result of the foregoing, our total gross profit increased by 5.8% from approximately RMB89.2 million for the year ended 31 December 2021 to approximately RMB94.4 million for the year ended 31 December 2022. Our gross profit margin remained relatively stable at 15.8% and 15.9% for the years ended 31 December 2021 and 2022, respectively.

- *Property cleaning service*. Gross profit of our property cleaning service increased by approximately 6.1% from approximately RMB85.5 million for the year ended 31 December 2021 to approximately RMB90.7 million for the year ended 31 December 2022 due to the increase in revenue during the year ended 31 December 2022, mainly driven by revenue generated from commercial building and residential building. Gross profit margin of our property cleaning service relatively stable at 15.7% and 15.8% for the years ended 31 December 2021 and 2022, respectively.

  – *Commercial building*. Gross profit of our commercial building increased by approximately 15.3% from approximately RMB44.3 million for the year ended 31 December 2021 to approximately RMB51.1 million for the year ended 31 December 2022 which was mainly due to the increase in our revenue during the year ended 31 December 2022. Gross profit margin of our commercial building remained relatively stable at 17.7% and 17.7% for the years ended 31 December 2021 and 2022, respectively.

  – *Residential building*. Gross profit of our residential building increased by approximately 6.1% from approximately RMB14.8 million for the year ended 31 December 2021 to approximately RMB15.7 million for the year ended 31 December 2022 which was mainly attributable to the increase in our revenue during the year ended 31 December 2022 and the gross profit margin of our residential building remained relatively stable at 10.9% and 10.9% for the years ended 31 December 2021 and 2022, respectively.

- *Transportation hub*. Gross profit of our transportation hub decreased by approximately 12.5% from approximately RMB9.6 million for the year ended 31 December 2021 to approximately RMB8.4 million for the year ended 31 December 2022 which was mainly due to the decrease in our revenue during the year ended 31 December 2022. Gross profit margin of our transportation hub remained relatively stable at 15.6% and 16.1% for the years ended 31 December 2021 and 2022, respectively.

- *Shopping mall*. Gross profit of our shopping mall decreased by approximately 9.1% from approximately RMB12.1 million for the year ended 31 December 2021 to approximately RMB11.0 million for the year ended 31 December 2022 which was mainly due to the decrease in our revenue during the year ended 31 December 2022. Gross profit margin of our shopping mall remained relatively stable at 17.1% and 17.1% for the years ended 31 December 2021 and 2022, respectively.

- *Public utilities*. Gross profit of our public utilities remained relatively stable at RMB2.1 million and RMB2.0 million for the years ended 31 December 2021 and 2022, respectively. Gross profit margin of our public utilities remained relatively stable at 16.2% and 16.4% for the years ended 31 December 2021 and 2022, respectively.

- *Industrial park*. Gross profit of our industrial park remained relatively stable at RMB2.7 million and RMB2.5 million for the years ended 31 December 2021 and 2022, respectively. Gross profit margin of our industrial park remained relatively stable at 20.6% and 20.6% for the years ended 31 December 2021 and 2022, respectively.

• *Public space cleaning service*. Gross profit of our public space cleaning service remained relatively stable at RMB3.7 million and RMB3.7 million for the years ended 31 December 2021 and 2022, respectively. Gross profit margin of our public space cleaning service remained relatively stable at 19.0% and 18.4% for the years ended 31 December 2021 and 2022, respectively.

• *Other cleaning service*. Gross profit of our other cleaning service remained at nil for the years ended 31 December 2021 and 2022 as no revenue was derived from other cleaning service during the years ended 31 December 2021 and 2022.

Other income

Our other income decreased by approximately RMB2.1 million or 29.2% from approximately RMB7.2 million for the year ended 31 December 2021 to approximately RMB5.1 million for the year ended 31 December 2022. The decrease was mainly attributable to decrease in net non-recurring income from the provision of ancillary services for a road construction project of approximately RMB5.2 million due to the provision of ancillary services has been completed and the decrease in contract sum led to negative income derived by input method. And offset by the increase in rental income by RMB2.1 million for the new sub-lease of our leased shops and carparks.

Other loss

Our other loss remained stable at RMB3,000 and nil for the years ended 31 December 2021 and 2022, respectively.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately RMB0.9 million or 29.0% from approximately RMB3.1 million for the year ended 31 December 2021 to approximately RMB4.0 million for the year ended 31 December 2022. The increase was mainly attributable to the increase in marketing and entertainment expenses by RMB0.8 million, which contributed to our growth in project numbers.

General and administrative expenses

Our general and administrative expenses increased by approximately RMB6.1 million or 13.6% from approximately RMB45.0 million for the year ended 31 December 2021 to approximately RMB51.1 million for the year ended 31 December 2022. Such increase was mainly attributable to the increase in Listing expenses by approximately RMB2.1 million and the increase in short-term lease expenses by RMB2.0 million from our newly leased shops and carpark in the year ended 31 December 2022.

Finance expenses, net

Our finance expenses, net remained stable at RMB0.4 million and RMB0.4 million for the years ended 31 December 2021 and 2022, respectively.

Income tax expenses

Our income tax expenses decreased by approximately RMB0.1 million or 1.8% from approximately RMB5.6 million for the year ended 31 December 2021 to approximately RMB5.5 million for the year ended 31 December 2022. Effective tax rate increased from approximately 12.4% for the year ended 31 December 2021 to 13.7% for the year ended 31 December 2022, which was mainly attributable to less deductible expenses incurred for year ended 31 December 2022. For details, please refer to Note 12 of the Accountant's Report in Appendix I to this prospectus.

Net profit and net profit margin

As a result of the foregoing, our net profit decreased slightly by approximately RMB5.5 million or 13.8% from RMB39.9 million for the year ended 31 December 2021 to approximately RMB34.4 million for the year ended 31 December 2022, whilst our net profit margin decreased from 7.1% for the year ended 31 December 2021 to 5.8% for the year ended 31 December 2022.

Year ended 31 December 2021 compared to year ended 31 December 2020

Revenue

Our total revenue increased by approximately 21.0% from approximately RMB465.7 million for the year ended 31 December 2020 to approximately RMB563.5 million for the year ended 31 December 2021, primarily due to our overall business growth.

- *Property cleaning service*. Our revenue generated from our property cleaning service increased by approximately 21.7% from approximately RMB446.9 million for the year ended 31 December 2020 to approximately RMB544.0 million for the year ended 31 December 2021, which was mainly driven by revenue generated from commercial building, shopping mall and residential building. Our number of projects in property cleaning service increased from 238 projects during the year ended 31 December 2020 to 252 projects during the year ended 31 December 2021.

    – *Commercial building*. Our revenue generated from commercial building increased by 18.2% from approximately RMB211.4 million for the year ended 31 December 2020 to approximately RMB249.9 million for the year ended 31 December 2021, which was primarily due to (i) 23 new projects which contributed approximately RMB10.5 million of revenue in total in 2021, such as Raffle City Chongqing (重慶來福士廣場); and (ii) our increased service coverage due to increased serving units in the existing projects in 2021 as a result of our business expansion contributed by our increased tendering effort.

– *Residential building.* Our revenue generated from residential building increased by 41.3% from approximately RMB96.1 million for the year ended 31 December 2020 to approximately RMB135.8 million for the year ended 31 December 2021, which was primarily due to (i) 18 new projects which contributed approximately RMB13.6 million of revenue in total in 2021, such as a project engaged by one of the largest established integrated property developers and largest real estate builders in the PRC who listed on the Main Board in Hong Kong; and (ii) our increased service coverage in terms of the number of residential units we served in the existing projects in 2021 as a result of our business expansion contributed by our increased tendering effort.

– *Transportation hub.* Our revenue generated from transportation hub decreased by 3.2% from approximately RMB63.4 million for the year ended 31 December 2020 to approximately RMB61.4 million for the year ended 31 December 2021, which was primarily attributable to several contracts in different projects ended in 2021 and partially offset by the revenue contribution of the project, Chongqing Jiangbei International Airport (重慶江北國際機場), since July 2020.

– *Shopping mall.* Our revenue generated from shopping mall increased by 35.1% from approximately RMB52.7 million for the year ended 31 December 2020 to approximately RMB71.2 million for the year ended 31 December 2021, which was primarily due to (i) seven new projects which contributed approximately RMB10.1 million of revenue in total in 2021, such as a project engaged by a leading property management company listed on the Main Board in Hong Kong with operations in 196 cities in the PRC as result of our business expansion contributed by our increased tendering effort; and (ii) a project which started in the last quarter of 2020 and contributed significant amount of revenue in 2021.

– *Public utilities.* Our revenue generated from public utilities decreased by approximately 24.0% from approximately RMB16.7 million for the year ended 31 December 2020 to approximately RMB12.7 million for the year ended 31 December 2021, which was mainly due to the completion of several contracts in different projects in 2021 and offset by three new projects which contributed approximately RMB1.8 million in total in 2021.

– *Industrial park.* Our revenue generated from industrial park increased by approximately 97.0% from approximately RMB6.6 million for the year ended 31 December 2020 to approximately RMB13.0 million for the year ended 31 December 2021, which was primarily due to a new project which contributed approximately RMB1.7 million of revenue in 2021 as a result of our business expansion contributed by our increased tendering effort and a project which started in the last quarter of 2020 and contributed significant amount of revenue in 2021.

- *Public space cleaning service*. Our revenue generated from public space cleaning service increased by approximately 6.5% from approximately RMB18.4 million for the year ended 31 December 2020 to approximately RMB19.6 million for year ended 31 December 2021, which was primarily attributable to the increase in number of projects in public space cleaning service from four projects during the year ended 31 December 2020 to seven projects during the year ended 31 December 2021 as a result of our business expansion contributed by our increased tendering effort.

- *Other cleaning service*. Our revenue generated from other cleaning services decreased from approximately RMB0.4 million for the year ended 31 December 2020 to nil for year ended 31 December 2021, which was primarily attributable to the decrease in number of projects in other cleaning service from one project during the year ended 31 December 2020 to nil project during the year ended 31 December 2021.

Cost of services

Our cost of services increased by approximately RMB88.6 million or 23.0% from approximately RMB385.7 million for the year ended 31 December 2020 to approximately RMB474.3 million for the year ended 31 December 2021. Such increase was mainly attributable to the increase in (i) employee benefit expenses from approximately RMB208.8 million to approximately RMB254.5 million due to increased number of workers employed over the corresponding periods in order to meet the manpower of increased number of projects; and (ii) the subcontracting labour costs increased from approximately RMB149.9 million for the year ended 31 December 2020 to approximately RMB188.9 million for the year ended 31 December 2021, which also mainly due to the increased manpower resources in order to support the business and revenue growth.

Gross profit and gross profit margin

As a result of the foregoing, our total gross profit increased by approximately 11.6% from approximately RMB79.9 million for the year ended 31 December 2020 to approximately RMB89.2 million for the year ended 31 December 2021. Our gross profit margin decreased from 17.2% for the year ended 31 December 2020 to 15.8% for the year ended 31 December 2021.

- *Property cleaning service*. Gross profit of our property cleaning service increased by approximately 11.8% from approximately RMB76.5 million for the year ended 31 December 2020 to approximately RMB85.5 million for the year ended 31 December 2021 due to the increase in revenue in 2021, mainly driven by commercial building, shopping mall and residential building. Gross profit margin of our property cleaning service decreased from 17.1% for the year ended 31 December 2020 to 15.7% for the year ended 31 December 2021, respectively, which was mainly driven by the decrease in gross profit margin in shopping mall and residential building.

– *Commercial building.* Gross profit of our commercial building increased by approximately 14.8% from approximately RMB38.6 million for the year ended 31 December 2020 to approximately RMB44.3 million for the year ended 31 December 2021 which was mainly due to the increase in our revenue during 2021. Gross profit margin of our commercial building remained relatively stable at 18.3% and 17.7% for the year ended 31 December 2020 and 2021, respectively.

– *Residential building.* Gross profit of our residential building increased by 14.3% from RMB12.9 million for the year ended 31 December 2020 to RMB14.8 million for the year ended 31 December 2021 which was mainly due to the increase in our revenue during 2021. Gross profit margin of our residential building decreased from 13.4% for the year ended 31 December 2020 to 10.9% for the year ended 31 December 2021, which was mainly attributable to (i) the decrease in cleaning workforce in residential building needed as the PRC government announced and encouraged the public to reduce outdoor activities in 2020, while the outbreak of COVID-19 is effectively controlled, viable treatments for COVID-19 became commercially available along with relaxation of the restrictions under the zero-COVID strategy and the subsequent normalised economic activities in 2021, so the cleaning workforce required increased during the year ended 31 December 2021; and (ii) the increase in cleaning materials consumed in residential building for the year ended 31 December 2021.

– *Transportation hub.* Gross profit of our transportation hub decreased by 6.8% from RMB10.3 million for the year ended 31 December 2020 to RMB9.6 million for the year ended 31 December 2021 which was mainly due to the decrease in our revenue during 2021. Gross profit margin of our transportation hub remained relatively stable at 16.3% and 15.6% for the year ended 31 December 2020 and 2021, respectively.

– *Shopping mall.* Gross profit of our shopping mall increased by 15.4% from RMB10.5 million for the year ended 31 December 2020 to RMB12.1 million for the year ended 31 December 2021 which was mainly due to the increase in our revenue during 2021. Gross profit margin of our shopping mall decreased from 19.9% for the year ended 31 December 2020 to 17.1% for the year ended 31 December 2021, which was mainly attributable to (i) the decrease in cleaning workforce in shopping mall needed as the PRC government announced and encouraged the public to reduce outdoor activities in 2020, while the outbreak of COVID-19 is effectively controlled, viable treatments for COVID-19 became commercially available along with relaxation of the restrictions under the zero-COVID strategy and the subsequent normalised economic activities in 2021, so the cleaning workforce required increased during the year ended 31 December 2021 and (ii) the increase in cleaning workforce was needed as the crowd volume increased in shopping mall in Guangzhou due to the active retail sales in

Guangzhou which was reflected by the increase in total retail sales of consumer goods by approximately 9.8% from the year ended 31 December 2020 to the year ended 31 December 2021.

– *Public utilities*. Gross profit of our public utilities decreased by 25.0% from approximately RMB2.8 million for the year ended 31 December 2020 to approximately RMB2.1 million for the year ended 31 December 2021 which was mainly due to the decrease in our revenue during 2021. Gross profit margin of our public utilities remained relatively stable at 16.7% and 16.2% for the year ended 31 December 2020 and 2021, respectively.

– *Industrial park*. Gross profit of our industrial park increased by approximately 107.7% from approximately RMB1.3 million for the year ended 31 December 2020 to approximately RMB2.7 million for the year ended 31 December 2021 which was mainly due to the increase in our revenue during 2021. Gross profit margin of our industrial park remained relatively stable at 20.3% and 20.6% for the year ended 31 December 2020 and 2021, respectively.

- *Public space cleaning service*. Gross profit of our public space cleaning service increased by approximately 8.8% from approximately RMB3.4 million for the year ended 31 December 2020 to approximately RMB3.7 million for the year ended 31 December 2021 which was mainly due to the increase in revenue in 2021. Gross profit margin of our public space cleaning service remained relatively stable at 18.3% and 19.0% for the year ended 31 December 2020 and 2021, respectively.

- *Other cleaning service*. Gross profit of our other cleaning service decreased from approximately RMB11,000 for the year ended 31 December 2020 to nil for the year ended 31 December 2021. Gross profit margin of our other cleaning service decreased from 3.1% for the year ended 31 December 2020 to nil for the year ended 31 December 2021 as no revenue was derived from other cleaning service during 2021.

Other income

Our other income decreased by approximately RMB1.0 million or 12.2% from approximately RMB8.2 million for the year ended 31 December 2020 to approximately RMB7.2 million for the year ended 31 December 2021. The decrease was mainly attributable to the decrease in penalty on the late payment of rental income due to the Group reached a commercial settlement with Guangzhou Pengsheng to settle the total rental receivables and all remaining of rental receivables and penalty on late payment of rental income previously charged were waived and were written off as bad debts for the year ended 31 December 2021.

Other loss

Our other loss decrease from approximately RMB7.3 million for the year ended 31 December 2020 to approximately RMB3,000 for the year ended 31 December 2021 was mainly attributable to the decrease in fair value loss on financial assets at fair value through profit or loss for year ended 31 December 2021 by approximately RMB7.1 million due to the investment in fund and wealth management product were all disposed during the year ended 31 December 2020.

Selling and marketing expenses

Our selling and marketing expenses remained stable at RMB3.1 million and RMB3.1 million for the year ended 31 December 2020 and 2021, respectively.

General and administrative expenses

Our general and administrative expenses increased by approximately RMB11.3 million or 33.5% from approximately RMB33.7 million for the year ended 31 December 2020 to approximately RMB45.0 million for the year ended 31 December 2021. Such increase was mainly attributable to (i) the increase in employee benefit expenses by RMB7.0 million due to the increase in salaries for staffs in research and development function and (ii) the increase in Listing expenses by RMB1.9 million. The increase in salaries for staff in research and development function was mainly attributable to the resources contributed to the development of 7 new patents (with 2 of them applying for registration), in which all patents are related to the enhancement of service efficiency and safety when performing our services. In 2021, we were awarded the Stone & Floor Application Conservation Specialty Qualification Certificate – AAAAA Grade by the Stone Application Conservation Specialty Committee of Guangdong Stone Materials Association, and the number of accidents occurred while performing our services decreased from 39 for the year ended 31 December 2020 to nil for the year ended 31 December 2021.

Finance expenses, net

Our finance expenses, net decreased by approximately RMB0.8 million or 66.7% from approximately RMB1.2 million for the year ended 31 December 2020 to approximately RMB0.4 million for the year ended 31 December 2021. Such decrease was mainly attributable to the decrease in interest expense on bank borrowings by RMB0.8 million due to (i) our bank borrowings were repaid during the year ended 31 December 2020 and (ii) we had new bank borrowings in late of December 2021.

Income tax expenses

Our income tax expenses decreased by approximately RMB1.6 million or 22.2% from approximately RMB7.2 million for the year ended 31 December 2020 to approximately RMB5.6 million for the year ended 31 December 2021. Effective tax rate decreased from approximately 18.7% for the year ended 31 December 2020 to 12.4% for the year ended 31 December 2021, which was mainly attributable to a subsidiary with a preferential income tax rate of 15% since December 2020. For details, please refer to Note 12 of the Accountant's Report in Appendix I to this prospectus.

Net profit and net profit margin

As a result of the foregoing, our net profit increased by approximately RMB8.6 million or 27.5% from approximately RMB31.3 million for the year ended 31 December 2020 to approximately RMB39.9 million for the year ended 31 December 2021, whilst our net profit margin remained stable at 6.7% and 7.1% for the year ended 31 December 2020 and 2021, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources

Our principal sources of funds have historically been our equity capital, cash generated from our operations and bank borrowings. Our primary liquidity requirements are to finance our business operations, working capital needs and future plans. Going forward, we expect these sources of funds to continue to be our principal sources of liquidity, and we may use a portion of the net proceeds from the Share Offer due to us to finance some of our liquidity requirements. For details of our future plans, please refer to the sections headed "Business – Business strategies" and "Future plans and use of proceeds" of this prospectus.

We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for our working capital requirements and capital expenditure needs. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in settling our obligations in the normal course of business which would otherwise have a material impact to our business, financial condition or results of operations.

Consolidated statements of Cash Flow

The following table summarises our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating cash flow before changes in working capital	54,637	52,094	48,194	22,433	24,523
Changes in working capital	(26,273)	(32,993)	(37,256)	(45,647)	(25,702)
Interest paid and/or tax paid	(6,337)	(4,175)	(5,159)	(3,419)	(3,384)
Net cash generated from/(used in) operating activities	22,027	14,926	5,779	(26,633)	(4,563)
Net cash generated from/(used in) investing activities	(5,425)	(7,423)	1,823	3,079	(1,854)
Net cash generated from/(used in) financing activities	(5,215)	(22,749)	(5,071)	(6,529)	1,553
Net increase/(decrease) in cash and cash equivalents	11,387	(15,246)	2,531	(30,083)	(4,864)
Cash and cash equivalents at beginning of the year	56,050	67,437	52,191	52,191	54,722
Cash and cash equivalents at end of the year	67,437	52,191	54,722	21,108	49,858

Cash flow from operating activities

Our net cash generated from operating activities reflects (i) profit before income tax adjusted for non-cash and non-operating items such as depreciation, finance income and costs, dividend income, fair value (gain)/losses on financial assets at fair value through profit or loss, loss of disposal of property, plant and equipment, share of net (profit)/loss of associates, loss on disposal of investments in associates, impairment losses on financial assets, reversal of impairment losses on financial assets; (ii) the effects of movements in working capital, such as changes in trade and other receivables, trade and other payables; and (iii) income tax paid.

For the six months ended 30 June 2022, our net cash used in operating activities was RMB26.6 million, representing our profit before taxation of RMB18.4 million and adjusted by an increase in trade and other receivables of RMB47.8 million which was in line with our revenue growth, and partially offset by the increase in trade and other payables of RMB2.1 million which was mainly due to the increase in amount due to Mr. Li as we had advances from Mr. Li in order to settle Listing expenses and the increase in Listing expenses payable.

For the six months ended 30 June 2023, our net cash used in operating activities was RMB4.6 million, representing our profit before taxation of RMB17.6 million and adjusted by an increase in trade and other receivables of RMB30.0 million which was in line with our business growth, and partially offset by the increase in trade and other payables of RMB4.3 million which was mainly due to the increase in amount due to Mr. Li as we had advances from Mr. Li in order to settle Listing expenses and the increase in Listing expenses payable.

For the year ended 31 December 2022, our net cash generated from operating activities was RMB5.8 million, representing our profit before taxation of RMB39.9 million and adjusted by an increase in trade and other payables of RMB7.3 million which was mainly due to the increase in amount due to Mr. Li that we had advances from Mr. Li in order to settle Listing expenses, and partially offset by the increase in trade and other receivables of RMB44.5 million which was in line with our revenue growth.

For the year ended 31 December 2021, our net cash generated from operating activities was RMB14.9 million, representing our profit before taxation of RMB45.6 million and adjusted by an increase in trade and other payables of RMB2.6 million which was mainly due to the increase in amount due to Mr. Li that we had advances from Mr. Li in order to settle Listing expenses, and partially offset by the increase in trade and other receivables of RMB35.6 million which was in line with our revenue growth.

For the year ended 31 December 2020, our net cash generated from operating activities was RMB22.0 million, representing our profit before taxation of RMB38.5 million and adjusted by an increase in trade and other payables of RMB15.0 million mainly due to the increase in payroll, bonus and social insurance payables as our increased manpower resources in order to support our business expansion, and partially offset by the increase in trade and other receivables of RMB41.3 million which was in line with our revenue growth.

Cash flow from investing activities

Cash flow from investing activities mainly consisted of purchase of property, plant and equipment and acquisition and disposal of financial assets at fair value through profit or loss.

For the six months ended 30 June 2022, we had net cash generated from investing activities of approximately RMB3.1 million, which mainly resulted from (i) decrease in restricted bank deposits of approximately RMB4.1 million and partially offset by (ii) the purchase of property, plant and equipment of approximately RMB1.1 million.

For the six months ended 30 June 2023, we had net cash used in investing activities of approximately RMB1.9 million, which mainly resulted from the purchase of property, plant and equipment of approximately RMB2.3 million.

For the year ended 31 December 2022, we had net cash generated from investing activities of approximately RMB1.8 million, which mainly resulted from (i) decrease in restricted bank deposits of approximately RMB3.6 million and partially offset by (ii) the purchase of property, plant and equipment of approximately RMB1.9 million.

For the year ended 31 December 2021, we had net cash used in investing activities of approximately RMB7.4 million, which mainly resulted from (i) the purchases of property, plant and equipment of approximately RMB4.1 million and (ii) increase in restricted bank deposits of approximately RMB5.4 million and partially offset by (iii) the net repayment from Mr. Li and related parties of approximately RMB1.9 million.

For the year ended 31 December 2020, we had net cash used in investing activities of approximately RMB5.4 million, which mainly resulted from (i) net cash used in acquisition of and disposal for investment in financial assets of approximately RMB3.0 million; (ii) the purchase of property, plant and equipment of approximately RMB4.3 million; and partially offset by (iii) the proceeds from disposal of associates of approximately RMB0.9 million due to Reorganisation purpose.

Cash flow from financing activities

Cash flow from financing activities mainly consisted of proceeds from and repayments of bank and other borrowings, dividend paid to controlling shareholders and capital reduction of a subsidiary and return of capital to controlling shareholders.

For the six months ended 30 June 2022, we had net cash used in financing activities of approximately RMB6.5 million, which mainly reflected the combined effects of (i) the repayments of bank and other borrowings of approximately RMB10.0 million; partially offset by (ii) the net advances from Mr. Chen and Mr. Li of approximately RMB5.0 million.

For the six months ended 30 June 2023, we had net cash generated from financing activities of approximately RMB1.6 million, which mainly due to the net advances from Mr. Chen and Mr. Li of approximately RMB2.3 million.

For the year ended 31 December 2022, we had net cash used in financing activities of approximately RMB5.1 million, which mainly reflected the combined effects of (i) the repayments of bank and other borrowings of approximately RMB10.0 million and partially offset by (ii) the net advances from Mr. Chen and Mr. Li of approximately RMB7.5 million.

For the year ended 31 December 2021, we had net cash used in financing activities of approximately RMB22.7 million, which mainly reflected the combined effects of (i) dividend paid to Controlling Shareholders of approximately RMB28.2 million; (ii) capital reduction of a subsidiary and return of capital of Controlling Shareholders of approximately RMB12.3 million; partially offset by (iii) the proceeds from bank and other borrowings of approximately RMB10.0 million; (iv) the net advances from related companies, Mr. Chen and Mr. Li of approximately RMB5.0 million and (v) the issuance of share approximately RMB4.0 million.

For the year ended 31 December 2020, we had net cash used in financing activities of approximately RMB5.2 million, which mainly reflected the combined effects of (i) repayments of bank and other borrowing of approximately RMB44.4 million; (ii) lease payments for principal portion of lease liabilities of approximately RMB0.5 million; (iii) interest paid on lease liabilities and bank borrowings of approximately RMB0.5 million and RMB0.8 million, respectively; (iv) listing expenses paid of approximately RMB0.7 million; partially offset by (v) the proceeds from bank and other borrowings of approximately RMB39.4 million and (vi) disposal of excluded entities of approximately RMB2.1 million due to Reorganisation purpose.

Net current assets

The following table sets forth the breakdown of our current assets and liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 30 September
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Current assets					
Trade and other receivables and prepayments	156,650	190,240	228,923	252,146	274,501
Financial assets at fair value through profit or loss	–	–	–	–	–
Restricted bank deposits	–	5,388	1,780	1,453	1,816
Cash and cash equivalents	67,437	52,191	54,722	49,858	50,507
	224,087	247,819	285,425	303,457	326,824
Current liabilities					
Trade and other payables	89,392	98,735	111,755	117,963	119,978
Current income tax payable	17,252	19,238	20,187	19,674	21,315
Bank borrowings	–	10,010	–	–	9,472
Lease liabilities	715	668	676	684	693
	107,359	128,651	132,618	138,321	151,458
Net current assets	116,728	119,168	152,807	165,136	175,366

Our Group maintained net current assets position of approximately RMB116.7 million, RMB119.2 million, RMB152.8 million, RMB165.1 million and RMB175.4 million as at 31 December 2020, 2021 and 2022 and 30 June 2023 and 30 September 2023, respectively.

Our net current assets increased from approximately RMB116.7 million as at 31 December 2020 to approximately RMB119.2 million as at 31 December 2021. The increase was mainly attributable to (i) the increase in trade and other receivables and prepayments by approximately RMB33.6 million which was in line with the growth in our revenue in 2021; (ii) the increase in restricted bank deposits by approximately RMB5.4 million; partially offset by (iii) the decrease in cash and cash equivalents by approximately RMB15.2 million; (iv) the increase in bank borrowings by approximately RMB10.0 million; (v) the increase in trade and other payables by approximately RMB9.3 million mainly due to the increase in amount due to Mr. Li as we had advances from Mr. Li in order to settle Listing expenses; and (vi) the increase in current income tax payable by approximately RMB2.0 million due to the VAT tax payable derived from our increase in revenue.

Our net current assets increased from approximately RMB119.2 million as at 31 December 2021 to approximately RMB152.8 million as at 31 December 2022. The increase was mainly due to (i) the increase in trade and other receivables and prepayments by approximately RMB38.7 million due to our increase in trade receivables; (ii) the decrease in bank borrowings by approximately RMB10.0 million; partially offset by (iii) the increase in trade and other payables by RMB13.0 million due to the increase in amount due to Mr. Li as we had advances from Mr. Li in order to settle Listing expenses and the increase in Listing expenses payable and (iv) the decrease in restricted bank deposits by approximately RMB3.6 million.

Our net current assets increased from approximately RMB152.8 million as at 31 December 2022 to approximately RMB165.1 million as at 30 June 2023. The increase was mainly attributable to (i) increase in trade receivables and other receivables and prepayments by approximately RMB23.2 million which was in line with the growth in our revenue; (ii) partially offset by the decrease in cash and cash equivalents by approximately RMB4.9 million; and (iii) the increase in trade and other payables by RMB6.2 million due to the increase in amount due to Mr. Li as we had advances from Mr. Li in order to settle Listing expenses and the increase in Listing expenses payable.

Our net current assets increased from approximately RMB165.1 million as at 30 June 2023 to approximately RMB175.4 million as at 30 September 2023. The increase was mainly attributable to the increase in trade receivables and other receivables and prepayments by approximately RMB22.4 million which was in line with the growth in our revenue; and partially offset by the increase in bank borrowings by approximately RMB9.5 million.

WORKING CAPITAL SUFFICIENCY

During the Track record Period, we met our working capital needs through a combination of cash generated from operations, bank borrowings and advances from Mr. Chen and Mr. Li. We manage our cash flow and working capital by closely monitoring and managing, among other things, the level of trade payables and receivables. We also review future cash flow requirements, assess our ability to meet debt repayment schedules and adjust our investment and financing plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations and expansion plans.

We had net cash inflows in operating activities of approximately RMB22.0 million, RMB14.9 million and RMB5.8 million and cash outflow of approximately RMB26.6 million and RMB4.6 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 30 June 2023, respectively. We recorded negative operating cash flows for the six months ended 30 June 2022 and 30 June 2023, primarily due to the increase in our trade receivables. During the Track Record Period, we recorded positive operating profit before working capital changes. Our finance department regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in short and longer term. Due to the efforts of our finance department, the negative operating cash flows of approximately RMB26.6 million for the six months ended 30 June 2022 decreased significantly to RMB4.6 million for the six months ended 30 June 2023. We plan to improve our net operating cash outflow by (i) enhancing our internal credit risk management through the credit management system established by our Group, strictly adhering to our policy of dealing only with customers of appropriate creditworthiness and history, and carrying out regular internal reviews to ensure compliance with such policy to reduce our credit risk exposure; (ii) closely monitoring the settlement of receivables and the payment schedules of our customers, timely reminding them of due payments, taking active follow-up actions to collect outstanding trade receivables and recover any overdue debts, and routinely review our collection and recovery process; and (iii) further expand our business and market coverage to increase our profit from operating activities.

Our Directors are of the opinion that, taking into account the financial resources presently available to our Group, including our internal resources, cash generated from our operations and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present working capital requirements and for at least the next 12 months from the date of this prospectus.

Our Directors confirm that there was no material defaults in payment of trade and non-trade payments and bank borrowings, and/or breaches of financial covenants during the Track Record Period and up to the Latest Practicable Date.

DISCUSSION ON SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant & equipment

Our property, plant and equipment mainly consists of building, plant and machinery, motor vehicles, furniture, fixtures and office equipment. Our property, plant and equipment amounted to RMB14.8 million, RMB15.7 million, RMB14.5 million and RMB15.1 million, respectively, as at 31 December 2020, 2021 and 2022 and 30 June 2023. Please refer to Note 15 of the Accountant's Report in Appendix I to this prospectus for details.

Investment properties

Our investment properties consist of (i) Property 1, which are buildings situated in the PRC amounted to approximately RMB1.4 million, RMB1.2 million, RMB1.1 million and RMB1.1 million as at 31 December 2020, 2021 and 2022 and 30 June 2023 and (ii) Property 2, which is a land use rights of property leased from an independent third party for 20 years and was sub-leased to Guangzhou Pengsheng of our Group for eight years under operating leases with rentals payable on a monthly basis. Property 2 was amounted to approximately RMB6.2 million, RMB5.8 million, RMB5.4 million and RMB5.1 million as at 31 December 2020, 2021 and 2022 and 30 June 2023. The lease for Property 2 was recognised as a right-of-use asset under HKFRS 16 and it was subsequently sub-leased to Guangzhou Pengsheng, it was therefore counted as an investment property under HKAS 40 in our consolidated statements of financial condition. Please refer to the section headed "Property valuation report – Summary of values" in Appendix III to this prospectus for details of Property 1 and Property 2.

Property interest and property valuation

The statement below shows the reconciliation of aggregate amounts of certain properties as selected in our audited consolidated financial information as at 30 June 2023 as set forth in Appendix I to this prospectus with the valuation of these properties as at 31 August 2023 as set forth in Appendix III to this prospectus.

	RMB'000
Carrying amount of the properties being valued by the Property Valuer as at 30 June 2023	
Investment properties	6,239
Less: Depreciation during the period 1 July 2023 to 31 August 2023	(86)
Carrying amount of the properties as at 31 August 2023	6,153
Add: Net valuation surplus of Property 1 *(Note 1)*	2,017
Less: Investment properties of Property 2 with no commercial value *(Note 2)*	(5,100)
Valuation of properties of our Group as at 31 August 2023 as set out in the property valuation report in Appendix III to this prospectus	3,070

Notes:

(1) The net revaluation surplus of investment properties was not included in our Group's financial information for the period ended 30 June 2023 in accordance with our accounting policy to state such property interests at costs less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

(2) Carrying amount of Property 2 as at 30 June 2023 was recognised as a investment property under relevant accounting policies for purposes of Appendix I to this prospectus. However, for purposes of valuation of Property 2 as at 31 August 2023 in Appendix III, the property valuer assigned no commercial value due to the property interests being a leased by our Group.

Leases have been recognised in the form of an asset (for the right-of-use assets) and a financial liability (for the payment obligation for the lease) in our Group's consolidated statement of financial position. For details, see Note 34.6 to the Accountant's Report set out in Appendix I to this prospectus.

Right-of-use assets

Our right-of-use assets represented the leases that we entered into in order to be used as our office and machinery. The carrying amount of these right-of-use assets was approximately RMB0.1 million, nil, nil and nil as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. Please refer to Note 17 of the Accountant's Report in Appendix I to this prospectus for details.

Trade and other receivables

The following table sets forth a breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	142,358	175,591	220,774	251,957
Less: allowance for impairment	(6,712)	(9,088)	(13,273)	(18,186)
	135,646	166,503	207,501	233,771
Deposits	14,760	16,089	14,971	13,489
Less: allowance for impairment	(3,238)	(4,214)	(4,214)	(4,214)
	11,522	11,875	10,757	9,275
Less: deposits – non-current portion	(5,410)	(3,154)	(4,809)	(6,536)
Deposits – current portion	6,112	8,721	5,948	2,739
Other receivables				
– Tendering deposits	5,044	2,051	3,174	4,464
Less: allowance for impairment	–	(179)	(179)	(282)
	5,044	1,872	2,995	4,182
– Amounts due from related companies/parties/then related companies	7,136	111	–	–
Less: allowance for impairment	(7,113)	–	–	–
	23	111	–	–
– Amounts due from Mr. Li	2,034	–	–	–
– Receivables from the provision of construction labor service	3,761	9,605	6,957	5,457
	10,862	11,588	9,952	9,639

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments on				
– Utilities expenses	760	619	743	732
– Insurance expenses	2,071	1,555	1,170	510
– Deferred listing expenses	1,199	1,254	3,609	4,755
	4,030	3,428	5,522	5,997
Trade and other receivables and prepayment, net	156,650	190,240	228,923	252,146

Trade receivables

Our trade receivables mainly represented outstanding receivables from our customers. Our trade receivables increased from approximately RMB135.6 million as at 31 December 2020 to approximately RMB166.5 million as at 31 December 2021 increased to approximately RMB207.5 million as at 31 December 2022 and further increased to approximately RMB233.8 million as at 30 June 2023, which was in line with the growth in our revenue during Track Record Period and mainly attributable to the late settlement from customers and slow economic resurgence after lockdown policy of the PRC government during the year ended 31 December 2022.

We generally grant a credit term ranging from 30 days to 110 days to our customers.

The following table sets forth the ageing analysis of our trade receivables based on invoice dates as at the dates indicated and our trade receivables turnover days during the Track Record Period:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–60 days	104,346	134,254	154,862	163,734
61–180 days	25,132	24,591	28,698	36,031
181–365 days	4,008	9,616	26,245	35,763
1–2 years	4,986	3,084	7,289	10,123
2–3 years	2,079	3,118	2,149	3,420
3–4 years	1,807	928	1,531	2,886
	142,358	175,591	220,774	251,957
Trade receivables turnover days *(Note)*	99.8	103.0	121.7	144.2

The following table sets forth the subsequent settlement of our trade receivables as at 30 June 2023 by age group:

	As at 30 June 2023	**Balance settled as at Latest Practicable Date**	**Balance overdue as at Latest Practicable Date**
	RMB'000	*RMB'000*	*RMB'000*
0–60 days	163,734	111,243	6,920
61–180 days	36,031	22,606	13,425
181–365 days	35,763	21,574	14,189
1–2 years	10,123	7,073	3,050
2–3 years	3,420	1,520	1,900
3–4 years	2,886	1,142	1,744
	251,957	165,158	41,228

Note: Trade receivables turnover days are calculated based on the average of the opening and closing balance of gross trade receivables divided by revenue for the corresponding period and multiplied by the number of days in the relevant period.

Our trade receivables turnover days were 99.8 days, 103.0 days, 121.7 days and 144.2 days for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively. Our trade receivables turnover days remained relatively stable in 2020, 2021 and increased in 2022 and the six months ended 30 June 2023 which was mainly attributable to the late settlement from customers and slow economic resurgence after the lockdown policy of the PRC government during the year ended 31 December 2022. As at Latest Practicable Date, according to our general credit term ranging from 30 days to 110 days to our customers and the aging analysis of our trade receivables based on the invoice dates, approximately RMB41.2 million of trade receivables over 120 days were remain unsettled. In respect of the receivables which were past due, our management will follow up with such customers and monitor their creditworthiness. At the best knowledge of our Directors, there has been no any dispute between our Group and our customers, and none of our customers have experienced financial difficulties in settling their amounts due to us.

Our Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses (ECLs), which is calculated using a provision matrix. The Group assesses the trade receivables for impairment on a collection group basis which focus on the customer's credit risk characteristics, past collection information and aging profiles. For details of credit risk and ECLs for accounts receivables, please refer to Note 3.1 to the Accountant's Report set out in Appendix I to this prospectus. It is our Directors' view that the Group accounts for its credit risk of trade receivables by approximately providing for expected credit losses on timely basis, therefore, sufficient provision has been made and no recoverability issue for trade receivable is noted.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, approximately RMB1.9 million, RMB2.4 million, RMB4.2 million and RMB4.9 million had been provided for impairment of trade receivables due from customers, respectively. As a result, the allowance for impairment of trade receivables was approximately RMB6.7 million, RMB9.1 million, RMB13.3 million and RMB18.2 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively.

As at Latest Practicable Date, approximately RMB141.4 million, RMB173.8 million, RMB183.8 million and RMB165.2 million, or 99.3%, 99.0%, 83.3% and 65.5%, respectively of trade receivables as at 31 December 2020, 2021 and 2022 and 30 June 2023 was settled. Taking into account our continuous attempts to collect the outstanding trade receivables from those customers and their subsequent settlement progress and past settlement pattern, it is our Directors' view that there is no material recoverability issue with our outstanding trade receivables.

Deposits

Our deposits represents the amount paid to customers for the guarantee of performance of the provision of cleaning services. Our deposits increased from approximately RMB11.5 million as at 31 December 2020 to approximately RMB11.9 million as at 31 December 2021 which was in line with our revenue growth during the Track Record Period. Our deposits decreased from approximately RMB11.9 million as at 31 December 2021 to RMB10.8 million as at 31 December 2022 which was mainly due to more tender deposits was repaid by the offerees and there was more tenders without the requirement of tender deposit during 2022. Our deposits decreased from approximately RMB10.8 million as at 31 December 2022 to RMB9.3 million as at 30 June 2023 which was mainly due to a certain project has ended during the six months ended 30 June 2023, which contributed significant amount of deposits.

Other receivables

Our other receivables increased from approximately RMB10.9 million as at 31 December 2020 to approximately RMB11.6 million as at 31 December 2021 mainly attributable to (i) the increase in receivable from the provision of certain ancillary services for a road construction project by approximately RMB5.8 million due to the ongoing progress of the project during the year ended 31 December 2021; partially offset by (ii) the decrease of amount due from Mr. Li by approximately RMB2.0 million due to the offset by the listing expenses paid on behalf of the Group by Mr. Li during the year ended 31 December 2021; and (iii) the decrease in tender deposits of approximately RMB1.2 million due to more tender deposits was repaid by the tender offerees during 2021. Our other receivables decreased from approximately RMB11.6 million as at 31 December 2021 to approximately RMB10.0 million as at 31 December 2022 mainly attributable to the decrease in receivable from the provision of certain ancillary services for a road construction project by approximately RMB2.6 million due to the settlement received during the year ended 31 December 2022. Our other receivable decreased from approximately RMB10.0 million as at 31 December 2022 to approximately RMB9.6 million as at 30 June 2023 mainly attributable to the decrease in receivable from the provision of certain ancillary services by approximately RMB1.5 million due to the settlement received during the period ended 30 June 2023.

Prepayment

Prepayments mainly included utility expense, insurance expense paid for employees and deferred listing expenses. Our prepayments decreased from approximately RMB4.0 million as at 31 December 2020 to approximately RMB3.4 million as at 31 December 2021 mainly due to the decrease of prepayment of insurances expenses by approximately RMB0.5 million due to PRC government launched new policy in 2021, which we could make single work-related injury insurance contribution, instead of making employer's liability insurance contribution, resulting in the decrease in insurance expense during 2021. Our prepayments increased from approximately RMB3.4 million as at 31 December 2021 to approximately RMB5.5 million as at 31 December 2022 mainly due to the prepayment in relation to Listing expenses of approximately RMB3.6 million which was recorded as at 31 December 2022. Our prepayments increased from approximately RMB5.5 million as at 31 December 2022 to approximately RMB6.0 million as at 30 June 2023 mainly due to the prepayment in relation to Listing expenses of approximately RMB4.8 million which was recorded as at 30 June 2023.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss consist of investments in a fund and wealth management products.

During the Track Record Period, we invested in three types of investment products, namely investment in funds, wealth management products and listed securities in the PRC which were funded by our internal resources and other borrowings during the Track Record Period. Our investment in fund as at 31 December 2019 related to an investment in the principal amount of approximately RMB0.8 million in a mutual fund focusing on stocks in the healthcare sector which adopts a strategy for higher excess returns through moderate risk exposure and positive risk control. The fund does not guarantee repayment of the principal. In 2020, we also invested and disposed of our investments in three exchange-traded funds, one listed open-ended fund and two non-listed open-ended funds. Wealth management products were mainly related to our investment in the principal amount of RMB3.0 million in certain short-term low risk financial products issued by a large commercial bank in the PRC and which invests principally in highly liquid assets such as bonds and deposits, debts assets and other assets. In general, neither the principal nor the return of any wealth management products is protected or guaranteed by the issuing bank. Only our wealth management products were classified as level 3 financial assets in terms of inputs to valuation methods used to estimate fair value. For more details of such investment products including the expected investment income rates of such products and the fair value estimations, please see Note 22 of the Accountant's Report in Appendix I to this prospectus. Our investment in listed securities in the PRC related to 34 companies which shares were listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange and all of such securities were all acquired and disposed of in 2020.

During the year ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our fair value loss on these financial assets were approximately RMB7.1 million, nil, nil and nil, respectively.

Our financial assets at fair value through profit or loss remained stable at nil as of 31 December 2020, 2021 and 2022 and 30 June 2023, which was primarily due to the investment in fund and wealth management product were disposed during the year ended 31 December 2020.

We did not have any financial assets at fair value through profit or loss as at 31 December 2022 and up to the Latest Practicable Date. During the year ended 31 December 2020, our Group invested in listed securities which were traded in the Shenzhen Stock Exchange and Shanghai Stock Exchange, but all these listed securities were disposed during the same year. We made our investments from time to time to make use of our available cash for higher yield as compared to cash deposits and in 2020, we started investing in the listed securities in view of the material increase in available cash during the Track Record Period, a positive outlook of the mainland stock markets as well as the attractiveness of certain listed securities which our Directors considered also to be highly liquid. With sufficient working capital for operation and in view of the favourable condition of the mainland stock market, in which the Shanghai Stock Exchange Composite Index increased by approximately 26.6% and the Shenzhen Stock Exchange Composite Index increased by approximately 39.9% from April 2020 to December 2020, our Group intended to benefit from such increase with an aim of improving its cash position and assisting its future funding needs. Moreover, the securities trading account was followed up by a licensed senior investment consultant with over 12 years of experience in equity research and investment and obtained the required regulatory licence, who provided investment advice and communicated with our Group, while our Group studied the equity research reports and obtained the required authorisation under the memorandum and articles of our Group.

However, in preparation for the Listing, our Directors wished to focus more on our core business and the funding needs of our business and its development and therefore we disposed of such investments and settled associated borrowings in 2020. The total amount invested by our Group in these listed securities amounted to RMB142.8 million, among which 18.1% of the amount was financed by borrowings. After the disposal of the corresponding securities and up to the Latest Practicable Date, the Group did not participate in any new securities trading activities. Our Directors confirm that all future investments will be conducted pursuant to our investment management policy (the "**Investment Management Policy**") (for further details of the policy, please refer to the section headed "Business – Investment Management Policy" of this prospectus). After the Listing, investing in investment products will be subject to the Group's compliance with the requirements under Chapter 14 of the Listing Rules.

We carry out our investment activities with a balance of capital preservation and yield enhancement, and during the Track Record Period our investment portfolio has been focused mainly on funds and securities listed and traded in the Shenzhen Stock Exchange and the Shanghai Stock Exchange. To control our risk exposure, the Investment Management Policy shall prohibit us from (i) conducting any securities trading activities in secondary markets including, but not limited to, the trading of stocks, bonds, options, futures and derivatives, and (ii) borrowing to wholly or partially fund any investments. Our Directors are aware of the "Guidance note on directors' duties in the context of valuations in corporate transactions" issued by the SFC on 15 May 2017 and will also take it into account for future investments. Taking into account (i) the prohibitions and restrictions on future investments and related borrowings as set out in our new internal control policies; (ii) the more thorough and multi-level assessment for such issues will be conducted by the finance department as overseen by our Investment Committee in the future; and (iii) the finance department will have more time than our Directors to analyse and monitor the on-going performance of investments ensuring compliance with our policies, our Directors believe that our enhanced internal control policies are adequate and effective to mitigate our past practices regarding the historical investments.

The Sole Sponsor's view on the suitability of our Directors, and the adequacy and effectiveness of our Company's enhanced internal control measures

Under Rules 3.08 and 3.09 of the Listing Rules, every director must (a) act honestly and in good faith in the interests of the company as a whole; (b) act for proper purpose; (c) be answerable to the issuer for the application or misapplication of its assets; (d) avoid actual and potential conflicts of interest and duty; (e) disclose fully and fairly his interests in contracts with the issuer; and (f) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the issuer.

– *Act honestly and in good faith in the interests of the company as a whole; Be answerable to the issuer for the application or misapplication of its assets; Avoid actual and potential conflicts of interest and duty.* Our Directors were aware of and understood the potential investment risk exposure in the interests of our Company by the risk tolerance assessment report during the securities account opening. Prior to making investment decision, our Directors acted honestly and avoided actual and potential conflicts of interest and duty by obtaining the required authorisation under the memorandum and articles of our Company as mentioned in the internal control policy.

  During the investing activities, for the sake of protecting the interests of our Company, our Directors set a stop-profit and cut-loss boundary at a profit or loss percentage within 20% for each security, limiting any potential loss and ensuring our Group had sufficient working capital for operation, this resulted in no defaulted payment or significant delay in payment to employee and suppliers during the Track Record Period. In addition, for the best interest of the Group, our Directors have stopped trading of security since 1 January 2021 and established an investment management policy enhancing the internal control and established our Investment Committee monitored by competent personnel to ensure the policy being properly implemented after recording a significant loss from a certain of security.

– *Act for proper purpose.* Our Directors conducted investment activities with an aim to improve the cash position for future funding needs. The mainland stock market was experiencing growth back in 2020. The Shanghai Stock Exchange Composite Index increased by approximately 26.6% and the Shenzhen Stock Exchange Composite Index increased by approximately 39.9% from April 2020 to December 2020. With the guidance and assistance of the licensed consultant, our Directors were aware of the investment opportunities and have decided to adopt margin financing under the favourable market situation with a view to magnify the return from investment to as to further improve the cash position for our Group's future funding needs and expansion.

  During the time when such investment decision was made, our Directors considered the expected return with and without using margin financing. Our Directors also evaluated the risk of incurring loss and considered that our Group was able to bear any possible loss.

During the year ended 31 December 2020, we experienced investment losses due to the impact of a certain security with the stock price fluctuating significantly during the trading period. With the use of margin financing, the significant losses contributed by this particular security magnified from approximately RMB4.8 million to RMB6.6 million.

Despite the fact that the Group experienced investment losses and losses were magnified by the use of margin financing, our Directors act for a proper purpose to improve the cash position for our Group's future funding needs and expansion. Notwithstanding such loss, there was no impact on our Group's working capital for operation during the Track Record Period.

– *Disclose fully and fairly his interests in contracts with the issuer.* Not applicable.

– *Apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the issuer.*

Before investment

With the guidance and explanation of the licensed consultant, our Directors applied skill, care and diligence through understanding the potential risk exposure of investing securities by the risk tolerance assessment report as mentioned above. Moreover, after receiving the investment advice from the competent and licensed senior investment consultant, who had over 12 years of experience in equity research and investment, our Directors communicated with the consultant, held discussion and studied the equity research reports before making any investment decision.

During investment

Our Directors applied skill, care and diligence by setting a stop-profit and cut-loss at profit or loss percentage limit within 20% for each security, which is a widespread understanding of a general investor, during investment. Hence, potential loss can be limited and our Group shall be able to ensure a sufficient working capital for operation.

After investment

After experiencing loss from securities, our Directors applied skill, care and diligence by establishing an investment management policy to enhance the internal control and established our Investment Committee monitored by competent personnel to ensure the policy being properly implemented.

In light of the above, the Sole Sponsor is of the view that our Directors have satisfied the requirements under Rules 3.08 and 3.09 and are suitable of being our Directors.

Upon reviewing the enhanced internal control measures implemented by our Group, which set out clear guidance on investment research, decision-making, execution of transactions and verification procedures, the Sole Sponsor is of the view that with clear segregation of duties, scope of authorisation and approval procedures, different internal control procedures, review procedures and analysis procedures, the enhanced internal control policy is adequate and effective for our Group to minimise the risk in investment activities and enhance the appropriateness of usage of working capital.

Trade and other payables

The following table sets forth a breakdown of our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	28,482	32,672	31,511	30,818
Other payables				
– Utility	182	388	388	533
– Listing expenses	2,810	3,611	5,959	8,688
– Amount due to Mr. Chen	180	1,405	1,405	1,405
– Amount due to Mr. Li	–	6,274	13,765	16,075
– Amount due to related parties/companies/then related companies	317	17	1	1
– Payroll, bonus and social insurance payables	53,779	49,755	52,006	52,912
– Other tax payable	3,642	4,613	6,720	7,531
	60,910	66,063	80,244	87,145
Trade and other payables	89,392	98,735	111,755	117,963

Trade payables

Our trade payables mainly represented amounts due to our suppliers (including our subcontractors).

Our trade payables increased from approximately RMB28.5 million as at 31 December 2020 to approximately RMB32.7 million as at 31 December 2021, which was mainly due to our revenue growth and increased purchase of supplies and subcontracting labor cost. Our trade payables decreased from RMB32.7 million as at 31 December 2021 to RMB31.5 million as at 31 December 2022 and further decreased to RMB30.8 million as at 30 June 2023, which was mainly due to our settlement to suppliers during 2022 and the six months ended 30 June 2023.

Our trade payables were due according to the terms on the relevant contracts. In general, our suppliers (including our subcontractors) grant us a credit term of up to 30 days from the date of performed services and we settle our payment by bank transfer.

The following table sets forth the ageing analysis of our trade payables based on invoice date as at the dates indicated and our trade payables turnover days during the Track Record Period:

	As at 31 December			**As at 30 June**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–60 days	21,660	28,755	25,302	22,802
61–180 days	3,149	2,670	1,711	2,006
181–365 days	1,568	174	996	2,538
More than 1 years	2,105	1,073	3,502	3,472
	28,482	32,672	31,511	30,818
Trade payables turnover days *(Note)*	26.3	23.5	23.4	22.5

Note: Trade payables turnover days are calculate based on the average of the opening and closing balance of trade payables divided by the adjusted cost of services for the corresponding period and multiplied by the number of days in the relevant period.

Our trade payables turnover days were 26.3 days, 23.5 days, 23.4 days and 22.5 days for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively. Our trade payable turnover days remained relatively stable for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

As at Latest Practicable Date, approximately RMB22.2 million or 72.1% of trade payables as at 30 June 2023 has been settled.

Other payables

Other payables mainly comprised (i) utility and listing expense; (ii) payroll, bonus and social insurance payable; (iii) other tax payable; and (iv) amount due to Mr. Chen, Mr. Li and related parties/companies.

Our other payables were recorded at approximately RMB60.9 million, RMB66.1 million, RMB80.2 million and RMB87.1 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. Our other payables increased from approximately RMB60.9 million as at 31 December 2020 to approximately RMB66.1 million as at 31 December 2021 primarily attributable to (i) the increase in amount due to Mr. Li by approximately RMB6.3 million as we had advances from Mr. Li in order to settle Listing expenses and the result of the consideration of acquiring the interest in Guangzhou Shenghui from Mr. Li; (ii) the increase in amount due to Mr. Chen by approximately RMB1.2 million as the result of the consideration of acquiring the interest in Guangzhou Shenghui from Mr. Chen; (iii) the increase in other tax payable by approximately RMB1.0 million due to the VAT tax payable derived from our increase in revenue; (iv) the increase in listing expenses payable by RMB0.8 million; and partially offset by (v) the decrease in payroll, bonus and social insurance payables by approximately RMB4.0 million mainly due to the decrease in bonus during the year ended 31 December 2021.

Our other payables increased from approximately RMB66.1 million as at 30 December 2021 to approximately RMB80.2 million as at 31 December 2022 primarily attributable to (i) the increase in amount due to Mr. Li by approximately RMB7.5 million as we had advances from Mr. Li in order to settle Listing expenses; (ii) the increase in Listing expenses payable by approximately RMB2.3 million; and (iii) the increase in other tax payable by approximately RMB2.1 million.

Our other payables increased from approximately RMB80.2 million as at 31 December 2022 to approximately RMB87.1 million as at 30 June 2023 primarily attributable to (i) the increase in amount due to Mr. Li by approximately RMB2.3 million as we had advances from Mr. Li in order to settle Listing expenses; (ii) the increase in listing expenses payable by approximately RMB2.7 million; and (iii) the increase in other tax payable by approximately RMB0.8 million.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as at the dates indicated:

	As at 31 December			As at 30 June	As at 30 September
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current position					
Bank borrowings	–	10,010	–	–	9,472
Lease liabilities	715	668	676	684	693
	715	10,678	676	684	10,165
Non-current position					
Lease liabilities	6,998	6,771	6,524	6,394	6,323
TOTAL	7,713	17,449	7,200	7,078	16,488

During the Track Record Period and up to 30 September 2023, being the Latest Practicable Date for determining indebtedness, our Group's total indebtedness consisted of bank borrowings and lease liabilities.

As at the Latest Practicable Date, we had unutilised banking facilities of approximately RMB20.0 million from reputable commercial bank in China.

Bank borrowings

The following table sets forth a breakdown of our bank borrowings as at the dates indicated:

	As at 31 December			As at 30 June	As at 30 September
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank borrowings:					
– secured and guaranteed					
Within one year	–	10,010	–	–	–
– unsecured					
Within three months	–	–	–	–	9,472

Our bank borrowings as at 31 December 2021 were all denominate in RMB and were interest-bearing at the interest rates ranging from 4.0% to 5.0% per annum and secured by certain buildings, restricted bank deposits of our Group and the personal guarantees by Mr. Li and Mr. Chen. As at 31 December 2022, our bank borrowings as at 31 December 2021 were fully repaid and the above securities and personal guarantees were released as at the Latest Practicable Date.

Our unsecured bank borrowings as at 30 September 2023 were all dominate in RMB and were interest-bearing at the interest rate 4.1% per annum and repayable within three months. As at the Latest Practicable Date, our unsecured bank borrowings as at 30 September 2023 were fully repaid and we had unutilised banking facilities of approximately RMB20.0 million.

Lease liabilities

We recognised right-of-use assets, investment properties and the corresponding lease liabilities in respect of all leases, except for short-term leases in our consolidated statements of financial position.

Our lease liabilities were denominated in RMB and discount rate applied was 5.8% to 6.3% as at 31 December 2020, 2021 and 2022 and 30 June 2023.

A maturity analysis of our lease liabilities is shown in the table below:

	As at 31 December			As at 30 June	As at 30 September
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
The present value of lease liabilities is as follows:					
Within 1 year	715	668	676	684	693
Later than 1 year but not later than 2 years	628	636	659	667	667
Later than 2 years but not later than 5 years	1,737	1,787	1,823	1,846	1,861
Over 5 years	4,633	4,348	4,042	388	3,795
	7,713	7,439	7,200	7,078	7,016

As at 31 December 2020, 2021 and 2022 and 30 June 2023 and 30 September 2023, our Group has lease liabilities amounted to approximately RMB7.7 million, RMB7.4 million, RMB7.2 million, RMB7.1 million and RMB7.0 million, respectively.

During the Track Record Period, our Group leased buildings and machinery for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. One of the investment properties was leased from an Independent Third Party for 20 years and was sub-leased to Guangzhou Pengsheng for 8 years under operating leases with rentals payable on a monthly basis.

Contingent liabilities

As at 30 September 2023, our Directors confirmed that, up to the date of this prospectus, our Group did not record any other contingent liabilities and our Directors are not aware of any litigation or claims of material importance pending or threatened against any member of our Group.

Material indebtedness change

Our Directors have confirmed that there was no material adverse change in our Group's indebtedness and contingent liabilities since 30 September 2023, being the latest practicable date for determining our Group's indebtedness, and up to the date of this prospectus.

Save as disclosed in this paragraphs headed "Indebtedness" and "Related party transactions" in this section, during the Track Record Period and up to 30 September 2023, being the latest practicable date for the purpose of the indebtedness statement in this prospectus, we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, hire purchase commitments, contingent liabilities, debentures or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenants that would materially limit our ability to undertake additional debt or equity financing. As at the Latest Practicable Date, save as disclosed in this paragraph headed "bank borrowings", we did not have any bank borrowings or banking facilities.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure

Our capital expenditure for the years ended 31 December 2020, 2021 and 2022 and 30 June 2023 amounted to approximately RMB4.3 million, RMB4.1 million, RMB1.9 million and RMB2.3 million, respectively, comprising mainly expenditures for the purchase of property, plant and equipment.

Since 30 June 2023 and up to 30 September 2023, our Group did not incur any material capital expenditure which were not provided for in our consolidated statements of financial position.

Capital commitments

Our Group did not have any significant capital commitments as at 31 December 2020 and 2021 and 2022 and 30 June 2023.

OFF-BALANCE SHEET TRANSACTIONS

Our Directors confirmed that, our Group had not entered into any material off-balance sheet commitments and arrangements during the Track Record Period and up to 30 September 2023.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions, mainly in relation to (i) purchase or sales of goods and services; (ii) rental income and rental expense which the relative balances were impaired during the years ended 31 December 2020, 2021 and 2022 and 30 June 2023; (iii) loans to or from related parties and interest income and expenses; and (iv) key management compensation. The following table sets forth the breakdown of our balances with related parties as at the dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature:				
Amounts due from/(to) related parties				
Trade payables	(259)	(17)	(1)	(1)
Non-trade in nature:				
Amounts due from/(to) related parties				
Other receivables	2,057	–	–	–
Other payables	(238)	(7,679)	(15,170)	(17,480)

Amounts due to related parties totalling approximately RMB0.3 million, RMB17,000 and RMB1,000 and RMB1,000 as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively, were arising from ordinary course of business, which were related to the provision of garbage collection and cleaning services to our Group and such business relationship has ceased.

As at 31 December 2020, amounts due from related parties totalling approximately RMB2.1 million were of non-trade nature, which mainly comprised amount due from a related company which has been fully settled, and the advances due from Mr. Li which was settled during 31 December 2021. As at 31 December 2020, 2021 and 2022 and 30 June 2023, amounts due to related parties totalling approximately RMB238,000, RMB7.7 million, RMB15.2 million and RMB17.5 million, respectively, were of non-trade nature, which the balance of RMB7.7 million, RMB15.2 million and RMB17.5 million as at 31 December 2021 and 2022 and 30 June 2023, respectively was mainly comprised of the advances from Mr. Li from the settlement of Listing expenses. The amount due to related parties mainly comprised the advances from Mr. Chen and Mr. Li and will be waived before the Listing.

Balances with related parties above are unsecured, interest-free and repayable on demand, except for the loan due from Mr. Li amounting to RMB5.6 million as at 31 December 2020 which carried an interest of RMB12,600 was settled in January 2021 and the amount due to Mr. Li of approximately RMB11.8 million as at 31 December 2021 which carried an interest rate of approximately 0.36% per annum was settled in December 2021. As advised by the PRC Legal Advisers, Guangzhou Shenghui has carried out internal procedures for the lending and entered into a loan contract with Mr. Li to agree upon the loan amount, interest and other relevant matters. Thus, the loan due from Mr. Li which carried interest is in compliance with relevant laws and regulations.

Our Directors confirmed that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms otherwise available to Independent Third Parties and were fair, reasonable and in the interest of our Shareholders as a whole.

For further details on related party transactions and balances, see Note 30 to our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus.

KEY FINANCIAL RATIOS

The following table provides a summary of our key financial ratios for the periods indicated or as at the dates indicated and should be read in conjunction with the Accountant's Report set out in Appendix I to this prospectus:

		As at 31 December			As at 30 June
	Note	**2020**	**2021**	**2022**	**2023**
Return on equity *(%)*	1	22.1	28.0	19.4	N/A
Return on total assets *(%)*	2	12.2	14.4	10.9	N/A
Current ratio *(times)*	3	2.1	1.9	2.2	2.2
Gearing ratio *(%)*	4	5.5	12.2	4.1	3.7
Net debt to equity ratio *(%)*	5	Net Cash	Net Cash	Net Cash	Net Cash
Interest coverage *(times)*	6	30.5	92.8	70.3	65.8

Notes:

1. Return on equity is calculated based on the net profit divided by the total equity as at the end of the respective period and multiplied by 100.0%.

2. Return on total assets is calculated based on the net profit divided by the total assets as at the end of the respective period and multiplied by 100.0%.

3. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective period.

4. Gearing ratio is calculated based on the total borrowings and lease liabilities divided by total equity as at the end of the respective period and multiplied by 100.0%.

5. Net debt to equity ratio is calculated based on the net debts (total debts net of cash and cash equivalents) divided by total equity as at the end of the respective period and multiplied by 100.0%.

6. Interest coverage is calculated by dividing profit before taxation and interest by the finance cost as at the end of the respective period.

Return on equity

Our return on equity was approximately 22.1%, 28.0% and 19.4% for the years ended 31 December 2020, 2021 and 2022, respectively. The increase in our return on equity for the year ended 31 December 2021 was mainly due to the increase in net profits compared to 2020. The decrease in our return on equity for the year ended 31 December 2022 was mainly due to the decrease in net profits and increase in total equity compared to 2021.

Return on total assets

Our return on total assets was approximately 12.2%, 14.4% and 10.9% for the years ended 31 December 2020, 2021 and 2022, respectively. The increase in our return on total assets for the year ended 31 December 2021 was mainly due to the increase in net profits compared to 2020. The decrease in our return on total assets for the year ended 31 December 2022 was mainly due to the decrease in net profits and increase in current assets compared to 2021.

Current ratio

Our current ratio was approximately 2.1 times, 1.9 times, 2.2 times and 2.2 times as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. The decrease in our current ratio as at 31 December 2021 was mainly attributable to (i) the increase in bank borrowings by approximately RMB10.0 million; and (ii) the increase in trade and other payables of approximately RMB9.3 million. The increase in our current ratio as at 31 December 2022 was mainly attributable to combined effect of (i) the increase in trade and other receivables of approximately RMB44.7 million; (ii) the decrease in bank borrowings of approximately RMB10.0 million and (iii) the decrease in cash and cash equivalents of approximately RMB30.1 million. The increase in our current ratio as at 31 December 2022 was mainly due to (i) the increase in trade and other receivables and prepayment of approximately RMB38.7 million; (ii) the decrease in bank borrowings by approximately RMB10.0 million and (iii) the increase in cash and cash equivalents of approximately RMB2.5 million. Our current ratio as at 30 June 2023 remained stable at 2.2 times.

Gearing ratio

Our gearing ratio was approximately 5.5%, 12.2%, 4.1% and 3.7% as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. The increase in our gearing ratio at 31 December 2021 was mainly attributable to the increase in bank borrowings by approximately RMB10.0 million in 2021. The decrease in our gearing ratio at 31 December 2022 was mainly attributable to the decrease in bank borrowings by approximately RMB10.0 million as at 31 December 2022. Our gearing ratio as at 30 June 2023 remained stable at 3.7%.

Net debt to equity ratio

We recorded net cash positions as our cash and cash equivalents balances were in excess of our borrowings as at 31 December 2020, 2021 and 2022 and 30 June 2023.

Interest coverage

Our interest coverage was approximately 30.5 times, 92.8 times, 70.3 times and 65.8 times for the years ended 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. The increase in our interest coverage for the year ended 31 December 2021 was mainly attributable to (i) lower finance costs incurred as a result of our bank borrowings fully repaid during the year ended 31 December 2020; and (ii) we had new bank borrowings in late of December 2021. The decrease in our interest coverage for the year ended 31 December 2022 was mainly attributable to the lower profit before taxation and interest for the year ended 31 December 2022. The decrease in our interest coverage for the six months ended 30 June 2023 was mainly attributable to the lower profit before taxation and interest for the period ending 30 June 2023.

FINANCIAL RISK MANAGEMENT

During the normal course of business, our Group is exposed to various types of financial risks including interest rate risk, credit risk, liquidity risk and capital risk. Please refer to the section headed "Business – Risk management and internal control" of this prospectus for other key risk management discussion. Our Board is responsible for setting the objectives and underlying principles of financial risk management, further details of which are set out in Note 3 of the Accountant's Report in Appendix I to this prospectus.

Interest rate risk

Our Group is exposed to interest rate risk on its borrowings and bank deposits. The interest rates and terms of repayment of our borrowings are disclosed in Note 27 of the Accountant's Report in Appendix I to this prospectus.

We currently do not have an interest rate hedging policy and have not entered into any interest rate swaps and/or contracts to hedge our exposure, but will monitor our interest rate risk exposure in the future.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to our Group. Our Group is exposed to credit risk in relation to our cash and bank deposits as well as trade receivables and other receivables. For trade receivables, our Group has established a credit management system as detailed in the section headed "Business – Risk management and internal control" in this prospectus and adopts the policy of dealing only with customers of appropriate creditworthiness and history. For financial assets, our Group adopts the policy of only dealing with financial institutions and other counterparties with high credit ratings. Our bank deposits are held by reputable banks that are considered to have limited credit risk as they are leading players with good reputation. Credit risk to an individual counterparty is restricted by credit limits which are approved by our Directors based on ongoing credit assessments. The counterparty's payment profile and credit exposure are monitored by our Directors continuously.

We consider the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. We consider available reasonable and supportive forward-looking information, including indicators such as internal credit rating, external credit rating, actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to a customer's ability to meet its obligations, actual or expected significant changes in our debtor or customer's operating results, significant increases in credit risk on other financial instruments of the same customer, or significant changes in the expected performance and behaviour of a customer.

We adopt the general approach for expected credit loss of other receivables including amounts due from related parties. We consider these financial assets have not significantly increased in credit risk from initial recognition, and thus, they are classified in stage one and only considered 12-month expected credit losses. Considering the history of default and forward looking factor, the expected credit loss is immaterial.

Credit exposure to an individual counter-party is restricted by credit limits that are approved by the directors based on on-going credit evaluation. The counter-party's payment profile and credit exposure are continuously monitored by the directors of our Group.

Our Group is exposed to credit risk concentration as detailed in Note 3.1(iii) of the Accountant's Report in Appendix I to this prospectus. Our major customers are reputable organisations and therefore, management considers our credit risk limited.

Liquidity risk

Liquidity risk is the risk that our Group will encounter difficulties in raising funds to meet commitments associated with financial instruments. In the management of liquidity risk, our Group ensures that we have adequate funding through our ability to operate profitably and ensuring we have sufficient cash balance to meet our normal operating commitments and adequate amount of committed credit facilities. For details of the maturity profile of our Group's financial liabilities, please see Note 3.1(iv) of the Accountant's Report in Appendix I to this prospectus.

Capital risk

Our Group regularly reviews and manages our capital structure to ensure optimal capital structure and shareholder returns, taking into account our future capital requirements of our Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Our Group currently has not adopted any formal dividend plan.

In order to maintain or adjust the capital structure, our Group may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt.

Gearing has a significant influence on our capital structure and we monitor our capital using gearing ratio as well as our current and expected liquidity requirement and adjusting our capital structure to reflect the change in economic conditions affecting our Group. For further details of our Group's gearing ratio, please refer to Note 3.3 of the Accountant's Report in Appendix I to this prospectus.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately RMB42.1 million (equivalent to approximately HK$47.1 million), which amounted to 35.0% of gross proceeds of the initial public offering based on an Offer Price of HK$0.36 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), of which (i) underwriting-related expenses, including underwriting commission and other expenses are approximately RMB8.4 million (equivalent to approximately HK$9.4 million) and (ii) non-underwriting-related expenses are approximately RMB33.7 million (equivalent to approximately HK$37.7 million), comprising (a) fees and expenses of legal advisers and accountants of approximately RMB18.7 million (equivalent to approximately HK$20.9 million) and (b) other fees and expenses, including sponsor fee, of approximately RMB15.0 million (equivalent to approximately HK$16.8 million). Out of the amount of approximately RMB42.1 million, approximately RMB13.9 million is directly attributable to the issue of the Listing and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately RMB28.2 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately RMB28.2 million that shall be charged to profit or loss, approximately

RMB20.8 million has been charged during the Track Record Period and approximately RMB7.4 million is expected to be incurred for after the Track Record Period. Expenses in relation to the Listing are non-recurring in nature. Our financial performance and results of operations for the years after Track Record Period will be adversely affected by the estimated expenses in relation to the Listing.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in our consolidated financial statements for the year ending 31 December 2023 is subject to adjustment based on audit and the then changes in variables and assumptions.

DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, Guangzhou Shenghui declared and distributed dividends of approximately RMB28.2 million to its then shareholders in January 2021. The payment of such dividends was financed by our Group's internal resources. Our historical declarations of dividends may not reflect our future declarations of dividends. We have no current plans for future dividend payments. Our Company currently does not have any predetermined dividend payout ratio.

Under Cayman Island law, dividends may be paid out of the profits of our Company or out of sums standing to the credit of our share premium account provided that under no circumstances may dividends be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Future dividend payments will also depend on the availability of dividends we will receive from our subsidiaries in the PRC. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, subject to certain requirements of Cayman Islands Law. Our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Directors. The amount of any dividends to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 4 January 2021. As at 30 June 2023, our Company had no distributable reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for further details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the date of this prospectus, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT

Please refer to the section headed "Summary – Recent developments" of this prospectus.

NO MATERIAL ADVERSE CHANGE

As far as our Directors are aware, there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operation position since 30 June 2023 and up to the date of this prospectus.

Save for the expenses in connection with the Listing, up to the date of this prospectus, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 30 June 2023, being the date on which the latest audited financial statements of our Group were made up and there had been no events since 30 June 2023 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report set out in Appendix I to this prospectus.

FUTURE PLANS

Please refer to the section headed "Business – Business strategies" of this prospectus for a detailed description of our business strategies.

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK$0.36 per Offer Share, being the mid-point of the indicative Offer Price range of HK$0.32 to HK$0.40 per Offer Share) will be approximately HK$87.4 million. We intend to apply such net proceeds in the following manner:

- Approximately HK$61.4 million representing approximately 70.3% of the net proceeds from the Share Offer, for expanding our geographic presence across the PRC, among which

  (1) approximately HK$42.7 million, representing approximately 48.9% of the net proceeds from the Share Offer will be used to establish three branch offices locally in the first quarter of 2024 in first and new first-tier cities such as Beijing, Shanghai and Hangzhou in the PRC which have strong demand for property cleaning services. It is contemplated that each new branch office would initially consist of managers, marketing staff responsible for business development and sufficient operation staff. We estimate the main costs for the above include expenses for incorporating the entity, renting an office at such locations, attracting quality staff through an attractive remuneration package and purchasing basic equipment, machinery and vehicles. Additional staff will be hired and equipment and machinery purchased based on the actual scope and scale of services to be rendered under the new service agreements between us and customers.

Further breakdown of major costs

The following table sets out a further breakdown of major costs associated with the establishment of new branch offices in Beijing, Shanghai and Hangzhou based on a timeframe from 1 January 2024 to 31 August 2026:

	Beijing	**Shanghai**	**Hangzhou**
	HK$ million	*HK$ million*	*HK$ million*
Rental and office expenses *Note 1*	0.8	0.9	0.5
Staff costs *Note 2*	12.0	12.0	12.0
Preliminary tendering, cost of materials and miscellaneous expenses *Note 3*	1.5	1.5	1.5

Notes:

(1) The rental and office expenses are estimated based on quotations obtained for a monthly rental of approximately RMB180/100 sq.m., RMB200/100 sq.m. and RMB75/100 sq.m. for Beijing, Shanghai and Hangzhou, respectively.

(2) In determining the amount for staff costs, our Directors considered that generally staff costs represent the most significant major costs due to the labour intensive nature of our business, and based on our experience we require significant available cash-flow for the salaries, social insurance and housing provident funds payments for sufficient workers to operate our business. With reference to our over 6,347 staff dedicated to operations as at 31 December 2022, our Directors believe that our expected hiring of at least 270 staff (comprising five managerial staff and around 85 operations and other staff for each location) is reasonable. The staff costs are estimated based on two types of staff: (i) managerial staff; and (ii) operations and other staff. It is estimated that initially, five managerial staff will be hired for each location with an average salary and benefits (including social insurance and housing provident funds) of RMB7,500/month and around 85 operations and other staff will be hired for each location with an average salary and benefits (including social insurance and housing provident funds) of RMB4,000/month.

(3) The preliminary tendering, cost of materials and miscellaneous expenses are estimated by reference to our past experience.

Strategic considerations for establishing new branch office

Historically, it has been our business strategy to cultivate and develop the client network and reputation in Guangdong province, especially in the Greater Bay Area. Since our establishment, we have established three branch offices for the purpose of our business expansion in three different geographical locations, i.e. Haikou Branch, Chongqing Branch and Zhengzhou Branch. For details of our business strategy in establishing branch offices, please refer to the section headed "Business – Business strategies – Continue to increase our market share by expanding our presence in the PRC in both existing and new markets – Expand market coverage by establishment of new branch offices – Our historical success in establishing Haikou Branch and Chongqing Branch and Our Established Zhengzhou Branch" in this prospectus.

As part of our growth strategy, we wish to accelerate our expansion in new markets, in particular to have more sizeable projects and gain a foothold in the markets in Beijing, Shanghai and Hangzhou, the PRC.

By utilising proceeds from the Share Offer to establish three new branch offices locally in each of Beijing, Shanghai and Hangzhou in the PRC, we intend to have not only office and operation staff but also business development staff in these markets to build a stronger local presence which can cater to and provide greater attention to customers in the region. In addition, based on the past experience of the management of our Group, we believe we need to have a local presence with timely and sufficient supports in order for us to win the tenders of sizeable projects and maintain long lasting relationships with customers in these new markets. As at the Latest Practicable Date, Shenghui Cleanness (Beijing) was established in preparation of our development plans, which we expect to be in full operation after we devote our resources involving the hiring of office, operation and business development staff. Upon listing, we intend to utilise the proceeds to fully commit to the devotion of resources into Shenghui Cleanness (Beijing) where we may attract more tenders and secure more projects in Beijing.

As a cleaning and maintenance services provider, we strive to establish brand presence in existing markets and expand to new markets, so as to further grow our business. Our end-users are customers located in local community, therefore, establishing local presence can enable our Group to reach out to our customers most directly and have a better understanding of local markets' needs.

According to the Industry Report, it is generally the market practice for cleaning and maintenance services providers to set up a local office before or shortly after being awarded a service contract. However, it is favourable to our Group's business expansion to establish branch offices before being awarded a service contract for reasons set out below:

– *To fulfil tender offerors' requirement*. In order to be qualified to bid certain sizable projects such as the Raffles City Chongqing project, bidders are required to establish a branch office/subsidiary, but not a temporary project company, in Chongqing before submitting the tenders.

  Moreover, as confirmed by Frost & Sullivan, tender offerors usually consider the existence of a branch office as one of the assessment indicators during the tendering process, our Group will hence gain competitive advantage through the establishment of branch office when securing a tender.

– *Management advantage.* The main purpose of setting up a temporary project company in different provinces or cities is to arrange social insurance and housing provident funds for local staff of one-off projects and/or with less sizable contract sums. With increasing scale of operation, our Directors believe that the management advantages such as cost-saving effect, compliance with regional restrictions on opening of social insurance and housing provident fund accounts, increasing staff loyalty and efficiency of recruitment of local staff can be obtained.

– *Restriction on age of cleaning workers.* The historical strategy of our Group to hire retired persons as cleaning staff may not be appropriate for certain sizeable customers or large-scale contracts (especially for high-end commercial premises such as Guangzhou Taikoo Hui (廣州太古匯)) due to the restrictions on the age of the cleaning workers or percentage restrictions on employing retired workers. For our Group to be able to hire non-retired local cleaning workers, there is a need to set up local offices so as to open social insurance and housing provident funds accounts for workers in compliance with regional regulations. As such, setting up local offices will enable our Group to (i) reduce the number of retired workers employed so as to satisfy the requirements of more sizeable contracts; and (ii) contribute to non-retired workers' social insurance and housing provident funds effectively and efficiently.

– *To build up reputation and enhance efficiency of marketing efforts.* Through the establishment of branch office, our Group shall be able to daily and directly contact with the key players and stakeholders in the industry as well as relevant local government authorities and respond to their comments and requirements in a timely and efficient manner, hence enables our Group to familiarise ourselves with local regulatory practices and customs, customer preferences and behaviour, the reliability of local contractors and suppliers, business practices and business environments, which in turn enables our Group to receive tender invitations from sizeable customers, secure tenders and execute projects in a more effective way.

  In contrast, temporary project companies with limited size and structure merely contribute to the arrangement of social insurance and housing provident funds for local staff of one-off projects and/or with less sizable contract sums, and can bring limited marketing effect to our Group's business and can unlikely help our Group establish local presence in such provinces.

– *Increased demand of having local office and staff.* Since the COVID-19 pandemic, the PRC cities such as Shanghai are subject to lockdown from time to time, which led to the decrease in staff mobility to provide services across different provinces. As confirmed by Frost & Sullivan, there is an increasing demand for local presence of workers from tender offerors since the outbreak of the COVID-19 pandemic. Due to provincial policy towards pandemic control, some regional market would be affected as domestic transit across region would be somehow restricted. This will further impose an impact on regular service delivery across provinces in the environmental and maintenance service industry. Hence, our Directors consider that it is essential for our Group to set up local offices and have local staff present in different provinces to increase our Group's competitiveness in securing tenders in future.

According to the Industry Report, the property cleaning market size in Beijing is expected to increase significantly from approximately RMB7.4 billion in 2023 to approximately RMB11.3 billion in 2027 with a CAGR of approximately 11.1% and the market size of the property cleaning sector in Shanghai is expected to grow at a higher CAGR of approximately 10.9% from approximately RMB9.3 billion in 2023 to approximately RMB12.8 billion in 2027. The property cleaning market in Zhejiang province, where Hangzhou is located, is also expected to witness a growth with the market size of property cleaning in Zhejiang province expected to increase from approximately RMB46.0 billion in 2023 to approximately RMB55.2 billion in 2027 with CAGR of approximately 4.7%. Hangzhou, as the capital city of Zhejiang province and key contributor to the economic growth of the province, has experienced rapid growth in recent years with noticeable urbanisation process, which has generated substantial demand for cleaning and maintenance services in relation to city streets, public facilities and different types of properties, including residential and commercial properties. As the market demand is driven by the cities' continuing economic development and urbanisation, Hangzhou is expected to have remarkable growth potential. The market size of property cleaning sector in Hangzhou has increased from RMB1.6 billion in 2018 to a predicted value of RMB2.2 billion in 2022, representing a CAGR of 8.3%, and it is anticipated to further arise from RMB2.3 billion in 2023 to RMB3.2 billion in 2027 with a CAGR of 8.6%. Based on the potential opportunities for our Group considering the significant demand for property cleaning as demonstrated by the large market size of the property cleaning markets in Beijing, Shanghai and Zhejiang (which Hangzhou forms a part) and the overall growth trend in these markets, Beijing, Shanghai and Hangzhou are determined to be suitable locations for establishing new subsidiaries or branch offices and despite the maturity of the market in Beijing and Shanghai.

According to the Industry Report, to enter into such markets in Beijing, Shanghai, and Hangzhou, it is crucial for new market entrants to have a proven and outstanding track record, reputation, expertise and industrial recognition and such factors serve as a barrier to entry for most entrants to enter into such markets. For further details on the market potentials and our ability to replicate our success in Guangdong province to Beijing, Shanghai and Hangzhou, please refer to the section headed "Business – Business strategies – Continue to increase our market share by expanding our presence in the PRC in both existing and new markets – Expand market coverage by establishment of new branch offices – Potentials in Beijing, Shanghai and Hangzhou and our ability to replicate our success in Guangdong province" in this prospectus.

Our Directors believe that (a) by leveraging on our existing relationship with reputable property developers and property management companies, (b) with our expertise and capabilities to provide a variety of cleaning and maintenance services and past success in undertaking projects across 14 provincial-level regions in the PRC, (c) with the competitive advantages we may enjoy after we have obtained our listing status upon Listing, and (d) by recruiting local management staff who are familiar with the trends in the local competitive landscape, we can compete effectively with the market incumbents and successfully expand our business in such cities with substantial market demand.

Our Directors confirm that our Group has not entered into any projects in Beijing, Shanghai and Hangzhou during the Track Record Period.

Breakeven and investment payback periods

Breakeven period refers to the number of months needed for the revenue generated by establishing new branch offices in Beijing, Shanghai and Hangzhou to cover the relevant operating costs and expenses on accounting basis, taking into account the non-cash items such as depreciation expenses.

For illustrative purposes only, based on the assumptions that (i) our new branch offices will be established and the relevant operating costs and expenses will begin to incur in the first quarter of 2024; (ii) on a conservative basis, the tendering process will commence after the establishment of new branch offices in the first quarter of 2024, and new projects will commence in March 2024; (iii) the new branch offices are able to capture the property and public space cleaning market shares in Beijing, Shanghai and Hangzhou, according to our Group's historical property and public space cleaning market share in the PRC in 2021; and (iv) the operating costs and expenses of new branch offices mainly include staff costs, rental expenses and tendering expenses and there will be no material change in the market, fiscal and economic conditions, our Directors expect that breakeven period will be approximately thirteen months after the establishment of branch offices in the first quarter of 2024.

Investment payback period refers to the number of years needed for the accumulated cash inflows from establishing new branch offices in Beijing, Shanghai and Hangzhou to equate the total cash outflow for operating the three new branch offices. For illustrative purposes only, based on the assumptions that (i) our new branch offices will be established and the relevant operating costs and expenses will begin to incur in the first quarter of 2024; (ii) on a conservative basis, the tendering process will commence after the establishment of new branch offices in the first quarter of 2024, and new projects will commence in March 2024; (iii) the new branch offices are able to capture the property and public space cleaning market shares in Beijing, Shanghai and Hangzhou, according to our Group's historical property and public space cleaning market share in the PRC in 2021; (iv) staff costs, rental expenses and other related costs are expected to be paid at the end of the next month to which they are related; (v) based on the credit terms granted to our customers and the historical average trade receivables turnover period, the revenue is expected to be received approximately 3 months after the month of revenue generated and (vi) the operating costs and expenses of new branch offices mainly include staff costs, rental expenses and tendering expenses and there will be no material change in the market, fiscal and economic conditions, our Directors expect that the investment payback period will be approximately four years and nine months after the establishment of branch offices in the first quarter of 2024.

(2) approximately HK$18.7 million, representing approximately 21.4% of the net proceeds from the Share Offer will be used to pursue strategic acquisitions of the entire or invest in a majority interest in one or two cleaning and maintenance services provider(s) in the PRC. Given that we are also considering target(s) in the Greater Bay Area, there may be overlap, to a certain extent, between our service offering and the service offering of the acquisition target(s).

Our Directors are of the view that the acquisition of the potential targets will bring the following synergistic effect:

– *Operational synergy*. Our Directors are of the view that our Group and potential targets can share resources and expertise, such as technologies and knowledge, market contribution, patents and service management through merger or acquisition, thereby can subsequently engage in different types of service contracts which we were not capable of engaging in before the merger or acquisition.

  Our Group shall also be able to grow our clientele gradually based on the existing customers of the potential targets; and that the potential targets, upon earning the reputation as a subsidiary of our Group and receiving additional resources from our Group, shall be able to tender and secure more sizeable projects introduced by our existing customers. The customer base can be enlarged by sharing the marketing networks and channels between our Group and the potential targets and hence improve the income as a whole.

  As a result of the acquisition, our Group and the potential targets can improve our market share, industry concentration and ability on price setting. On the other hand, we can also enjoy economies of scale to lower the operation cost through the expansion of operating scale.

– *Management synergy.* The management cost of our Group and potential targets can be saved and management efficiency can be improved as a number of enterprises are managed in the same group. Our Group and potential targets may experience better service delivery, enhanced utilisation of resources, improvement in employee motivation, and more opportunities for growing the business. An acquisition may also reduce job duplication and make use of excess management resources.

– *Financial synergy.* When the scale of our Group is expanded through acquisition, the source of funds will be more diversified. The potential targets can obtain funds from our Group and invest in projects with higher returns which improve the efficiency of capital utilisation. On the other hand, higher investment returns can bring more capital returns to our Group. This cycle can increase the internal funds and maintain sufficient cashflow within our Group.

  When the capital of our Group and the potential target is expanded, the bankruptcy risk is relatively reduced, the solvency and the ability to obtain external loans are improved, hence our Group and the potential targets can increase our credit ratings and reduce barriers for external financing.

  Hence, our Directors believe that the acquisition(s) will promote the growth and expansion of our existing business and any cannibalisation effect shall be minimal. As at the Latest Practicable Date, we had neither identified any particular acquisition target(s) nor entered into any formal agreements for acquisition. Taking into account reasonable time to identify acquisition targets(s), conduct necessary due diligence, structure the transaction, and negotiate the agreement, we expect to identify and complete the above acquisition on or before 2026.

  Although we have not yet approached any particular acquisition target(s) for discussions on potential acquisitions, and the actual acquisition costs will depend on the commercial terms negotiated between the vendor(s) and us, we have allocated an amount of net proceeds from the Share Offer for this purpose by reference to the expected annual revenue of the potential acquisition target(s) of not less than RMB20 million. The acquisition costs will be financed by a combination of net proceeds from the Share Offer, internal resources and/or bank borrowings. Taking into account the limited data available in public database for private companies and that necessary due diligence are yet to be done by our Group, our Directors confirm that not less than three potential targets would preliminarily meet our Group's acquisition criteria, which are (a) small to medium size businesses which operate in the cleaning and maintenance services industry in the PRC and operate in regions where there is strong demand for cleaning and maintenance services for commercial properties such as the Greater Bay Area including Guangzhou and other cities in Guangdong province; (b) established for over 15 years in the cleaning and maintenance industry and (c) not less than RMB20 million in terms of annual revenue.

• Approximately HK$16.9 million representing approximately 19.4% of the net proceeds from the Share Offer, for enhancing our service capabilities to capture opportunities in the public space cleaning sector.

In connection with the above, we intend to purchase specialised vehicles for garbage collection and for waste suction with vehicle treatment capabilities, hire professional staff (including managers and vehicle drivers and operations staff) and rent sufficient car-parking spaces in connection with the new vehicles after taking into account the size of such vehicles and the limits of our current owned and rented properties.

Further breakdown of major costs

The following table sets out a further breakdown of the major costs associated with the enhancement of our service capabilities to capture opportunities in the public space cleaning sector:

	Quantity	**Estimated costs**
		RMB million
Purchase garbage collection vehicle *Note 1*	5	2.8
Purchase waste suction vehicle *Note 2*	5	5.2
Hire professional staff *Note 3*	22	5.9
Rent car parking spaces *Note 4*	1,000 sq.m.	1.4

Notes:

(1) The costs for garbage collection vehicles are estimated based on the quoted unit price of approximately RMB560,000. Their estimated useful life is five years.

(2) The costs for waste suction vehicles are estimated based on the quoted unit price of approximately RMB1.0 million. Their estimated useful life is five years.

(3) We plan to hire one manager and 10 drivers for each of our garbage collection and waste suction services. The staff costs are estimated for 30 months based on an average salary and benefits (including social insurance and housing provident funds) of RMB7,500/month for manager and RMB9,000/month for drivers with reference to the market rate.

(4) Among our current owned and rented properties, we only have one owned car parking space with a GFA of approximately 10.5 sq.m., which is insufficient to accommodate the five new garbage collection vehicles and five new waste suction vehicles to support our operation needs.

Cost-benefit analysis for acquisition of specialised vehicles

Performing public space cleaning projects with our own specialised vehicles involves the garbage collection process and the garbage transportation process. With reference to our Group's single existing public cleaning project, the daily garbage collected for the project is 1.6 tonnes and it is assumed that the garbage collection vehicle operates 2 round trips per day for below analysis.

During the garbage collection process, (i) a specialised garbage collection vehicle with a value of RMB6,800 and 36 months of estimated useful life; and (ii) 2 working hours by 3 general cleaning staff for garbage collection with monthly salary of RMB6,000 (Note 1) are required. During the garbage transportation process, (i) a specialised garbage transportation vehicle with a value of RMB560,000, 60 months estimated useful life and garbage collection capacity of 25 tonnes; (ii) 8 working hours by a driver for garbage transportation with monthly salary of RMB9,000 (Note 2) and (iii) fuel costs for 2 round trips for garbage transportation of 31.1km per one-way trip, are required.

Based on our existing public space cleaning projects, with the assumption and the fact that the garbage transportation process serves several public cleaning projects, the garbage transportation fee should be amortised to a single project according to the proportion of 1.6 tonnes of garbage collected per day for a single project to the 50 tonnes garbage collection capacity for a specialised garbage transportation vehicle with 2 round trips per day.

Notes:

(1) A general cleaning staff with monthly salary of RMB6,000 works 26 days per months and 8 hours per day.

(2) A driver with monthly salary of RMB9,000 works 26 days per month and 8 hours per day.

The following table illustrates the average monthly costs of acquiring specialised vehicles:

ACQUIRING SPECIALISED VEHICLES

Garbage collection

	Value	**Estimated useful life**	**Average monthly costs**
	(RMB)		*(RMB)*
– Vehicle and equipment	6,800	36 months	189
	Average hourly rate *(RMB)*	**Daily operation hours**	**Average monthly costs** *(RMB)*
– Employees (3 staff required)	28.85	2 hours	5,264.42
Garbage collection fee (A)			**5,453.31**

Garbage transportation

	Value	Estimated useful life	Average monthly costs
	(RMB)		*(RMB)*
– Vehicle and equipment	560,000	60 months	9,333.33

	Average hourly rate	Daily operation hours	Average monthly costs
	(RMB)		*(RMB)*
– Employees (1 staff required)	43.27	8 hours	10,528.85

	Distance	Fuel Consumption	Oil price per Litre	Average costs per trip	Average monthly costs
			(RMB)	*(RMB)*	*(RMB)*
– Fuel costs	124.4km	35.4L/100km	7.72	340	10,340.76
Garbage Transportation Fee					**30,202.94**
Amortisation to project cost (B)					**966.49**
Total average monthly cost ((C)=(A)+(B))					**6,419.81**

The following table illustrates the average monthly costs of subcontracting based on the subcontracting fee in the specialised vehicle subcontracting agreement related to the same public cleaning service project:

SUBCONTRACTING

	Subcontracting fee per year *(RMB)*	**Average monthly costs** *(RMB)*
– Subcontracting (2 hours per day)	110,970	9,248.50

As such, our Directors believe that there is a necessity for our Group to procure more garbage collection and waste suction vehicles, such as compression refuse collectors and sewage purification treatment vehicle. In accordance with the Industry Report, the most commonly used vehicles in the cleaning of public facilities such as streets, lanes, parks, common areas, public toilet cleaning and sanitising include garbage collection vehicles and waste suction vehicles. We may consider leasing specialised vehicles to perform other specific tasks which are not commonly seen in public cleaning projects.

- Approximately HK$6.7 million representing approximately 7.6% of the net proceeds from the Share Offer, for adoption of technological advances in the industry, specifically the purchase of cleaning robots, and upgrading our IT system.

Further breakdown of major costs

In connection with the above and based on quotations obtained, we intend to allocate approximately HK$4.5 million for the purchase of cleaning robots and approximately HK$2.2 million for upgrading our IT systems. Based on the cost of RMB198,800 per robot, it is expected that 20 cleaning robots will be purchased. This number may be adjusted based on further changes to the market price for suitable cleaning robot models at the time of purchase.

- Approximately HK$2.3 million representing approximately 2.5% of the net proceeds from the Share Offer, to expand our marketing department and strengthen our brand recognition through promotional activities.

- The remaining approximately HK$0.1 million, representing approximately 0.2% of the net proceeds from the Share Offer, for our working capital and for general corporate purposes.

To the extent our net proceeds from the Share Offer are not sufficient to fund the purposes set out above, we intend to finance the balance through a variety of means, including cash generated from operations and bank financing.

We will not receive any of the proceeds from the sale of the Sale Shares by our Selling Shareholders in the Share Offer. Our Selling Shareholders estimate that they will receive, in aggregate, net proceeds from the Share Offer of approximately HK$13.6 million, after deducting the estimated underwriting commissions and expenses payable by them in the Share Offer and assuming an Offer Price of HK$0.36 per Offer Share, being the mid-point of the indicative Offer Price range of HK$0.32 to HK$0.40 per Offer Share in this prospectus.

If the Offer Price is set at the high end of the indicative Offer Price range, being HK$0.40 per Offer Share, the net proceeds of the Share Offer will increase by approximately HK$13.9 million. If the Offer Price is set at the low end of the indicative Offer Price range, being HK$0.32 per Offer Share, the net proceeds of the Share Offer will decrease by approximately HK$13.9 million. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes pro-rata to what is set out above.

Should our Directors decide to reallocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course. To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes or if we are unable to affect any part of our future development plans as intended, we will hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong or the PRC (as defined under the SFO, the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant laws in the PRC). We will also disclose the same in the relevant annual report.

IMPLEMENTATION PLANS

The following table sets forth a breakdown of how the net proceeds to be received by us from the Share Offer, and assuming an Offer Price of HK$0.36 per Offer Share, being the mid-point of the indicative Offer Price range of HK$0.32 to HK$0.40 per Offer Share) are intended to be applied and the timing of application:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026	For the year ending 31 December 2027	Total amount used from net proceeds		
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*HK$ million*	*%*
Expanding our geographic presence across the PRC							
– Establish new subsidiaries and branches *Note 1*	13.6	15.3	9.3	–	38.2	42.7	48.9
– Strategic acquisition(s) *Note 2*	–	–	16.7	–	16.7	18.7	21.4
Sub-total					***54.9***	***61.4***	***70.3***
Enhancing our service capabilities *Note 3*	9.7	2.7	2.4	0.3	15.1	16.9	19.4
Adopting technological advances and upgrading our IT system *Note 4*	6.0	–	–	–	6.0	6.7	7,6
Expanding our marketing department and strengthen our brand recognition *Note 5*	1.3	0.7	–	–	2.0	2.3	2.5
General working capital					0.1	0.1	0.2

Notes:

(1) We intend to establish three new branches or subsidiaries (including hiring relevant staff, identifying and renting office at the relevant locations), one in Beijing, Shanghai and Hangzhou each, all the first quarter of 2024.

(2) We intend to begin the relevant strategic acquisition process including the engagement of professional advisers and kick-off the process within 12 month from the Listing Date. Afterwards, the identification and selection of potential acquisition target(s), due diligence, signing of documents and payment of the consideration are expected to be completed on or before 31 December 2026.

(3) We intend to purchase 10 specialised vehicles and hire two managers and 20 drivers in the fourth quarter of 2024. We will finalise the selection of the car parking spaces on or before 28 February 2024 and commence the rental of such properties in March 2024.

(4) We intend to purchase 20 cleaning robots in the first quarter of 2024. In relation to upgrading our IT systems, we will obtain final quotations, select service provider and finalise the implementation plan for upgrading our IT systems and of such upgrades after relevant design, implementation and testing on or before 28 February 2024.

(5) We intend to engage marketing agent to promote public awareness of our brand in the first quarter of 2024.

The above implementation plans are draft up based on current economic conditions which are inherently subject to many uncertainties and factors outside of our control in particular, the risk factors as set out in the section headed "Risk factors" of this prospectus. We cannot assure you that our business strategies will be achieved and our implementation plans will materialise in accordance with the above estimated time frame or at all.

REASONS FOR LISTING

According to the Industry Report, the environmental cleaning and maintenance industry in the PRC mainly comprises and is largely dominated by two sectors, namely the property cleaning and public space cleaning sectors. These two sectors have been growing steadily and their total market size is expected to reach approximately RMB622.8 billion in 2027, representing a CAGR of approximately 8.8% from 2023 to 2027. In addition, due to the outbreak of COVID-19, the PRC government has established related national policies to reinforce and standardised large-scale cleaning and sanitising activities to improve cleaning and maintenance condition at community level. Therefore, despite the adverse impact of COVID-19 pandemic on the economy, the environmental cleaning and maintenance service providers are beneficiaries during these unprecedented times. Despite our strong position in the commercial property cleaning sector in Guangdong province, our Group has a market share of approximately 0.1% in the overall industry in PRC in terms of revenue in 2022 according to the Industry Report, indicating a huge potential for future growth and expansion in this growing industry particularly in the public space cleaning sector and in provincial-level regions beyond Guangdong province.

Our Directors consider that the Listing will provide wide-ranging benefits to our Group including:

(a) according to the Industry Report, the public space cleaning sector mostly involves high contract sum projects with local government customers which prefer large-scale service providers with good industry recognition and four of the five largest dominant players in the industry identified have listing status. In order to strengthen our position in the property cleaning sector in Guangdong province and substantially expand our business in the long run, we believe the Listing will help to elevate the profile of our Group, increase our recognition among potential customers and competitiveness to tender for sizeable projects and raise our visibility with customers particularly government customers which would help to generate more business opportunities in the public space cleaning sector and as we expand our market presence outside of Guangdong province and across the PRC through opening new branches and/or acquisitions and investments as part of our business strategy;

(b) our major customers, which includes reputable property management companies and companies listed on the Stock Exchange and other major stock exchanges, may prefer to work with listed companies given their greater transparency with stringent regulatory compliance, announcements, financial disclosure and corporate governance and general regulatory supervision by the relevant regulatory bodies. In addition due to market conditions and uncertainties due to COVID-19, our Directors believe the listing status will provide our business partners with greater security and comfort when engaging in business with us as compared with private service providers;

(c) labour shortage is a major challenge in our industry according to the Industry Report and our Directors believe that the listing status will help our Group raise staff morale and confidence in our Group, which would improve our ability to attract, recruit, retain and motivate experienced and qualified staff; and

(d) the Listing will broaden our Group's shareholder base and strengthen our capital base.

PUBLIC OFFER UNDERWRITERS

Sole Overall Coordinator

Cinda International Capital Limited

Joint Global Coordinators

Cinda International Capital Limited
ICBC International Securities Limited
CCB International Capital Limited
Yuen Meta (International) Securities Limited
China Sunrise Securities (International) Limited

Public Offer Underwriters

Cinda International Capital Limited
ICBC International Securities Limited
CCB International Capital Limited
Yuen Meta (International) Securities Limited
China Sunrise Securities (International) Limited
ABCI Securities Company Limited
CEB International Capital Corporation Limited
China Everbright Securities (HK) Limited
China Industrial Securities International Capital Limited
CMB International Capital Limited
CMBC Securities Company Limited
Eddid Securities and Futures Limited
Gear Securities Investment Limited
Grand Moore Capital Limited
Livermore Holdings Limited
Realord Asia Pacific Securities Limited
SBI China Capital Financial Services Limited
Soochow Securities International Brokerage Limited
SPDB International Capital Limited
Zheshang International Financial Holdings Co., Limited
Zhongtai International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer initially 41,437,500 Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all our Shares in issue and any Shares to be issued as mentioned in this prospectus (including any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme) by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus and the Public Offer Underwriting Agreement.

In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement will be subject to termination by notice in writing to us from the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the other Public Offer Underwriters) with immediate effect if any of the following events occur prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Sole Sponsor, the Sole Overall Coordinator and the Joint Global Coordinators:

(i) that any statement contained in any of this prospectus and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of us in connection with the Share Offer (including any supplement or amendment thereto) (collectively, the "**Relevant Documents**"), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the other Public Offer Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or

(iii) any breach of any of the obligations imposed or to be imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of any of us, our executive Directors and our Controlling Shareholders (the "**Warrantors**") pursuant to the indemnities given by them under the Public Offer Underwriting Agreement or under the Placing Underwriting Agreement; or

(v) any change or development or event involving a prospective material adverse change in the assets, liabilities, general affairs, management, business, prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of us (the "**Group Company**"); or

(vi) any material breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Public Offer Underwriting Agreement; or

(vii) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) the acceptance of the CSRC of the filings in respect of the Share Offer (the "**CSRC Filings**") and the publication of the filing results in respect of the CSRC Filings on its website is rejected or not granted, on or before the date of the Listing, or if granted or accepted, the acceptance is subsequently withdrawn, cancelled, qualified, revoked, invalidated or withheld; or

(ix) withdrawal of any of the Relevant Documents or the Share Offer; or

(x) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Public Offer Documents (as defined in the Public Offer Underwriting Agreement) or to the issue of any of the Public Offer Documents (as defined in the Public Offer Underwriting Agreement); or

(xi) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

(xii) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our Directors and senior management member of the Group as set out in the section headed "Directors and senior management" of this prospectus; or

(xiii) a portion of the orders in the book-building process, which is considered by the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the other Public Offer Underwriters) in their absolute opinion to be material, at the time the Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Sole Overall Coordinator and the Joint Global Coordinators, in their sole and absolute discretion, concludes that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or

(xiv) any material loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the other Public Offer Underwriters) in their sole absolute opinion to be material; or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, national, regional or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome, Coronavirus disease (COVID-19) or such related or mutated forms) or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

(iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or

(iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority ("**Law(s)**"), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Share Offer (the "**Specific Jurisdictions**"); or

(v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(vi) any imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the HK dollars or the RMB against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or

(viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk factors" of this prospectus; or

(ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or

(x) any of our Directors and senior management members of us as set out in the section headed "Directors and senior management" of this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman of our Board of chief executive officer of us vacating his or her office; or

(xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xiii) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Share Offer; or

(xiv) a prohibition on us for whatever reason from allotting, issuing or selling the Offer Shares pursuant to the terms of the Share Offer; or

(xv) non-compliance of this prospectus, the CSRC Filings and the other Relevant Documents or any aspect of the Share Offer with the Listing Rules, the CSRC Rules or any other Laws applicable to the Share Offer; or

(xvi) the issue or requirement to issue by us of a supplement or amendment to this prospectus and/or any other documents in connection with the Share Offer pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules, the CSRC Rules or any requirement or request of the Stock Exchange, the SFC and/or the CSRC; or

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which, in each case individually or in aggregate in the sole and absolute opinion of the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the other Public Offer Underwriters):

(a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of us or any Group Company or on any present or prospective shareholder of us in his, her or its capacity as such; or

(b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or

(c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Public Offer Underwriting Agreement or the Share Offer to be performed or implemented or proceeded with as envisaged or to market the Share Offer or shall otherwise result in a material interruption to or delay thereof; or

(d) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof in any material respect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we will not issue any further shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date) except for:

(a) the issue of shares, the listing of which has been approved by the Stock Exchange, pursuant to a share scheme under Chapter 17 of the Listing Rules;

(b) any capitalisation issue, capital reduction or consolidation or sub-division of Shares; and

(c) the issue of shares or securities pursuant to an agreement entered into before the Listing Date, the material terms of which have been disclosed in this prospectus in connection with the Share Offer.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to (among others) us and the Stock Exchange that, save as permitted under the Listing Rules, he or it will not, and shall procure that the relevant registered holder(s) of the Shares will not:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares in respect of which he or it is shown by this prospectus to be the beneficial owner(s); or

(b) in the period of six months commencing on the date which the period referred to in paragraph (a) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares referred to in paragraph (a) above if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be our controlling shareholder (as defined in the Listing Rules).

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to (among others) us and the Stock Exchange that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

(a) when he or it pledges or charges any Shares beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters, if any, by any of our Controlling Shareholders and disclose such matters by way of an announcement in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertaking by our Company

We have undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that except pursuant to the Capitalisation Issue and the Share Offer, during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor, the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of us or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of us or any shares or other securities of such other Group Company, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of us or any shares or other securities of such other Group Company, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of us or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of us or any shares or other securities of such other Group Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of us or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

We have also undertaken that we will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of us during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**").

In the event that, during the Second Six-Month Period, we enter into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, we shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of us. Each of our Controlling Shareholders undertakes to each of the Sole Overall Coordinator, the Joint Global Coordinators and the Public Offer Underwriters to use its best endeavors to procure us to comply with the above undertakings.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to each of us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters) that, except in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor, the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters):

(i) at any time during the First Six-Month Period, he or it shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/her and the companies controlled by it/she (together, the "**Controlled Entities**") shall not,

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of us or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/her directly or indirectly through its/her Controlled Entities (the "**Relevant Securities**"), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or

(c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of us or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, it/she shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/she would cease to be a "controlling shareholder" (as defined in the Listing Rules) of us or would together with the other Controlling Shareholders cease to be "controlling shareholders" (as defined in the Listing Rules) of us;

(iii) in the event that he or it enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, he or it shall take all reasonable steps to ensure that it/she will not create a disorderly or false market for any Shares or other securities of us; and

(iv) he or it shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of us.

Each of our Controlling Shareholders has further undertaken to each of us, the Stock Exchange, the Sole Sponsor, the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of Public Offer Underwriters) that, within the period from the date by reference to which disclosure of its/her shareholding in us is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/she will:

(i) when he or it pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of us will be sold, transferred or disposed of, immediately inform us and the Sole Sponsor in writing of such indications.

We shall inform the Stock Exchange in writing as soon as we have been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

Placing

In connection with the Placing, it is expected that our Company, our Selling Shareholders, our Controlling Shareholders and our executive Directors will enter into the Placing Underwriting Agreement with, among others, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to act as agents of our Company to procure subscribers for the Placing Shares initially being offered pursuant to the Placing. For further details, please refer to the section headed “Structure and conditions of the Share Offer – The Placing” in this prospectus. It is also expected that upon the entering into of the Placing Underwriting Agreement, the Placing will be fully underwritten.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Public Offer Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company or our Controlling Shareholders of the Public Offer Underwriting Agreement.

Fees, commission and expenses

The aggregate of the fees payable by the Company to all syndicate Capital Market Intermediaries amount to 7.0% of the gross proceeds of the initial public offering (the "**Fixed Fees**"). As our Company will not pay the Underwriters any discretionary incentive fee for the Share Offer (the "**Discretionary Fee**"), the ratio of the Fixed Fees and Discretionary Fee is therefore 100:0.

The fees and commissions, the Stock Exchange trading fee, the SFC transaction levy and the AFRC transaction levy payable and borne by us in connection with the offering of the Offer Shares under the Public Offer and the Placing, are estimated to amount to approximately RMB42.1 million in aggregate (based on an Offer Price of HK$0.36 per Share, being the midpoint of the indicative Offer Price range of HK$0.32 to HK$0.40 per Share).

The Selling Shareholders shall bear, and be responsible for the payment of, all the underwriting commission, incentive fee (if any), the Stock Exchange trading fee, the SFC transaction levy and the AFRC transaction levy in connection with the sale of the Sale Shares under the Placing. Such listing expenses payable by the Selling Shareholder in connection with the sale of the Sale Shares (based on an Offer Price of HK$0.36 per Share, being the midpoint of the indicative Offer Price range of HK$0.32 to HK$0.40 per Share) are estimated to be RMB1.0 million.

An aggregate amount of approximately HK4.4 million is payable by our Company as sponsor fees to the Sole Sponsor.

The commissions and fees are determined after arm's length negotiations between our Company and the Public Offer Underwriters and/or other parties by reference to the current market conditions.

Independence of the Sole Sponsor

No director, employee and close associate of the Sole Sponsor who is involved in providing advice to our Company has or, as a result of the Listing and/or the Share Offer, may have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities). No director, employee and close associate of the Sole Sponsor has any directorship in our Company or any other members of our Group. The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

PUBLIC OFFER UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for the abovementioned, its interests and obligations under the Underwriting Agreements, the Public Offer Underwriters are not interested legally or beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Share Offer comprises:

(a) the Public Offer of 41,437,500 Public Offer Shares (subject to reallocation as mentioned below) as described under the paragraph headed "The Public Offer" in this section; and

(b) the Placing of 372,937,500 Placing Shares (comprising 332,312,500 new Shares and 40,625,000 Sale Shares) (subject to reallocation as mentioned below) as described below in this section.

The Offer Shares will represent approximately 25.5% of the total issued share capital of our Company immediately after the completion of the Share Offer and the Capitalisation Issue.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed "Pricing and allocation" in this section.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer (including the Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme) and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

2. Placing Underwriting Agreement

The execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date.

3. Obligations under Underwriting Agreements

The obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

4. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of our Selling Shareholders) and the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Friday, 1 December 2023, the Share Offer will not proceed and will lapse.

If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of our Selling Shareholders) by the Price Determination Date, the Share Offer will lapse and will not proceed.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.gzshqj.com** on the next Business Day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for the Public Offer Shares – D. Despatch/collection of share certificates and refund of application monies" of this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of the Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional in all respects.

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 41,437,500 Public Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.6% of the total issued share capital of our Company immediately after the completion of the Share Offer and the Capitalisation Issue. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and/or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation

Allocation of the Offer Shares to investors under the Share Offer will be based solely on the level of valid applications received under the Share Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Public Offering (after taking into account any allocation) is to be divided into two pools (subject to adjustment of odd lot size): Pool A and Pool B. Accordingly, the maximum number of Public Offer Shares initially in Pool A and Pool B will be 20,722,500 and 20,715,000, respectively. The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy, the AFRC transaction levy, and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this subsection only, the "price" for the Public Offer Shares means the price payable on application therein (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Offer Shares from either Pool A or Pool B but not from both pools.

Multiple or suspected multiple applications and any application for more than 20,715,000 Public Offer Shares (being approximately 50% of the 41,437,500 Public Offer Shares initially available under the Public Offering) are liable to be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The final Offer Price, the level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Monday, 4 December 2023 through a variety of channels as described in the section headed "How to apply for the Public Offer Shares – B. Publication of results" of this prospectus.

Reallocation of the Offer Shares between the Public Offer and the Placing

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Overall Coordinator and the Joint Global Coordinators.

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

(a) where the Placing Shares are fully subscribed or oversubscribed:

(i) if the Public Offer Shares are undersubscribed, the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) has the authority in its absolute discretion to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Overall Coordinator and the Joint Global Coordinators deem appropriate;

(ii) if the number of Offer Shares validly applied for under the Public Offer are not undersubscribed but represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 41,437,500 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 82,875,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Share Offer;

(iii) if the number of Offer Shares validly applied for under the Public Offer represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Public Offer, the Offer Shares will be reallocated to the Public Offer from the Placing in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Public Offer Shares will be increased to 124,312,500 Offer Shares (in the case of (1)), 165,750,000 Offer Shares (in the case of (2)), and 207,187,500 Offer Shares (in the case of (3)), representing 30%, 40% and 50% of the Offer Shares initially available under the Share Offer, respectively;

(b) where the Placing Shares are undersubscribed:

(i) if the Public Offer Shares are also undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus and the Underwriting Agreements; and

(ii) if the Public Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 41,437,500 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 82,875,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK$0.32 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on or before Monday, 4 December 2023.

THE PLACING

Number of the Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 372,937,500 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 23.0% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the paragraph headed "Offer Price – Price determination of the Share Offer" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Overall Coordinator and the Joint Global Coordinators so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

OFFER PRICE

Price determination of the Share Offer

The Offer Price will be fixed by agreement between the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of our Selling Shareholders) on the Price Determination Date, which is expected to be on or around Friday, 1 December 2023. If our Company (for ourselves and on behalf of our Selling Shareholders) and the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Friday, 1 December 2023, the Share Offer will not become unconditional and will lapse immediately.

The Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of our Company (for ourselves and on behalf of our Selling Shareholders), based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative Offer Price range and/or the number of Offer Shares below those stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.gzshqj.com** a notice of the reduction or to be announced in such manner as permitted under the Listing Rules and agreed between our Company (for ourselves and on behalf of our Selling Shareholders) and the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of our Selling Shareholders), will be fixed within such revised Offer Price range.

Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus. In the event that there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, they will be allowed to subsequently withdraw their applications. However, if the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company (for ourselves and on behalf of our Selling Shareholders) and the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.gzshqj.com** a notice of the change and if applicable the revised date.

The Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with these consent of the Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range stated below in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be posted on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and on the website of the Company at **www.gzshqj.com** notices of the reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, the Company will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Public Offer is open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications.

Offer Price range

The Offer Price will not be more than HK$0.40 per Offer Share and is expected to be not less than HK$0.32 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.

Price payable on application

Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK$0.40 for each Offer Share (plus brokerage of 1%, Stock Exchange trading fee of 0.00565%, SFC transaction levy of 0.0027% and AFRC transaction levy of 0.00015%), amounting to a total of HK$3,030.25 for each board lot of 7,500 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK$0.40 for each Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee, the SFC transaction levy and the AFRC transaction levy attributable to the surplus application monies, without any interest) will be made to applicants.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

Announcement of the final Offer Price, together with the level of indication of interest in the Share Offer, the results of applications and the basis of allocation of the Public Offer Shares are expected to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.gzshqj.com** on Monday, 4 December 2023.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to, among other conditions, us (for ourselves and on behalf of the Selling Shareholders) and the Sole Overall Coordinator and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the Placing Underwriting Agreement relating to the Placing on the Price Determination Date.

Certain terms of the underwriting arrangements, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement, are summarised in the section headed "Underwriting" of this prospectus.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Stock Exchange grants approval for the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 5 December 2023, it is expected that dealing in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 5 December 2023. The Shares will be traded in board lots of 7,500 Shares each. The stock code for the Shares is 2521.

IMPORTANT NOTICE TO INVESTORS OF PUBLIC OFFER SHARES: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Public Offer. We will not provide any printed copies of this document or printed copies of any application forms to the public in relation to the Public Offer.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.gzshqj.com. If you require a printed copy of this document, you may download and print from the website addresses above.

The contents of the electronic version of the document are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Public Offer Shares electronically. We will not provide any physical channels to accept any application for the Public Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

If you have any question about the application online via the **HK eIPO White Form** Service for the Public Offer Shares, you may call the enquiry hotline of our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at +852 3907 7333 during:

(i) 9:00 a.m. to 6:00 p.m. from Monday, 27 November 2023 to Wednesday, 29 November 2023; and

(ii) 9:00 a.m. to 12:00 noon on Thursday, 30 November 2023.

A. APPLICATION FOR PUBLIC OFFER SHARES

1. Who Can Apply

You can apply for Public Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older;
- have a Hong Kong address *(for the* ***HK eIPO White Form*** service only); and

- are outside the United States, and are not a U.S. person (as defined in Regulation S).

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

2. Application Channels

The Public Offer period will begin at 9:00 a.m. on Monday, 27 November 2023 and end at 12:00 noon on Thursday, 30 November 2023 (Hong Kong time).

To apply for Public Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**	Investors who would like to receive a physical Share certificate. Public Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Monday, 27 November 2023 to 11:30 a.m. on Thursday, 30 November 2023, Hong Kong time.
	(2) the designated website **www.hkeipo.hk** Enquiries: +852 3907 7333		The latest time for completing full payment of application monies will be 12:00 noon on Thursday, 30 November 2023, Hong Kong time.

Application Channel	Platform	Target Investors	Application Time
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical Share certificate. Public Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Public Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorised to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorised the **HK eIPO White Form** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your broker or custodian to apply for the Public Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Public Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Public Offer.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Public Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual Applicants

- Full name(s) as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s) as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong Address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint account holders on FINI is capped at 4[(1)] in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Sole Overall Coordinator and/or the Joint Global Coordinators, as our agent, may accept it at our discretion and on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

Note:

(1) Subject to change, if the Company's Articles of Incorporation and applicable company law prescribe a lower cap.

4. Permitted Number of Public Offer Shares for Application

Board lot size	:	7,500
Permitted number of Public Offer Shares for application and amount payable on application/ successful allotment	:	Public Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK$0.40 per Share.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Public Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Public Offer Shares.

No. of Public Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment *HK$*	No. of Public Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment *HK$*	No. of Public Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment *HK$*	No. of Public Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment *HK$*
7,500	3,030.25	67,500	27,272.30	600,000	242,420.40	5,250,000	2,121,178.50
15,000	6,060.51	75,000	30,302.56	675,000	272,722.96	6,000,000	2,424,204.00
22,500	9,090.76	150,000	60,605.10	750,000	303,025.50	6,750,000	2,727,229.50
30,000	12,121.02	225,000	90,907.66	1,500,000	606,051.00	7,500,000	3,030,255.00
37,500	15,151.28	300,000	121,210.20	2,250,000	909,076.50	15,000,000	6,060,510.00
45,000	18,181.54	375,000	151,512.76	3,000,000	1,212,102.00	20,715,000[1]	8,369,564.31
52,500	21,211.79	450,000	181,815.30	3,750,000	1,515,127.50		
60,000	24,242.05	525,000	212,117.86	4,500,000	1,818,153.00		

(1) Maximum number of Public Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and Accounting and Financial Reporting Council ("**AFRC**") transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the Share Registrar (for applications made through the application channel of the Hong Kong Branch Share Registrar) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information in your application as required under the paragraph headed "– A. Applications for Public Offer Shares – 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any Placing Shares.

6. Terms and Conditions of An Application

By applying for Public Offer Shares through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorise us and/or the Sole Overall Coordinator and/or the Joint Global Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Public Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the **IPO App** or designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Public Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that the Relevant Persons, the Hong Kong Branch Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Branch Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "– G. Personal Data – 3. Purposes and 4. Transfer of personal data" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "– B. Publication of Results" in this section; agree that once any application made by you or HKSCC Nominees on your behalf is accepted, the application cannot be revoked, and that acceptance of the application will be evidenced by the notification of the result of the ballot by the Hong Kong Branch Share Registrar;

(x) confirm that you are aware of the situations specified in the paragraph headed "– C. Circumstances In Which You Will Not Be Allocated Public Offer Shares" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/ or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we, the Sole Overall Coordinator and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Public Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the Hong Kong Share Registrar or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Public Offer Shares through:

Platform		Date/Time
Applying through the **HK eIPO White Form** service or **HKSCC EIPO** channel:		
IPO APP and Website	from the "IPO Results" function in the **IPO App** and the designated results of allocation website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID Number" function. The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and **HKSCC EIPO** channel, and (ii) the number of Public Offer Shares conditionally allotted to them, among other things, will be displayed on the designated results of allocation website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult**	24 hours, from 11:00 p.m. and Monday, 4 December 2023 to 12:00 midnight and Sunday, 10 December 2023 (Hong Kong time)
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.gzshqj.com** which will provide links to the above mentioned websites of the Hong Kong Branch Share Registrar.	No later than 11:00 p.m. on Monday, 4 December, 2023 (Hong Kong time).
Telephone	+852 3691 8488 – the allocation results telephone enquiry line provided by the Hong Kong Branch Share Registrar	between 9:00 a.m. and 6:00 p.m. from Tuesday, 5 December 2023, to Friday, 8 December 2023 (Hong Kong time) on a business day

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Friday, 1 December 2023 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Friday, 1 December 2023 on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocations of Public Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.gzshqj.com** by no later than 11:00 p.m. on Monday, 4 December 2023 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

You should note the following situations in which Public Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Sole Overall Coordinator, the Joint Global Coordinators, the Hong Kong Branch Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Public Offer Shares is void:

The allocation of Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "– A. Applications for Public Offer Shares – 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;

- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we, the Sole Overall Coordinator or the Joint Global Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will only be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Public Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Public Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Public Offer Shares will be reallocated to the Placing. Public Offer Shares applied by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Public Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Branch Share Registrar and HKSCC is or will be liable if Public Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made through the **HKSCC EIPO** channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid at 8:00 a.m. on Tuesday, 5 December 2023 (Hong Kong time), provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	**HKSCC EIPO** channel
Despatch/ collection of Share certificate[1]		
For application of 1,000,000 Public Offer Shares or more	Collection in person at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong Time: from 9:00 a.m. to 1:00 p.m. on Tuesday, 5 December 2023 (Hong Kong time) If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar. *Note:* If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account No action by you is required

1 Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an Extreme Conditions announcement issued after a super typhoon in force in Hong Kong in the morning on the Tuesday, 5 December 2023 rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "– E. Severe Weather Arrangements" in this section.

	HK eIPO White Form service	**HKSCC EIPO** channel
For application less than 1,000,000 Public Offer Shares	Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk Time: Monday, 4 December 2023	
Refund mechanism for surplus application monies paid by you		
Date	Tuesday, 5 December 2023	Subject to the arrangement between you and your broker or custodian
Responsible party	Hong Kong Branch Share Registrar	Your broker or custodian
Application monies paid through single bank account	e-Auto Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Thursday, 30 November 2023 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- an Extreme Conditions announcement,

(collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 30 November 2023.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Severe** Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.qzshqj.com** of the revised timetable.

If a **Severe** Weather Signal is hoisted on Monday, 4 December 2023, the Share Registrar will make appropriate arrangements for the delivery of the share certificates to the CCASS Depository's service counter so that they would be available for trading on Tuesday, 5 December 2023.

If a **Severe** Weather Signal is hoisted on Monday, 4 December 2023:

- for physical share certificates of over 1,000,000 offer shares issued under your own name, you may pick them up from the Share Registrar's office after the **Severe** Weather Signal is lowered or cancelled (e.g. on Tuesday, 5 December 2023).

- for physical share certificates of less than 1,000,000 offer shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Monday, 4 December 2023 or on Tuesday, 5 December 2023).

Prospective investors should be aware that if they choose to receive physical share certificates issued in their own name, there may be a delay in receiving the share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second Settlement Day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the Hong Kong Branch Share Registrar, the receiving bank(s) and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Public Offer Shares, of the policies and practices of the Company and the Hong Kong Branch Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Public Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Branch Share Registrar is accurate and up-to-date when applying for Public Offer Shares or transferring Public Offer Shares into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Public Offer Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Public Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Public Offer Shares inform the Company and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Public Offer Shares;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Public Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Branch Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the Hong Kong Branch Share Registrar relating to the applicants for and holders of Public Offer Shares will be kept confidential but the Company and the Hong Kong Branch Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank(s) and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Branch Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Public Offer Shares request a deposit into CCASS);

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Branch Share Registrar in connection with their respective business operation;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and

- any persons or institutions with which the holders of Public Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the Hong Kong Branch Share Registrar will keep the personal data of the applicants and holders of Public Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Public Offer Shares have the right to ascertain whether the Company or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Branch Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Branch Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHENGHUI CLEANNESS GROUP HOLDINGS LIMITED AND CINDA INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Shenghui Cleanness Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-67, which comprises the consolidated statements of financial position as at 31 December 2020, 2021 and 2022 and 30 June 2023, the statements of financial position of the Company as at 31 December 2021 and 2022 and 30 June 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-67 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 November 2023 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2021 and 2022 and 30 June 2023 and the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the companies now comprising the Group in respect of the Track Record Period. No dividends have been paid by the Company since its date of incorporation in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

27 November 2023

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand of RMB ("RMB'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2020	**2021**	**2022**	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	5	465,664	563,541	594,204	289,173	298,251
Cost of services	6	(385,746)	(474,296)	(499,795)	(243,433)	(251,074)
Gross profit		79,918	89,245	94,409	45,740	47,177
Selling and marketing expenses	6	(3,111)	(3,076)	(3,983)	(1,966)	(2,730)
General and administrative expenses	6	(33,682)	(45,033)	(51,060)	(26,627)	(24,042)
Impairment losses on financial assets		(4,580)	(2,333)	(4,185)	(1,905)	(5,016)
Other income, net	7	8,238	7,155	5,109	3,437	2,235
Other loss	8	(7,345)	(3)	–	–	–
Operating profit		39,438	45,955	40,290	18,679	17,624
Finance expenses, net	11	(1,172)	(404)	(422)	(236)	(197)
Share of net profit of associates	18	236	–	–	–	–
Profit before income tax		38,502	45,551	39,868	18,443	17,427
Income tax expenses	12	(7,190)	(5,630)	(5,479)	(3,051)	(2,119)
Profit and total comprehensive income for the year/period attributable to owners of the Company		31,312	39,921	34,389	15,392	15,308
Earnings per share attributable to owners of the Company (expressed in RMB'000 per share)						
– Basis and diluted	14	31.3	39.9	34.4	15.4	15.3

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2020	2021	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	15	14,817	15,741	14,477	15,106
Investment properties	16	7,532	7,015	6,498	6,239
Right-of-use assets	17	140	–	–	–
Investments in associates	18	–	–	–	–
Deferred income tax assets	19	3,806	4,336	4,965	5,717
Deposits	21	5,410	3,154	4,809	6,536
		31,705	30,246	30,749	33,598
Current assets					
Trade and other receivables and prepayments	21	156,650	190,240	228,923	252,146
Financial assets at fair value through profit or loss	22	–	–	–	–
Restricted bank deposits	23	–	5,388	1,780	1,453
Cash and cash equivalents	23	67,437	52,191	54,722	49,858
		224,087	247,819	285,425	303,457
Total assets		255,792	278,065	316,174	337,055
EQUITY					
Equity attributable to owners of the Company					
Share capital	24	–	–	–	–
Reserves	25	141,435	142,643	177,032	192,340
Total equity		141,435	142,643	177,032	192,340

		As at 31 December			As at 30 June
		2020	**2021**	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Lease liabilities	17	6,998	6,771	6,524	6,394
Current liabilities					
Trade and other payables	26	89,392	98,735	111,755	117,963
Current income tax payable		17,252	19,238	20,187	19,674
Bank borrowings	27	–	10,010	–	–
Lease liabilities	17	715	668	676	684
		107,359	128,651	132,618	138,321
Total liabilities		114,357	135,422	139,142	144,715
Total equity and liabilities		255,792	278,065	316,174	337,055

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000	As at 30 June 2023 RMB'000
ASSETS				
Non-current assets				
Investments in subsidiaries	31(a)	108,881	108,881	108,881
Current assets				
Prepayment	31(b)	1,254	3,609	4,755
Total assets		110,135	112,490	113,636
EQUITY				
Share capital	24	–	–	–
Reserves	31(d)	100,752	94,541	90,644
Total equity		100,752	94,541	90,644
Current liabilities				
Other payables	31(c)	9,383	17,949	22,992
Total liabilities		9,383	17,949	22,992
Total equity and liabilities		110,135	112,490	113,636

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company		
	Share capital	**Reserves**	**Total**
	(Note 24)	*(Note 25)*	
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2020	–	107,973	107,973
Comprehensive income			
Profit for the year	–	31,312	31,312
Total comprehensive income for the year	–	31,312	31,312
Transaction with owners in their capacity as owners:			
Deemed contribution from Controlling Shareholders	–	2,150	2,150
Total transactions with owners	–	2,150	2,150
Balance at 31 December 2020	–	141,435	141,435
At 1 January 2021	–	141,435	141,435
Comprehensive income			
Profit for the year	–	39,921	39,921
Total comprehensive income for the year	–	39,921	39,921
Transaction with owners in their capacity as owners:			
Capital contribution from a shareholder *(Note 1.2(i))*	–	247	247
Capital reduction of a subsidiary *(Note 1.2(ii))*	–	(12,320)	(12,320)
Issuance of shares *(Note 1.2(iv))*	–	4,000	4,000
Deemed distribution to Controlling Shareholders *(Note 1.2(vii))*	–	(2,460)	(2,460)
Dividend paid to Controlling Shareholders *(Note 13)*	–	(28,180)	(28,180)
Total transactions with owners	–	(38,713)	(38,713)
Balance at 31 December 2021	–	142,643	142,643

	Attributable to owners of the Company		
	Share capital	**Reserves**	**Total**
	(Note 24)	*(Note 25)*	
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	–	142,643	142,643
Comprehensive income			
Profit for the year	–	34,389	34,389
Total comprehensive income for the year	–	34,389	34,389
Balance at 31 December 2022	–	177,032	177,032
At 1 January 2022	–	142,643	142,643
Comprehensive income			
Profit for the period	–	15,392	15,392
Total comprehensive income for the period	–	15,392	15,392
Balance at 30 June 2022 (Unaudited)	–	158,035	158,035
At 1 January 2023	–	177,032	177,032
Comprehensive income			
Profit for the period	–	15,308	15,308
Total comprehensive income for the period	–	15,308	15,308
Balance at 30 June 2023	–	192,340	192,340

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six month ended 30 June	
		2020	2021	2022	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from operating activities						
Cash generated from/(used in) operations	28(a)	28,364	19,101	10,938	(23,214)	(1,179)
Income tax paid		(6,337)	(4,175)	(5,159)	(3,419)	(3,384)
Net cash generated from/(used in) operating activities		22,027	14,926	5,779	(26,633)	(4,563)
Cash flows from investing activities						
Bank interest income received		134	92	153	109	72
Dividend income received		84	–	–	–	–
Purchases of property, plant and equipment		(4,331)	(4,073)	(1,938)	(1,088)	(2,253)
Acquisition of investments in financial assets at fair value through profit or loss		(142,802)	–	–	–	–
Disposal of financial assets at fair value through profit or loss		139,818	–	–	–	–
Decrease/(increase) in restricted bank deposits		376	(5,388)	3,608	4,058	327
Advances to related company/parties		(726)	(88)	–	–	–
Repayment from Mr. Li		1,337	2,034	–	–	–
Payments for investments in associates		(220)	–	–	–	–
Proceeds from disposal of associates		905	–	–	–	–
Net cash (used in)/generated from investing activities		(5,425)	(7,423)	1,823	3,079	(1,854)

	Note	Year ended 31 December 2020 RMB'000	2021 RMB'000	2022 RMB'000	Six month ended 30 June 2022 RMB'000 (Unaudited)	2023 RMB'000
Cash flows from financing activities						
Proceeds from bank and other borrowings		39,383	10,010	–	–	–
Repayments of bank and other borrowings		(44,383)	–	(10,010)	(10,010)	–
Bank and other borrowings interest paid		(848)	(55)	(148)	(121)	(53)
Listing expenses paid		(677)	(713)	(1,738)	(1,036)	(366)
Disposal of Excluded Entities		2,100	–	–	–	–
Interest payments of lease liabilities		(458)	(441)	(427)	(224)	(216)
Principal repayments of lease liabilities		(489)	(274)	(239)	(105)	(122)
Dividend paid to Controlling Shareholders	13	–	(28,180)	–	–	–
Capital reduction of a subsidiary and return of capital to Controlling Shareholders	1.2 (ii)	–	(12,320)	–	–	–
Capital contribution from a shareholder	1.2 (i)	–	247	–	–	–
Issuance of shares	1.2 (iv)	–	4,000	–	–	–
Repayment to related companies		(23)	(62)	–	–	–
Advances from Controlling Shareholders		180	5,039	7,491	4,967	2,310
Net cash (used in)/generated from financing activities		(5,215)	(22,749)	(5,071)	(6,529)	1,553
Net increase/(decrease) in cash and cash equivalents		11,387	(15,246)	2,531	(30,083)	(4,864)
Cash and cash equivalents at beginning of the year/period		56,050	67,437	52,191	52,191	54,722
Cash and cash equivalents at end of the year/period		67,437	52,191	54,722	22,108	49,858

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated in the Cayman Islands on 4 January 2021 as an exempted company with limited liability under the Companies Act (Cap. 22, Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in the provision of cleaning and maintenance services in the People's Republic of China (the "PRC") (the "Listing Business"). Pursuant to the deed of controlling shareholders' confirmation dated 16 March 2021 entered into between Mr. Li Chenghua ("Mr. Li") and Mr. Chen Liming ("Mr. Chen"), they have reaffirmed that they have been a group of the controlling shareholders (the "Controlling Shareholders") since the establishment of the companies now comprising the Group. They are acting in concert with each other and manage the Listing Business collectively throughout the Track Record Period and will continue to act as such upon listing.

1.2 History and reorganisation of the Group

Prior to the incorporation of the Company and the completion of the reorganisation as described below, the Listing Business was operated through Guangzhou Shenghui Cleanness Services Co., Limited ("Guangzhou Shenghui") and its subsidiaries in the PRC during the Track Record Period.

Prior to the Reorganisation (as defined below), Guangzhou Shenghui and its subsidiaries were owned by the Controlling Shareholders and are engaged in the provision of cleaning and maintenance services and the provision of sports facilities. The sports facilities were provided by Guangzhou Pengsheng Sports Development Co., Ltd. ("Guangzhou Pengsheng"), Guangzhou Shengfeng Agricultural Technology Co., Ltd. ("Guangzhou Shengfeng") and Guangzhou Mingyou Education Technology Co., Ltd. ("Guangzhou Mingyou") which were inactive and had not commenced business prior to the Reorganisation. Guangzhou Pengsheng, Guangzhou Shengfeng and Guangzhou Mingyou are not considering as part of the Listing Business and collectively referred to as the "Excluded Entities". All Excluded Entities were disposed or deregistered during the year ended 31 December 2020, hence, they became the then related companies of the Group from 1 January 2021 onwards.

Reorganisation

In preparation for the initial listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, the Company and other companies now comprising the Group have undergone a reorganisation (the "Reorganisation") pursuant to which the Company has become the holding company of the other companies now comprising the Group. The major steps which have been undertaken to effect the Reorganisation were as follows:

(i) Capital contribution made by an independent pre-listing third party ("Pre-IPO Investor")

Pursuant to a capital contribution agreement dated 28 January 2021, the Pre-IPO Investor acquired 3% of the enlarged equity interest of Guangzhou Xinhui Technology Property Co., Ltd. ("Guangzhou Xinhui"), a then subsidiary of Guangzhou Shenghui, at a consideration of RMB247,423. Upon the completion of the aforesaid transaction, the registered capital of Guangzhou Xinhui was increased from RMB8,000,000 to RMB8,247,423. Guangzhou Xinhui was converted into a Sino-foreign equity joint venture, which is owned as to 97% by Guangzhou Shenghui and 3% by the Pre-IPO Investor.

(ii) Reduction of registered capital of Guangzhou Shenghui

On 24 February 2021, Guangzhou Shenghui reduced its registered capital from RMB20,020,000 to RMB500,000 by a way of capital reduction in the aggregate amount of RMB19,520,000 of its registered capital. Immediately after the reduction of registered capital, Guangzhou Shenghui was owned as to 50% by Mr. Li and 50% by Mr. Chen. The Group paid a total of RMB12,320,000 to Controlling Shareholders as result of its capital reduction on 24 February 2021.

(iii) Incorporation of the Company

On 4 January 2021, the Company was incorporated in the Cayman Islands with an authorised share capital of Hong Kong Dollar ("HKD") 380,000 divided into 38,000,000 ordinary shares of HKD0.01 each. Upon its incorporation, one nil-paid ordinary share was issued to the initial subscriber at par and was transferred to Prosperity Cleanness Investment Holdings Limited ("Prosperity Cleanness"), a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Li, on the same day. Also, one nil-paid ordinary share was allotted and issued to Sunrise Cleanness Investment Holdings Limited ("Sunrise Cleanness"), a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Chen, on the same day. Upon completion of such transfer and allotment, the Company become owned as to 50% by Prosperity Cleanness and as to 50% by Sunrise Cleanness.

(iv) Allotment and issuance of the Company's shares to shareholders

Pursuant to a subscription agreement dated 9 February 2021 and entered into, among others, the Company, Prosperity Cleanness, Sunrise Cleanness and Dash Dazzling Investment Holdings Limited ("Dash Dazzling"), a company incorporated in the BVI with limited liabilities and is wholly-owned by the Pre-IPO Investor, in consideration of HKD5, HKD5 and RMB4,000,000 (equivalent to approximately HKD4,800,000) paid by Prosperity Cleanness, Sunrise Cleanness and Dash Dazzling, respectively, the Company (a) allotted and issued 484 shares, 484 shares and 30 shares to Prosperity Cleanness, Sunrise Cleanness and Dash Dazzling, respectively; and (b) credited as fully paid the nil-paid ordinary share held by Prosperity Cleanness, and the nil-paid ordinary share held by Sunrise Cleanness. The consideration was settled in cash as at 10 February 2021. Upon completion of the above allotments of shares, the Company was owned as to 48.5% by Prosperity Cleanness, 48.5% by Sunrise Cleanness and 3% by Dash Dazzling.

(v) Acquisition of the entire equity interest in Guangzhou Xinhui by Shenghui Cleanness (HK) Limited ("Shenghui Cleanness (HK)")

On 9 February 2021, each of Guangzhou Shenghui and the Pre-IPO Investor entered into an equity transfer agreement with Shenghui Cleanness (HK), pursuant to which each of Guangzhou Shenghui and the Pre-IPO Investor transferred its/his entire equity interest in Guangzhou Xinhui to Shenghui Cleanness (HK) at a respective nominal consideration of RMB1. Upon completion of the aforesaid transfers, Guangzhou Xinhui is wholly-owned by Shenghui Cleanness (HK).

(vi) Increasing the registered capital of Guangzhou Shenghui

On 2 March 2021, Guangzhou Shenghui increased its registered capital from RMB500,000 to RMB25,000,000 by way of capital contribution from Guangzhou Xinhui. Upon completion of the said increase of registered capital, Guangzhou Shenghui was owned by Mr. Li, Mr. Chen and Guangzhou Xinhui as to 1%, 1% and 98%, respectively.

(vii) Acquisition of the equity interest in Guangzhou Shenghui from Mr. Li and Mr. Chen

On 12 March 2021, Guangzhou Xinhui acquired the entire interest in Guangzhou Shenghui held by Mr. Li and Mr. Chen at the consideration of RMB1,230,000 and RMB1,230,000, respectively. Upon completion of the said transfer, Guangzhou Shenghui became a wholly-owned subsidiary of Guangzhou Xinhui.

Upon completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group. The controlling shareholders remain as Mr. Li and Mr. Chen.

As at 31 December 2020, 2021 and 2022 and 30 June 2023 and the date of this report, the Company had direct or indirect interests in the following principal subsidiaries:

Company name	Date of incorporation/ establishment	Country/ place of incorporation/ establishment	Registered/ issued capital	Attribution equity interest of the Group As at 31 December 2020	2021	2022	As at 30 June 2023	As at the date of this report	Principal activities/Place of operations
Directly held by the Company:									
Shenghui Cleanness (BVI) Limited (升輝清潔(英屬維爾京群島)有限公司) *(notes 1,6)*	18 January 2021	BVI	USD1	N/A	100%	100%	100%	100%	Investment holding in BVI
Indirectly held by the Company:									
Shenghui Cleanness (HK) Limited (升輝清潔(香港)有限公司) *(notes 1,7)*	27 January 2021	HK	HKD1	N/A	100%	100%	100%	100%	Investment holding in Hong Kong
Guangzhou Shenghui Cleanness Service Co., Ltd.) (廣州市升輝清潔服務有限公司) *(notes 1,2,5)*	4 August 2000	PRC	RMB25,000,000	100%	100%	100%	100%	100%	Provision of cleaning and maintenance services in the PRC
Guangxi Shenghui Cleanness Service Co., Ltd.) (廣西升輝清潔服務有限公司) *(notes 1,2,3)*	7 June 2016	PRC	RMB2,000,000	100%	100%	100%	100%	100%	Provision of cleaning and maintenance services in the PRC
Guangzhou Xinhui Technology & Property Co., Ltd. (廣州市昕輝科技物業有限公司) *(notes 1,2,4)*	14 November 2002	PRC	RMB8,000,000	100%	100%	100%	100%	100%	Provision of cleaning and maintenance services in the PRC
Shenghui Cleanness (Beijing) Limited (升輝清潔北京有限公司) *(notes 1, 2)*	20 July 2023	PRC	RMB5,000,000	N/A	N/A	N/A	N/A	100%	Provision of cleaning and maintenance services in the PRC

Notes:

(1) All subsidiaries are limited liability companies.

(2) The English names of the subsidiaries represent the best efforts made by the management of the Company in translating their Chinese names when they do not have official English names.

(3) No audited financial statements have been issued for this company for the years ended 31 December 2020, 2021 and 2022.

(4) The statutory financial statements of this company for the years ended 31 December 2020, 2021 and 2022 were audited by 廣州中勤會計師事務所有限公司.

(5) The statutory financial statements of this company for the years ended 31 December 2020, 2021 and 2022 were audited by 廣州正開會計師事務所有限公司.

(6) No audited financial statements have been issued for these companies for the years ended 31 December 2021 and 2022.

(7) The statutory financial statements of this company for the years ended 31 December 2021 and 2022 were audited by Fan Kwok Man Certified Public Accountant (Practising).

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is conducted through Guangzhou Shenghui and its subsidiaries and is controlled by the Controlling Shareholders. Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the Controlling Shareholders of the Listing Business remain the same.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business conducted through Guangzhou Shenghui and its subsidiaries. For the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the Listing Business, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented.

The Historical Financial Information has not included the financial information of the Excluded Entities during the Track Record Period as it is not part of the Listing Business.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2 BASIS OF PREPARATION

The Historical Financial Information have been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss which are measured at fair value.

The material accounting policies applied in preparation of the Historical Financial Information have been consistently applied by the Group to all the years or periods presented throughout the Track Record Period, unless otherwise stated.

Other than those material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 34.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the Historical Financial Information are disclosed in Note 4.

New and revised standards adopted

(a) New and amended standards adopted by the Company

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2023 consistently throughout the Track Record Period.

(b) New or amended standards and interpretation to existing standards that have been issued but are not effective for the Track Record Period and have not been early adopted

HKICPA has issued the following new or amended standards and interpretation to existing standards which are not yet effective and have not been early adopted by the Group:

		Effective for the financial year beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contain a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined

The Group has already commenced an assessment of the impact of these new or amended standards and interpretation, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: price risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance.

(i) Price risk

The Group is exposed to price risk in relation to its investments in financial assets at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments with difference risk and return profiles. All the investments in financial assets at fair value through profit or loss were disposed during the year ended 31 December 2020. The directors of the Company consider that the price risk is insignificant to the Group.

(ii) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings which are at variable rates expose the Group to cash flow interest rate risk. The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits and bank balances. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

If interest rate risk has been 30 basis points increased/decreased, with all other variables held constant, profit before tax for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 would have been RMB201,000, RMB143,000, RMB170,000, RMB20,000 and RMB77,000 higher/lower, respectively, resulting from the changes in interest income on restricted bank deposits and bank balances and finance expenses of bank borrowings.

(iii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables including deposits, restricted bank deposits and cash and cash equivalents. The carrying amounts of trade and other receivables including deposits, restricted bank deposits and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with restricted bank deposits and cash and cash equivalents since they are substantially deposited at state-owned banks and other medium or large-sized listed banks, which the credit rating of these banks is high. Management does not expect that there will be any significant losses from non-performance by these counterparties.

For trade receivables from customers, the Group has large number of customers and there was no significant concentration of credit risk during Track Record Period. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

Other receivables mainly included deposits, amounts due from Controlling Shareholders and related companies/parties, advances to third parties and receivables from the provision of construction labor service. The Group has assessed those receivables using 12 months expected losses method depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, the impairment is measured as lifetime expected credit loss.

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating

- external credit rating

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the individual customers and customers' ability to meet its obligations

- actual or expected significant changes in the operating results of individual customers

A summary of the assumptions underpinning the Group's expected credit loss model on financial assets other than trade receivables is as follows:

Category	**Group definition of category**	**Basis for recognition of expected credit loss provision**
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1)
Underperforming	Receivables for which there is a significant increase in credit risk, as significant increase in credit risk is presumed if interest and/or principal repayments are past due over 180 days	Lifetime expected losses (stage 2)
Non-performing	Interest and/or principal repayments are over 365 days past due	Lifetime expected losses (stage 3)
Write-off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery	Asset is written off

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost other than trade receivables, which are subject to ECL assessments.

	Internal credit rating	**12-month or lifetime ECL**	**Gross carrying amount**			
			As at 31 December			**As at 30 June**
			2020	**2021**	**2022**	**2023**
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank deposits	Performing	12-month ECL	–	5,388	1,780	1,453
Cash and cash equivalents	Performing	12-month ECL	67,437	52,191	54,722	49,858
Other receivables except for amount due from a related company/then related company	Performing	12-month ECL	25,599	27,745	25,102	23,410
Amount due from a related company/then related company	Non-performing	Lifetime ECL	7,136	111	–	–

(i) For restricted bank deposits and cash and cash equivalents, the Group determines the expected credit losses by referring to external credit rating of the related banks.

(ii) For other receivables including amount due from a related company/then related company, for the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(a) Trade receivables

The Group has applied the simplified approach in HKFRS 9 to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables have been assessed for impairment on a collective group basis. In calculating the expected credit loss rates of trade receivables, the Group considers historical loss rates based on customer's historical default rates, past collection information and aging profiles of trade receivables by using a provision matrix and adjusts for forward looking macroeconomic data with the consideration on the current economy and industry outlook.

The loss allowance provision for the trade receivable with shared credit risk characteristics was determined as follows:

	As at 31 December 2020						
	Current	Less that 60 days	61 to 180 days	181 to 365 days	1 to 2 years	2 to 3 years	Total
Expected loss rate	0.5%	0.8%	1.1%	20.7%	60.6%	63.0%	
Gross carrying amount *(RMB'000)*	100,346	28,132	5,008	2,346	2,137	646	138,615
Loss allowance provision *(RMB'000)*	501	225	55	486	1,295	407	2,969

	As at 31 December 2021						
	Current	Less than 60 days	61–180 days	181 to 365 days	1 to 2 years	2 to 3 years	Total
Expected loss rate	0.4%	1.4%	2.0%	11.5%	38.7%	43.6%	
Gross carrying amount *(RMB'000)*	103,584	32,246	21,246	9,016	4,294	188	170,575
Loss allowance provision *(RMB'000)*	414	452	425	1,037	1,662	82	4,072

	As at 31 December 2022						
	Current	Less than 60 days	61–180 days	181 to 365 days	1 to 2 years	2 to 3 years	Total
Expected loss rate	0.6%	1.8%	2.6%	14.5%	31.1%	31.7%	
Gross carrying amount *(RMB'000)*	127,226	40,411	26,140	11,473	5,203	3,633	214,086
Loss allowance provision *(RMB'000)*	763	727	680	1,664	1,618	1,133	6,585

	As at 30 June 2023						
	Current	Less than 60 days	61–180 days	181 to 365 days	1 to 2 years	2 to 3 years	Total
Expected loss rate	0.8%	2.0%	2.8%	14.4%	30.7%	32.9%	
Gross carrying amount *(RMB'000)*	131,544	47,199	36,223	15,290	6,720	6,065	243,041
Loss allowance provision *(RMB'000)*	1,052	944	1,014	2,202	2,063	1,995	9,270

The higher expected loss rates for the time bands of 1 to 2 years and 2 to 3 years as at 31 December 2020 was mainly due to the late settlement of certain customers which caused the increase in historical loss rates. The COVID-19 outbreak during the year ended 31 December 2020 also impact the macroeconomic and therefore leading to the higher expected loss rates. During the year ended 31 December 2021, trade receivables were settled by the above-mentioned customers and therefore, the expected loss rates for the time bands of 1 to 2 years and 2 to 3 years as at 31 December 2021 were decreased accordingly. The further decrease in expected loss rates for the time bands of 1 to 2 years and 2 to 3 years as at 31 December 2022 was primarily due to the stabilisation of real estate industry in the PRC and hence relatively more positive forward looking macroeconomic data was applied in determining the expected loss rates. There is no significant increase or decrease in expected loss rates for the time bands of 1 to 2 years and 2 to 3 years as at 30 June 2023.

As at 31 December 2020, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	RMB'000		*RMB'000*	
Trade receivables	3,743	100%	3,743	The likelihood of recovery

As at 31 December 2021, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	RMB'000		*RMB'000*	
Trade receivables	5,016	100%	5,016	The likelihood of recovery

As at 31 December 2022, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	RMB'000		*RMB'000*	
Trade receivables	6,688	100%	6,688	The likelihood of recovery

As at 30 June 2023, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	RMB'000		*RMB'000*	
Trade receivables	8,916	100%	8,916	The likelihood of recovery

The movements of loss allowances for trade receivables are as follows:

	Year ended 31 December 2020	2021	2022	Six month ended 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	4,799	6,712	9,088	13,273
Provision for loss allowance recognised	1,913	2,376	4,185	4,913
At end of the year/period	6,712	9,088	13,273	18,186

(b) Other receivables

Other receivables mainly included deposits, amounts due from Controlling Shareholders and related companies/parties and receivables from the provision of construction labor service. As at 31 December 2020, 2021 and 2022 and 30 June 2023, there were neither significant increase of credit risk nor credit impaired for the balance of other receivables except for the deposits with internal credit rating of underperforming and the amount due from a related company/then related company with internal credit rating of non-performing. Management considered these receivables to be low credit risk since the counterparties have strong financial capacity to meet their contractual cash flow obligations in the near term. The expected credit losses on those other receivables are not significant.

For the deposits which are the amount paid to customers for the guarantee of performance of the provision of services, there were an increase of credit risk for the balance as at 31 December 2020 and 2021. Impairment loss of RMB985,000, RMB976,000 were recognised for the years ended 31 December 2020 and 2021 respectively. No impairment loss was recognised for the year ended 31 December 2022 and the six months ended 30 June 2022 and 2023.

The movements of loss allowances for deposits are as follows:

	Year ended 31 December 2020	2021	2022	Six months ended 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	2,253	3,238	4,214	4,214
Provision for loss allowance recognised	985	976	–	–
At end of the year/period	3,238	4,214	4,214	4,214

For the amount due from a related company/then related company with internal credit rating of non-performing, a significant increase in its credit risk has occurred since initial recognition, the impairment is measured as lifetime expected credit loss. Impairment loss of the amount due from a related company/then related company of RMB1,682,000, nil, nil, nil and nil was recognised for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 respectively. Reversal of impairment loss of RMB1,198,000 was recognised for the year ended 31 December 2021. Details are set out in Note 7.

The movements of loss allowances for amount due from a related company/then related company are as follows:

	Year ended 31 December			Six months ended
	2020	**2021**	**2022**	**30 June 2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	5,431	7,113	–	–
Provision for loss allowance	1,682	–	–	–
Reversal of impairment losses	–	(1,198)	–	–
Bad debts written off	–	(5,915)	–	–
At end of the year/period	7,113	–	–	–

As at 31 December 2021 and 30 June 2023, there was an increase of credit risk of tendering deposits. Impairment loss of RMB179,000 and RMB103,000 were recognised for the year ended 31 December 2021 and the six months ended 30 June 2023, respectively accordingly.

The movements of loss allowances for tendering deposits are as follows:

	Year ended 31 December			Six months ended
	2020	**2021**	**2022**	**30 June 2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	–	–	179	179
Provision for loss allowance	–	179	–	103
At end of the year/period	–	179	179	282

(iv) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains an adequate level of cash and cash equivalents determined by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The tables below analyse the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date.

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted cashflow	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020						
Trade and other payables (excluding payroll, bonus and social insurance payables and other tax payables)	31,971	–	–	–	31,971	31,971
Lease liabilities	1,157	1,094	3,265	10,286	15,802	7,713
	33,128	1,094	3,265	10,286	47,773	39,684
At 31 December 2021						
Trade and other payables (excluding payroll, bonus and social insurance payables and other tax payables)	44,367	–	–	–	44,367	44,367
Lease liabilities	1,094	1,087	3,264	9,200	14,645	7,439
Bank borrowings	11,382	–	–	–	11,382	10,010
	56,843	1,087	3,264	9,200	70,394	61,816
At 31 December 2022						
Trade and other payables (excluding payroll, bonus and social insurance payables and other tax payables)	53,029	–	–	–	53,029	53,029
Lease liabilities	1,086	1,093	3,239	8,129	13,547	7,200
	54,115	1,093	3,239	8,129	66,576	60,229
As 30 June 2023						
Trade and other payables (excluding payroll, bonus and social insurance payables and other tax payables)	57,520	–	–	–	57,520	57,520
Lease liabilities	1,086	1,093	3,320	7,587	12,996	7,078
	58,606	1,093	3,320	7,587	70,516	64,598

3.2 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. Disclosure of financial assets at fair value through profit or loss and bank borrowings is set out in Notes 22 and 27 respectively.

3.3 Capital risk management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and enhance shareholder value in the long term. The capital structure consists of total equity and borrowings as shown in the consolidated statements of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to owner, or issue new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including bank borrowings and amounts due to Controlling Shareholders and related companies under other payables as shown in the consolidated statements of financial position) less cash and cash equivalents. Total equity represents the sum of share capital and reserves, as disclosed in the consolidated statements of financial position.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group has a net cash position and hence the gearing ratio has not been presented.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year or period are addressed below.

4.1 Expected credit losses on receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's debtors' credit history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimates, such differences will impact the carrying amounts of trade and other receivables and the related loss allowances in the period in which such estimates are changed. The details of the expected credit losses on receivables are set out in Note 3.1 (iii).

4.2 Current taxation and deferred taxation

The Group is subject to corporate income taxes in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

5 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

During the Track Record Period, the Group is principally engaged in the provision of cleaning and maintenance services in the PRC. CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM regards that there is only one identified segment, under the requirement of HKFRS 8 "Operating Segments", which is used to make strategic decisions. No geographical segment is disclosed.

Revenue recognised during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue from contracts with customers recognised over time					
Cleaning and maintenance services income	465,664	563,541	594,204	289,173	298,251

The Group offers comprehensive cleaning and maintenance services for office buildings, shopping malls, airport and commercial and residential premises.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the Track Record Period. None of the individual customer of the Group contributed 10% or more of the Group's revenue for the Track Record Period.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, all of the Group's non-current assets were located in the PRC or arisen from transactions as conducted in the PRC.

(a) Contract assets

As at the end of each of the Track Record Period, there were no significant contract assets recognised.

(b) Contract liabilities

As at the end of each of the Track Record Periods, there were no significant contract liabilities recognised as no advance payments were made by customers.

(c) Unsatisfied performance obligations

For the provision of cleaning and maintenance services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a regular basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these contracts.

(d) Assets recognised from incremental costs to obtain and fulfill a contract

During the Track Record Period, there were no significant incremental costs incurred to obtain and fulfill a contract.

(e) Accounting policies for revenue recognition

Revenue is recognised when control over a service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The revenue of the Group is arisen from the provision of cleaning and maintenance services. Depending on the terms of the contract, control of the service may be transferred over time or at a point in time. Control of the service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the service.

When either party to a contract has performed, the Group presents the contract in the consolidated statements of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalised and presented as assets under "contract assets" and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the services are provided to the customer, the Group presents the amount as a contract liability when the payment is received or a receivable is recorded (whichever is earlier).

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

6 EXPENSES BY NATURE

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Employee benefit expenses *(Note 9)*	232,098	284,804	324,061	157,017	165,985
Subcontracting labor costs	149,939	188,882	172,910	84,363	85,939
Cost of cleaning materials consumed	14,112	19,407	20,028	9,959	8,545
Listing expenses	3,892	5,777	7,859	6,428	3,233
Insurance expenses	4,594	2,261	3,664	1,958	961
Depreciation	3,358	3,803	3,719	1,849	1,883
Taxes and surcharges	1,846	2,235	2,390	1,041	1,205
Uniform expenses	969	1,702	1,808	644	834
Marketing and entertainment expenses	1,862	2,635	3,434	1,855	2,113
Motor vehicle expenses	981	1,702	1,640	752	812
Maintenance and utilities expenses	2,531	1,653	2,113	1,049	1,008
Office and communication expenses	1,851	1,958	2,118	922	1,136
Travelling expenses	694	1,174	1,706	1,284	976
Tendering expenses	611	433	549	111	617
Short-term lease expenses	769	967	2,643	1,264	1,379
Professional services fees	353	113	100	50	158
Other expenses	2,079	2,899	4,096	1,480	1,062
Total cost of services, selling and marketing expenses and general and administrative expenses	422,539	522,405	554,838	272,026	277,846

7 OTHER INCOME, NET

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Rental income *(Note i)*	1,345	848	2,917	1,194	1,687
Penalty on late payment of rental income *(Note ii)*	1,241	–	–	–	–
Value-added tax refund	2,425	2,107	2,193	1,093	643
Government grant	172	37	777	768	–
Net income/(losses) from the provision of construction labor services	2,656	4,328	(822)	330	–
Dividend income from financial assets at fair value through profit or loss	84	–	–	–	–
Donation	(130)	–	(50)	(50)	(70)
Others	445	(165)	94	102	(25)
	8,238	7,155	5,109	3,437	2,235

Notes:

(i) Rental income arising from the investment properties and the leased shops is recognised on a straight-line basis over the terms of the lease agreements. The rental income arising from the leased car park is recognised over the lease period.

(ii) The penalty arising from the late payment of rental income represented an interest of 0.1% charged on the outstanding rental income receivable from Guangzhou Pengsheng, one of the Excluded Entities. In February 2021, the Group reached a commercial settlement with Guangzhou Pengsheng to settle the total rental receivables at approximately RMB1,198,000 and all remaining of rental receivables and penalty on late payment of rental income previously charged, with a total of RMB5,915,000 were waived and were written off as bad debts during the year ended 31 December 2021.

8 OTHER LOSS

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Fair value loss on financial assets at fair value through profit or loss ("FVTPL")	(7,114)	–	–	–	–
Loss on disposal of investments in associates, net	(174)	–	–	–	–
Loss on disposal of property, plant and equipment, net	(57)	(3)	–	–	–
	(7,345)	(3)	–	–	–

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, wages and bonuses	222,339	269,636	308,245	149,489	158,123
Social insurance and housing provident fund contribution	9,264	14,143	14,670	7,266	7,405
Other employee benefits	495	1,025	1,146	262	457
	232,098	284,804	324,061	157,017	165,985

All employees of the Group participate in employee social insurance plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the governmental authorities. Except for the contributions made to these social insurance plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social insurance plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are expensed as incurred.

The Group received a partial exemption of the payment of social security and provident fund from February to June 2020 as part of the social insurance relief policy rolled out by the local municipal governments during the COVID-19 outbreak.

During the Track Record Period, no forfeited contributions were utilised by the Group to reduces its contributions to the above-mentioned social insurance plans for the Track Record Period.

10 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

(i) The remuneration of each director for the year ended 31 December 2020 is set out below:

	Salary and bonuses	Other welfare	Social insurance and housing provident fund contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Li	265	–	35	300
Mr. Chen	106	–	16	122
	371	–	51	422

(ii) The remuneration of each director for the year ended 31 December 2021 is set out below:

	Salary and bonuses	Other welfare	Social insurance and housing provident fund contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Li	294	–	56	350
Mr. Chen	157	–	28	185
	451	–	84	535

(iii) The remuneration of each director for the year ended 31 December 2022 is set out below:

	Salary and bonuses	Other welfare	Social insurance and housing provident fund contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Li	333	–	67	400
Mr. Chen	187	–	33	220
	520	–	100	620

(iv) The remuneration of each director for the six months ended 30 June 2022 (unaudited) is set out below:

	Salary and bonuses	Other welfare	Social insurance and housing provident fund contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Li	135	–	34	169
Mr. Chen	64	–	17	81
	199	–	51	250

(v) The remuneration of each director for the six months ended 30 June 2023 is set out below:

	Salary and bonuses	**Other welfare**	**Social insurance and housing provident fund contribution**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Li	170	–	35	205
Mr. Chen	94	–	17	111
	264	–	52	316

The remuneration shown above represents remuneration received by the directors in their capacity as employee to the subsidiaries of the Group.

Notes:

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023:

(1) No emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(2) No emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.

(3) Save as disclosed in Note 30 to the Historical Financial Information, there are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities.

(4) Save as disclosed in Note 30 to the Historical Financial Information, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the respective year/period or at any time during the respective year/period.

(5) None of the directors of the Company waived any emoluments.

Mr. Li and Mr. Chen were appointed as the Company's executive directors on 4 January 2021 and 16 March 2021 respectively.

Ms. Chong Sze Pui Joanne, MH, Ms. Cheung Bo Man and Ms. Yau Yin Hung were appointed as the Company's independent non-executive directors on 14 November 2023. During the Track Record Period, the independent non-executive directors have neither been appointed nor received any directors' remuneration with the capacity as directors.

(b) Five highest paid individuals' emoluments

None of the directors is one of the five individuals whose emoluments were the highest in the Group during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023. The emoluments payables to the five highest paid individuals for the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Employees					
– Basic salaries and other allowances	1,729	1,749	1,830	910	935
– Discretionary bonuses	25	300	280	150	140
– Contribution to pension scheme	318	348	398	197	210
	2,072	2,397	2,508	1,257	1,285

The emoluments fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	(Number of individuals)			(Unaudited)	
Nil–HKD1,000,000	5	5	5	5	5

11 FINANCE INCOME/(EXPENSES), NET

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Finance income					
Bank interest income	134	92	153	109	72
Finance expenses					
Interest expense on bank and other borrowings	(848)	(55)	(148)	(121)	(53)
Interest expense on lease liabilities	(458)	(441)	(427)	(224)	(216)
Finance expenses, net	(1,172)	(404)	(422)	(236)	(197)

12 INCOME TAX EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income tax	6,618	6,160	6,108	3,337	2,871
Deferred income tax *(Note 19)*	572	(530)	(629)	(286)	(752)
	7,190	5,630	5,479	3,051	2,119

(a) Corporate income tax

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate 25% on the estimated assessable profits for the respective years/periods, based on the existing legislation, interpretations and practices in respect thereof except for a subsidiary of the Group in the PRC which are granted with tax concession and hence are taxed at preferential tax rates.

Guangzhou Shenghui has been qualified as a High and New Technology Enterprise and enjoyed a preferential income tax rate of 15% since 2020, which is subject to review and renewal once every three years. The High and New Technology Enterprise Certificate was obtained and be remained valid for 3 years from December 2020 to December 2023. Guangzhou Shenghui has submitted an application for the renewal of the High and New Technology Enterprise Certificate subsequently after 30 June 2023.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong during the Track Record Period.

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

According to the policy promulgated by the State Bureau of the PRC, enterprises engaged in research and development activities are entitled to claim an additional tax deduction amounting to maximin 75% of the qualified research and development expenses incurred in determining its tax assessable profits for that year and the additional tax deduction rate has been increased to 100% since year 2023 (the "Super Deduction"). Guangzhou Shenghui is qualified to enjoy the Super Deduction during the Track Record Period. The research and development expenditure of RMB14,260,000, RMB19,913,000 and RMB18,367,000, RMB8,694,000 and RMB8,497,000 were recognised under general and administrative expenses for the years ended 31 December 2020, 2021 and 2022 and the six months ended 2022 and 2023 respectively.

(b) The income tax expense for the Track Record Period can be reconciled to the profit before income tax as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before income tax	38,502	45,551	39,868	18,443	17,427
Tax calculated at applicable corporate income tax rate of 25%	9,626	11,388	9,967	4,611	4,357
Additional allowance under the Super Deduction	(2,674)	(3,734)	(3,736)	(1,630)	(2,124)
Preferential income tax rate applicable to a subsidiary	(2,312)	(3,697)	(3,635)	(2,033)	(1,451)
Effects of share of post-tax results of associates	(59)	–	–	–	–
Tax losses not recognised	28	29	29	13	24
Expenses not deductible for taxation purposes	2,581	1,644	2,854	2,090	1,313
	7,190	5,630	5,479	3,051	2,119

As at 31 December 2020, 2021, 2022 and 30 June 2023, the Group did not recognise deferred income tax assets in respect of tax losses of approximately RMB520,000, RMB634,000, RMB749,000 and RMB845,000, respectively, that can be carried forward against future taxable income. Tax losses of group companies operated in the PRC could only be carried forward for a maximum for five years from the year of incurrence.

13 DIVIDEND

On 6 January 2021, a dividend of RMB28,180,000 was declared and paid to the Controlling Shareholders by Guangzhou Shenghui.

Saved as the abovementioned, no other dividend has been paid or declared by the companies now comprising the Group to the equity holders of these companies during the Track Record Period.

14 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years/periods. In determining the weighted average number of shares in issue during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the 1,000 shares issued during the year ended 31 December 2021 were deemed to have been issued on 1 January 2020 as if the Company had been incorporated by then.

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
				(Unaudited)	
Profit attributable to owners of the Company *(RMB'000)*	31,312	39,921	34,389	15,392	15,308
Weighted average number of ordinary shares in issue	1,000	1,000	1,000	1,000	1,000
Basic earnings per share *(RMB'000)*	31.3	39.9	34.4	15.4	15.3

(b) Diluted earnings per share

Diluted earnings per share were the same as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding during the Track Record Period.

15 PROPERTY, PLANT AND EQUIPMENT

	Building	Plant and machinery	Motor vehicles	Furniture, fixtures, and office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
At 1 January 2020	7,340	11,066	7,007	1,551	26,964
Additions	–	3,651	504	176	4,331
Disposal	–	(1,151)	(1,153)	–	(2,304)
At 31 December 2020	7,340	13,566	6,358	1,727	28,991
Additions	156	3,117	753	47	4,073
Disposal	–	–	–	(58)	(58)
At 31 December 2021	7,496	16,683	7,111	1,716	33,006
Additions	–	1,713	225	–	1,938
At 31 December 2022	7,496	18,396	7,336	1,716	34,944
Additions	–	1,542	676	35	2,253
At 30 June 2023	7,496	19,938	8,012	1,751	37,197

	Building	Plant and machinery	Motor vehicles	Furniture, fixtures, and office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation					
At 1 January 2020	308	6,284	6,136	1,147	13,875
Charge for the year	348	1,689	341	168	2,546
Disposal	–	(1,151)	(1,096)	–	(2,247)
At 31 December 2020	656	6,822	5,381	1,315	14,174
Charge for the year	349	2,164	442	191	3,146
Disposal	–	–	–	(55)	(55)
At 31 December 2021	1,005	8,986	5,823	1,451	17,265
Charge for the year	356	2,391	326	129	3,202
At 31 December 2022	1,361	11,377	6,149	1,580	20,467
Charge for the period	178	1,229	184	33	1,624
At 30 June 2023	1,539	12,606	6,333	1,613	22,091
Net book amount					
At 31 December 2020	6,684	6,744	977	412	14,817
At 31 December 2021	6,491	7,697	1,288	265	15,741
At 31 December 2022	6,135	7,019	1,187	136	14,477
At 30 June 2023	5,957	7,332	1,679	138	15,106

The Group had no property ownership certificates for the building with a net carrying amount of RMB6,389,000 as at 31 December 2020. The related property ownership certificates were obtained on 11 May 2021.

As at 31 December 2021, buildings with carrying amount of RMB6,220,000 were pledged to secure the bank borrowing of the Group and the pledge was released after the bank borrowing was fully settled in March 2022 (Note 27).

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building	20 years
Plant and machinery	3–10 years
Motor vehicles	4–5 years
Furniture, fixtures and office equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. See Note 34.7 for the other accounting policies relevant to property, plant and equipment.

The deprecation expense for property, plant and equipment is charged to the consolidated statements of comprehensive income as below:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of services	1,914	2,463	2,572	1,267	1,336
General and administrative expenses	632	683	630	323	288
	2,546	3,146	3,202	1,590	1,624

16 INVESTMENT PROPERTIES

	Year ended 31 December			Six months ended 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At beginning and end of the year/period	9,587	9,587	9,587	9,587
Accumulated depreciation:				
At beginning of the year/period	1,538	2,055	2,572	3,089
Charge for the year/period	517	517	517	259
At end of the year/period	2,055	2,572	3,089	3,348
Net book value				
At end of the year/period	7,532	7,015	6,498	6,239

The Group's self-owned investment properties include land use rights and buildings which are situated in the PRC with carrying amounts of RMB1,351,000, RMB1,240,000, RMB1,129,000 and RMB1,072,000 as at 31 December 2020, 2021 and 2022 and 30 June 2023 respectively. The fair value of the self-owned investment properties is approximately RMB2,810,000, RMB3,050,000, RMB3,030,000 and RMB3,050,000 as at 31 December 2020, 2021 and 2022 and 30 June 2023 respectively.

One of the investment properties was leased from an independent third party for 20 years and was sub-leased to the related company/then related company of the Group for 8 years under operating leases with rentals payable on a monthly basis. Details of the above-mentioned investment property and the related lease liabilities are as follows:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying value	6,181	5,775	5,369	5,167
Fair value*	120	330	430	520
Lease liabilities arose from the leasing arrangement	7,641	7,439	7,200	7,078

The fair value of the investment properties as at 31 December 2020, 2021 and 2022 and 30 June 2023 was determined by reference to a valuation as carried out by Roma Appraisals Limited. Roma Appraisals Limited is an independent firm of professional valuer not connected to the Group, who has appropriate qualifications and experience in the valuation of investment properties in the relevant locations.

The fair value of the self-owned investment properties of the Group was derived by using direct comparison approach. Direct comparison approach is based on assuming sales of the properties in its existing state by making reference to comparable market transactions as available in the relevant market. Comparable properties with similar sizes, characters and locations are analysed and weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

* The fair value of the leased investment property of the Group was derived by using income approach. It is referred to the difference between the lease rent determined by the market and the rent agreed upon by the lessor and the lessee in the lease period and arrived at the investment value for reference purpose. It is expected the investment property will generate net rental income or cash inflows and therefore has no impairment indicator.

The fair value of the investment properties was in Level 3 of the fair value hierarchy as at 31 December 2020, 2021 and 2022 and 30 June 2023. There were no changes to the valuation technique during the Track Record Period.

Depreciation of investment properties is calculated using the straight-line method to allocate their costs over their estimated useful lives of ranging from 13 years to 20 years. See Note 34.8 for the other accounting policies relevant to investment properties.

Except for the depreciation of investment properties, no other direct operating expenses arising from investment properties generating rental income are recognised for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

Depreciation of investment properties was charged to the "General and administrative expenses" in the consolidated statements of comprehensive income.

17 LEASES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(a) Right-of-use assets				
– Leased building	37	–	–	–
– Leased machinery	103	–	–	–
	140	–	–	–

Rental contracts are typically made for periods ranging from less than 12 months to 60 months. Payments associated with short-term leases with a lease term of 12 months or less are recognised on a straight-line basis as an expense in the consolidated statements of comprehensive income. There were no additions to right-of-use assets during the Track Record Period.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The total cash outflow of the lease contracts, including short term leases, are RMB1,716,000, RMB1,682,000, RMB3,309,000, RMB1,593,000 and RMB1,717,000 for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

(b) Lease liabilities

The Group's lease liabilities are primarily arisen from the lease-in of the properties for sub-lease purpose as mentioned in Note 16.

A maturity analysis of lease liabilities is shown in the table below:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The present value of the maturity of lease liabilities:				
Within 1 year	715	668	676	684
Later than 1 year but not later than 2 years	628	636	659	667
Later than 2 years but not later than 5 years	1,737	1,787	1,823	1,846
Over 5 years	4,633	4,348	4,042	3,881
	7,713	7,439	7,200	7,078

Amounts recognised in the consolidated statements of comprehensive income:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Depreciation charge of right-of-use assets (included in cost of services and general and administrative expenses)					
– Leased building	75	37	–	–	–
– Leased machinery	220	103	–	–	–
Interest expenses (included in finance cost)	458	441	427	224	216
Expenses relating to short-term leases (included in cost of services and general and administrative expenses)	769	967	2,643	1,264	1,379

Interest expenses on lease liabilities is determined and recognised on the basis of the Group's incremental borrowing rate ranging from 5.8% to 6.3% per annum at initial recognition during the Track Record Period. The Directors considered the Group's incremental borrowing rate to be appropriate in view of the market environment and economic conditions under which each leases operate. The carrying balances of the lease liabilities are amortised to nil on the expiry dates of the leases.

18 INVESTMENTS IN ASSOCIATES

	Year ended 31 December			Six months ended 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period *(Note)*	1,222	–	–	–
Acquisition of associates	220	–	–	–
Share of net profit	236	–	–	–
Disposal of associates	(1,678)	–	–	–
At end of the year/period	–	–	–	–

Note: The investment in associates as at 1 January 2020 comprised of the Group's investments in the equity interests in Guangzhou Pinwaipin Food Trading Co., Ltd. (廣州品外品食品貿易有限公司), Jinan Shenghui Cleanness Service Co., Ltd. (濟南升輝清潔服務有限公司), Shaanxi Shenghui Cleanness Service Co., Ltd. (陝西升輝清潔服務有限公司) and Shandong Shenghui Cleanness Service Co., Ltd. (山東升輝清潔服務有限公司) as to 40%, 40%, 25% and 40%, respectively.

All investments in associates were disposed during the year ended 31 December 2020 and hence, they became the then related companies of the Group from 1 January 2021 onwards. Other than the disposal of Guangzhou Pinwaipin Food Trading Co., Ltd. (廣州品外品食品貿易有限公司) to Mr. Li at the consideration of RMB500,000 with a minimal gain of approximately RMB1,000, the other associates were disposed to the independent third parties with a loss in total of RMB175,000. The net loss on disposal of investments in associates amounted to RMB174,000 was recognised in "other loss" in the consolidated statements of comprehensive income for the year ended 31 December 2020.

19 DEFERRED INCOME TAX ASSETS

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The net amounts are as follows:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets	4,754	5,202	5,771	6,492
Deferred income tax liabilities	(948)	(866)	(806)	(775)
	3,806	4,336	4,965	5,717

The movements in deferred income tax assets during the Track Record Period were as follows:

	Allowance for impairment of receivables	**Accrued expenses**	**Lease**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	1,763	2,615	1,053	5,431
Charged to profit or loss	(271)	(301)	(105)	(677)
At 31 December 2020	1,492	2,314	948	4,754
Credited/(charged) to profit or loss	530	–	(82)	448
At 31 December 2021	2,022	2,314	866	5,202
Credited/(charged) to profit or loss	629	–	(60)	569
At 31 December 2022	2,651	2,314	806	5,771
Credited/(charged) to profit or loss	752	–	(31)	721
At 30 June 2023	3,403	2,314	775	6,492

The movements in deferred income tax liabilities during the Track Record Period were as follows:

	Lease	Total
	RMB'000	*RMB'000*
At 1 January 2020	1,053	1,053
Credited to profit or loss	(105)	(105)
At 31 December 2020	948	948
Credited to profit or loss	(82)	(82)
At 31 December 2021	866	866
Credited to profit or loss	(60)	(60)
At 31 December 2022	806	806
Credited to profit or loss	(31)	(31)
At 30 June 2023	775	775

Under the income tax laws in the PRC, withholding tax is imposed on dividend declared in respect of profit earned by the PRC subsidiaries. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside PRC, for which no deferred income tax liability had been provided, were approximately RMB113,883,000, RMB125,624,000, RMB160,013,000 and RMB175,321,000, respectively. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortised cost:				
Trade and other receivables, excluding prepayments	158,030	189,966	228,210	252,685
Restricted bank deposits	–	5,388	1,780	1,453
Cash and cash equivalents	67,437	52,191	54,722	49,858
	225,467	247,545	284,712	303,996
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and other payables, excluding payroll, bonus and social insurance payable and other tax payable	31,971	44,367	53,029	57,520
Lease liabilities	7,713	7,439	7,200	7,078
Bank borrowings	–	10,010	–	–
	39,684	61,816	60,229	64,598

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	142,358	175,591	220,774	251,957
Less: allowance for impairment	(6,712)	(9,088)	(13,273)	(18,186)
	135,646	166,503	207,501	233,771
Deposits	14,760	16,089	14,971	13,489
Less: allowance for impairment	(3,238)	(4,214)	(4,214)	(4,214)
	11,522	11,875	10,757	9,275
Less: deposits – non-current portion	(5,410)	(3,154)	(4,809)	(6,536)
Deposits – current portion	6,112	8,721	5,948	2,739
Other receivables				
– Tendering deposits	5,044	2,051	3,174	4,464
Less: allowance for impairment	–	(179)	(179)	(282)
	5,044	1,872	2,995	4,182
– Amounts due from related companies/then related companies *(Note 30(b))*	7,136	111	–	–
Less: allowance for impairment	(7,113)	–	–	–
	23	111	–	–
– Amounts due from Mr. Li *(Note 30(b))*	2,034	–	–	–
– Receivables from the provision of construction labor service *(note a)*	3,761	9,605	6,957	5,457
	10,862	11,588	9,952	9,639
Prepayments on				
– Utilities expenses	760	619	743	732
– Insurance expenses	2,071	1,555	1,170	510
– Deferred listing expenses *(note b)*	1,199	1,254	3,609	4,755
	4,030	3,428	5,522	5,997
Trade and other receivables and prepayment, net	156,650	190,240	228,923	252,146

Notes:

(a) Balance represented the amounts receivable arising from the provision of construction labor service and the related income was recognised as other income (Note 7).

(b) Deferred listing expenses will be deducted from equity upon the issuance of new shares at the listing of the Company.

(c) The carrying amounts of trade and other receivables are all denominated in RMB and approximate their fair values.

(d) The aging analysis of the trade receivables based on invoice date was as follows:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–60 days	104,346	134,254	154,862	163,734
61–180 days	25,132	24,591	28,698	36,031
181–365 days	4,008	9,616	26,245	35,763
1–2 years	4,986	3,084	7,289	10,123
2–3 years	2,079	3,118	2,149	3,420
3–4 years	1,807	928	1,531	2,886
	142,358	175,591	220,774	251,957

(e) Impairment loss of the amount due from a related company/then related company of RMB1,682,000 were recognised during the year ended 31 December 2020. No further provision was made for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2022 and 2023. A reversal of impairment loss of RMB1,198,000 was made for the year ended 31 December 2021. The reversal and the impairment losses of financial assets for trade and other receivables of RMB3,531,000, were netted off and reflected as a net impairment losses of RMB2,333,000 for the year ended 31 December 2021. The Group provided expected credit losses prescribed by HKFRS 9. Further details are set out in Notes 3.1(iii) and 7(ii).

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group did have certain investments in fund and wealth management products as of 1 January 2020 and movements in these investments are as below:

	Year ended 31 December			Six months ended 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	4,130	–	–	–
Addition for the year/period	142,802	–	–	–
Changes in fair value for the year/period	(7,114)	–	–	–
Disposal for the year/period	(139,818)	–	–	–
At end of the year/period	–	–	–	–

The different levels of fair value measurement have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

– Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The investments in fund as at 1 January 2020 of RMB1,130,000 were financial instruments traded in active markets and the fair value of which was determined based on quoted market prices. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for this investment held by the Group was the current bid price. The instrument was included in Level 1 of the fair value hierarchy. The investments were disposed during the year ended 31 December 2020.

As at 1 January 2020, the Group had also invested in a wealth management product as issued by bank in the PRC with a fair value of RMB3,000,000 which expected investment income rates were ranging from 2% to 3% per annum. The principals and returns on these wealth management product were not guaranteed, and therefore the Group designated them as financial assets at fair value through profit or loss. The fair value was determined based on cash flows discounted using the expected interest rate ranging from 2% to 3% per annum and was within Level 3 of the fair value hierarchy which the estimation is based on unobservable inputs. The investment was disposed during the year ended 31 December 2020.

During the year ended 31 December 2020, the Group acquired the investments in listed securities, exchange-traded funds and open-ended funds which were traded in active markets. The fair value of the investments was determined based on quoted market prices. The quoted market price used for these investments held by the Group is the current bid price. The instrument is included in Level 1 of the fair value hierarchy. Part of the investments was financing by other borrowings of RMB25,833,000 at the interest rate of 8.35% per annum. The other borrowings were settled and the investments were disposed during the year ended 31 December 2020.

Realised and unrealised changes in fair value of these financial assets and disposal gain or loss are recognised in "other loss" in the consolidated statements of comprehensive income (Note 8).

23 RESTRICTED BANK DEPOSITS AND CASH AND BANK BALANCES

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank deposits	–	5,388	1,780	1,453
Cash and cash equivalents				
– Cash at banks and on hand	67,437	52,191	54,722	49,858

(a) All restricted bank deposits and cash and cash equivalents are mainly denominated in RMB throughout the Track Record Period.

(b) Conversion of RMB into foreign currencies is subject to the Foreign Exchange Control in the PRC throughout the Track Record Period.

(c) All bank balances carrying interest at variables rates with interests rates ranging from 0.20% to 0.35% per annum throughout the Track Record Period.

(d) As at 31 December 2021 and 2022 and 30 June 2023, the restricted bank deposits of RMB1,328,000, RMB1,780,000 and RMB1,453,000 respectively are held for the guarantee of the performance of the Group's provision of cleaning and maintenance services to customers.

(e) As at 31 December 2021, the restricted bank deposits of RMB4,060,000 were pledged to secure the bank borrowing of the Group and the pledge was released after the related bank borrowings of RMB4,010,000 were fully settled in January 2022 (Note 27).

24 SHARE CAPITAL

	Number of ordinary shares	Nominal value of shares *HK$*	Equivalent nominal value of shares *RMB*
Authorised			
At 4 January 2021 (date of incorporation) and 31 December 2021 and 2022 and 30 June 2023	38,000,000	380,000	317,900
Issued and fully paid			
2 share allotted and issued on the date of incorporation	2	–	–
998 shares allotted and issued in connection with the Reorganisation *(Note 1.2)*	998	10	8
At 31 December 2021 and 2022 and 30 June 2023	1,000	10	8

25 RESERVES

	Combined capital* *RMB'000*	Share premium *RMB'000*	Capital reserves *(note c)* *RMB'000*	Retained earnings *RMB'000*	Statutory reserves *(note d)* *RMB'000*	Total *RMB'000*
At 1 January 2020	13,320	–	(2,150)	85,111	11,692	107,973
Profit for the year	–	–	–	31,312	–	31,312
Transfer from combined capital to capital reserves *(note a)*	(500)	–	500	–	–	–
Deemed contribution from Controlling Shareholders *(note b)*	–	–	2,150	–	–	2,150
Appropriation of statutory reserves	–	–	–	(2,540)	2,540	–
At 31 December 2020	12,820	–	500	113,883	14,232	141,435

	Combined capital* RMB'000	Share premium RMB'000	Capital reserves (note c) RMB'000	Retained earnings RMB'000	Statutory reserves (note d) RMB'000	Total RMB'000
At 1 January 2021	12,820	–	500	113,883	14,232	141,435
Profit for the year	–	–	–	39,921	–	39,921
Capital contribution from a shareholder *(Note 1.2(i))*	–	–	247	–	–	247
Capital reduction of a subsidiary *(Note 1.2(ii))*	(12,320)	–	–	–	–	(12,320)
Issuance of shares *(Note 1.2(iv))*	–	4,000	–	–	–	4,000
Transfer from combined capital to capital reserves	(500)	–	500	–	–	–
Deemed distribution to Controlling Shareholders *(Note 1.2(vii))*	–	–	(2,460)	–	–	(2,460)
Dividend paid to Controlling Shareholders *(Note 13)*	–	–	–	(28,180)	–	(28,180)
At 31 December 2021	–	4,000	(1,213)	125,624	14,232	142,643
At 1 January 2022	–	4,000	(1,213)	125,624	14,232	142,643
Profit for the year	–	–	–	34,389	–	34,389
At 31 December 2022	–	4,000	(1,213)	160,013	14,232	177,032
At 1 January 2022 (Unaudited)	–	4,000	(1,213)	125,624	14,232	142,643
Profit for the period	–	–	–	15,392	–	15,392
At 30 June 2022	–	4,000	(1,213)	141,016	14,232	158,035
At 1 January 2023	–	4,000	(1,213)	160,013	14,232	177,032
Profit for the period	–	–	–	15,308	–	15,308
At 30 June 2023	–	4,000	(1,213)	175,321	14,232	192,340

* *Combined capital as at 31 December 2020 represents the combined capital of the companies now comprising the Group after elimination of inter-company investments.*

Notes:

(a) On 10 August 2020, Guangzhou Shenghui acquired Guangzhou Xinhui from Controlling Shareholders with nil consideration. The share capital of Guangzhou Xinhui was transferred to capital reserves.

(b) As the Excluded Entities are not part of the Listing Business (Note 1.2), for the purpose of this Historical Financial Information, the surplus or shortfall of the proceed of the disposal of the investments in Excluded Entities over the investments in Excluded Entities are regarded as deemed contribution/distribution from/to the Controlling Shareholders.

(c) The capital reserve represents the deemed contribution/distribution from/to Controlling Shareholders.

(d) In accordance with the relevant laws and regulations of the PRC and the Articles of Association of the subsidiaries of the Group, when distributing the net profit of each year, the subsidiaries of the Group shall reserve appropriate 10% of its profit after taxation (based on the local statutory financial statements) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company's registered capital). As at 31 December 2021 and 2022 and 30 June 2023, the statutory reserve balances of the PRC subsidiaries have already reached 50% of the registered capital of the respective PRC subsidiaries.

26 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	28,482	32,672	31,511	30,818
Other payables				
– Utility	182	388	388	533
– Listing expenses	2,810	3,611	5,959	8,688
– Amount due to Mr. Chen *(Note 30(b))*	180	1,405	1,405	1,405
– Amount due to Mr. Li *(Note 30(b))*	–	6,274	13,765	16,075
– Amount due to related companies/then related companies *(Note 30(b))*	317	17	1	1
– Payroll, bonus and social insurance payables	53,779	49,755	52,006	52,912
– Other tax payable	3,642	4,613	6,720	7,531
	60,910	66,063	80,244	87,145
Trade and other payables	89,392	98,735	111,755	117,963

The ageing analysis of trade payables based on the invoice date was as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–60 days	21,660	28,755	25,302	22,802
61–180 days	3,149	2,670	1,711	2,006
181–365 days	1,568	174	996	2,538
More than 1 year	2,105	1,073	3,502	3,472
	28,482	32,672	31,511	30,818

The amounts due to Mr. Li, Mr. Chen and related companies/then related companies are unsecured, interest-free and repayable on demand.

The carrying amounts of trade and other payables are denominated in RMB and are approximate their fair values.

27 BANK BORROWINGS

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured short-term bank borrowings due within one year	–	10,010	–	–

The bank borrowings as at 31 December 2021 were all denominated in RMB and borne interests at the interest rates ranging from 4.0% to 5.0% per annum and secured by the personal guarantee by the Controlling Shareholders.

As at 31 December 2021, buildings with carrying amount of RMB6,220,000 and the restricted bank deposits of RMB4,060,000 were pledged to secure the bank borrowings of the Group.

The carrying amounts of the Group's bank borrowings approximated their fair value as the impact of discounting is not significant.

The pledge of restricted bank deposits of RMB4,060,000 was released after the related bank borrowings of RMB4,010,000 were fully settled in January 2022. The pledge of buildings of RMB6,220,000 was also released after the related bank borrowings of RMB6,000,000 were settled in March 2022. The personal guarantee by Controlling Shareholders was released and no banking facilities were available to the Group as at 31 December 2022.

The Group has obtained banking facility of RMB20,000,000 which can be utilised by the Group during the period from 10 March 2023 to 9 March 2024. The banking facility has not been utilised as at 30 June 2023.

28 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	38,502	45,551	39,868	18,443	17,427
Adjustments for					
– Bank interest income	(134)	(92)	(153)	(109)	(72)
– Dividend income	(84)	–	–	–	–
– Interest expenses	1,306	496	575	345	269
– Fair value losses on financial assets at fair value through profit or loss	7,114	–	–	–	–
– Depreciation of property, plant and equipment	2,546	3,146	3,202	1,590	1,624
– Depreciation of right-of-use assets	295	140	–	–	–
– Depreciation of investment properties	517	517	517	259	259
– Loss of disposal of property, plant and equipment	57	3	–	–	–
– Share of net profit of associates	(236)	–	–	–	–
– Loss on disposal of investments in associates	174	–	–	–	–
– Impairment losses on financial assets	4,580	3,531	4,185	1,905	5,016
– Reversal of impairment losses on financial assets	–	(1,198)	–	–	–
Changes in working capital					
– Trade and other receivables	(41,304)	(35,611)	(44,525)	(47,769)	(29,966)
– Trade and other payables	15,031	2,618	7,269	2,122	4,264
Cash generated from/(used in) operations	28,364	19,101	10,938	(23,214)	(1,179)

(b) Reconciliation of liabilities from financing activities

This section sets out the movements in liabilities from financing activities:

	Balances with Controlling Shareholders	Balances with related companies	Bank borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	–	85	5,000	8,202	13,287
Cash flows	180	(23)	(5,000)	(947)	(5,790)
Interest expenses	–	–	–	458	458
As at 31 December 2020 and 1 January 2021	180	62	–	7,713	7,955
Cash flows	5,039	(62)	10,010	(715)	14,272
Interest expenses	–	–	–	441	441
Deemed distribution to Controlling Shareholders *(Note 1.2(vii))*	2,460	–	–	–	2,460
As at 31 December 2021 and 1 January 2022	7,679	–	10,010	7,439	25,128
Cash flows	7,491	–	(10,010)	(666)	(3,185)
Interest expenses	–	–	–	427	427
As at 31 December 2022 and 1 January 2023	15,170	–	–	7,200	22,370
Cash flows	2,310	–	–	(338)	1,972
Interest expenses	–	–	–	216	216
As at 30 June 2023	17,480	–	–	7,078	24,558

29 COMMITMENTS

The Group did not have any material capital commitments as at 31 December 2020, 2021 and 2022 and 30 June 2023.

The Group has future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties as follows:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1 year	891	848	848	2,288
Between 1 and 2 years	848	848	538	114
Between 2 and 3 years	848	538	–	–
More than 3 years	538	–	–	–
	3,125	2,234	1,386	2,402

30 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties/companies:

(a) Transactions with related parties/companies

Related party transactions:

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Entity jointly controlled by Controlling Shareholders						
– Rental income*	7	1,154	–	–	–	–
– Late fee arising from rental income*	7	1,241	–	–	–	–
– Travelling expenses	6	32	20	–	–	–
Entity controlled by Mr. Chen						
– Short-term lease expenses	6	19	5	–	–	–
Controlling Shareholders						
– Interest expenses	11	–	16	–	–	–
– Funds advance/repayment to Controlling Shareholders		11,720	16,482	400	–	–
– Funds advance from Controlling Shareholders		13,237	23,555	7,891	4,967	2,310

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

* *The related companies were disposed during the year ended 31 December 2020.*

Leases

During the Track Record Period, the Group entered into lease agreements for leasing in land use right and buildings with Guangzhou Pengsheng, the related company/then related company, which was controlled by Controlling Shareholders. The leasing term was from 1 July 2016 to 30 June 2024. The total contract amount was approximately RMB14,390,000. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying amount of the leased investment properties amounted to approximately RMB6,181,000, RMB5,775,000, RMB5,369,000 and RMB5,167,000 and the related lease liabilities amounted to approximately RMB7,641,000, RMB7,439,000, RMB7,200,000 and RMB7,078,000 respectively.

(b) Balances due from/(to) related parties/companies

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Entity jointly controlled by Controlling Shareholders				
Trade in nature and included in:				
– Amounts due to related companies	(5)	(16)	–	–
Entity controlled by key management of the Group				
Trade in nature and included in:				
– Amount due to related companies	(247)	–	–	–
Key management of the Group				
Non-trade in nature and included in:				
– Amounts due from/(to) Mr. Li	2,034	(6,274)	(13,765)	(16,075)
– Amounts due from related parties	7,136	–	–	–
Less: allowance for impairment	(7,113)	–	–	–
	23	–	–	–
– Amounts due to Mr. Chen	(180)	(1,405)	(1,405)	(1,405)
Associates*				
Trade in nature and included in:				
– Amounts due to related companies	(7)	(1)	(1)	(1)
Non-trade in nature and included in:				
– Amounts due to related companies	(58)	–	–	–

* *The related companies were disposed during the year ended 31 December 2020.*

Note: The balances with related parties/companies which are trade in nature mainly represent the prepayment and trade payables for providing garbage collection and cleaning service to related companies.

The balances with related parties/companies which are non-trade in nature mainly represent the amount due from/(to) Mr. Li, the amount due to Mr. Chen and the amounts due from/(to) related parties/companies.

The above amounts due from/(to) related companies/parties are unsecured, denominated in RMB, interest-free and repayable on demand except for the funds advance to Mr. Li of RMB5,600,000 during the year ended 31 December 2020, which carried an interest of RMB12,600 and the funds advance from Mr. Li of RMB11,750,000 during the year ended 31 December 2021 which carried an interest rate of 0.36% per annum, which were both settled during the year ended 31 December 2021. All the above balances will be waived before listing.

(c) Key management compensation

Key management includes directors and senior managements of the Group. The compensation paid or payable to key management is shown below:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages and bonuses	1,315	1,694	1,480	1,007	1,076
Social insurance and housing provident fund contribution	245	273	273	191	210
	1,560	1,967	1,753	1,198	1,286

31 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Interests in subsidiaries

Interests in subsidiaries represents the deemed cost of investment in Guangzhou Xinhui amounting to RMB108,881,000 (Note 1.2).

(b) Prepayment

The amount represents the deferred listing expenses to be deducted from equity upon the issuance of new shares at the listing of the Company (Note 21(b)).

(c) Other payables

As at 31 December 2021 and 2022 and 30 June 2023, the amount mainly represents the listing expense payable of approximately RMB3,611,000, RMB5,959,000 and RMB8,688,000 respectively, and the amounts due to the Controlling Shareholders of RMB4,100,000, RMB11,990,000 and RMB14,300,000, respectively, which are unsecured, interest-free, repayable on demand and will be waived before listing.

(d) Movement of reserves of the Company

	Share premium *RMB'000*	Other reserves *(Note)* *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 4 January 2021 (date of incorporation)	–	–	–	–
Surplus arising on issue of share in connection with the Reorganisation	–	108,881	–	108,881
Deemed distribution to Controlling Shareholders *(Note 1.2(vii))*	–	(2,460)	–	(2,460)
Loss for the year	–	–	(9,669)	(9,669)
Issuance of shares *(Note 1.2(iv))*	4,000	–	–	4,000
At 31 December 2021	4,000	106,421	(9,669)	100,752
At 1 January 2022	4,000	106,421	(9,669)	100,752
Loss for the year	–	–	(6,211)	(6,211)
At 31 December 2022	4,000	106,421	(15,880)	94,541
At 1 January 2022 (Unaudited)	4,000	106,421	(9,669)	100,752
Loss for the period	–	–	(6,838)	(6,838)
At 30 June 2022	4,000	106,421	(16,507)	93,914
At 1 January 2023	4,000	106,421	(15,880)	94,541
Loss for the period	–	–	(3,897)	(3,897)
At 30 June 2023	4,000	106,421	(19,777)	90,644

Note: Other reserves of the Company represent the difference between the net asset value of the acquired subsidiaries acquired by the Company over the nominal value of the share capital of the Company issued in exchange thereof (Note 31(a)) and net off the deemed distribution to the Controlling Shareholders of RMB2,460,000.

32 CONTINGENT LIABILITIES

The Group has no material contingent liabilities outstanding as at 31 December 2020, 2021 and 2022 and 30 June 2023.

33 SUBSEQUENT EVENTS

The Group does not have any material events after the Track Record Period which may require adjustments or additional disclosure to this Historical Financial Information.

34 SUMMARY OF OTHER ACCOUNTING POLICIES

34.1 Principles of consolidation and equity accounting

34.1.1 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries, if any, are shown separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position respectively.

34.1.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

34.1.3 Equity method

Under the equity method of accounting, interests in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in associates equals or exceeds its interests in the associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the associates), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount adjacent to 'share of net profit of associates' in consolidated statements of comprehensive income.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

34.1.4 Disposals of interest in subsidiaries and associates

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

34.2 Business combinations

34.2.1 Non-common control business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, if any, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

34.2.2 Merger accounting for business combination involving businesses under common control

The consolidated statements of comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the Historical Financial Information are presented as if the Listing Business had been consolidated at the beginning of the earliest reporting period or when they first came under common control, whichever is shorter. The Historical Financial Information includes the entities that were managed by management of the Listing Business during the years/periods presented. These activities were consolidated with all intra-group balances and transactions eliminated within the Group.

34.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year/period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

34.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

34.5 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB, which is the Group and the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses, if any, are presented in the consolidated statements of comprehensive income within "General and administrative expenses".

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;

(2) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

34.6 Leases

The Group as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated statements of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group's right-of-use assets consist of leases for building and machinery.

Right-of-use assets resulted from lease payments are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the assets and other direct related costs from the date when the respective rights were granted. Depreciation of lease payments is calculated on a straight-line basis over the lease terms as stated in the lease contracts and is charged to profit or loss.

The Group as a lessor

Lease income from operating leases where the Group acts as the lessor is recognised on a straight-line basis over the lease term. Initial direct costs incurred in obtaining the operating lease are added to the carrying amount of the underlying asset and recognised as expenses over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statements of financial position based on their nature.

34.7 Property, plant and equipment

Property, plant and equipment are stated in the Historical Financial Information at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 34.9).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'other loss' in the consolidated statements of comprehensive income.

34.8 Investment properties

Investment properties are interests in land and/or buildings in respect of which construction work and development have been completed and which are held for long-term rental yields and are not occupied by the Group. Investment properties are stated in the consolidated statements of financial position at cost less accumulated depreciation and accumulated impairment, if any.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the investment properties and is recognised in profit or loss.

34.9 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

34.10 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in "other income, net" using the effective interest rate method.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other loss". Interest income from these financial assets is included in "other income, net" using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in "other loss" in the period in which it arises. Dividend income from financial assets at fair value through profit or loss is recognised in "other income, net" when the rights to receive payment are established.

Equity instruments

The Group subsequently measures all equity investments at fair value through profit or loss. Dividends from such investments were recognised in "other income, net" when the Group's right to receive payments is established.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Further details are set out in Note 3.1 (iii).

34.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

34.12 Trade and other receivables

Trade receivables are amounts due from customer for services provided in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Further information about the Group's accounting for trade receivables and other receivables and a description of the Group's impairment policies is set out in Note 21 and Note 3.1 (iii) respectively.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

34.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

34.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

34.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

34.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

34.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

34.18 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Historical Financial Information. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent asset is not recognised but is disclosed in the notes to the Historical Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

34.19 Current and deferred income tax

The income tax expense or credit for the years is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the PRC where the Group and its associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amount will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the companies are able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

34.20 Employee benefits

(a) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurances. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

34.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognised as interest expense.

34.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

34.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in financial statements in the period when the dividends are approved by the Company's shareholders, where appropriate.

34.24 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

  (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a) above.

(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of the company of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

34.25 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

34.26 Income from the provision of construction labor service

Income is recognised over time when the service is rendered to customers and stated net of the related expenses as incurred.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2023 and up to the date of this report. Save as disclosed in Note 13 of this report, no dividend distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2023.

The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of our Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the sections headed "Financial Information" and "Appendix I – Accountant's Report".

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Share Offer on the net tangible assets of our Group attributable to the owners of the Company as at 30 June 2023 as if the Share Offer had taken place on 30 June 2023.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2023 or at any future dates following the Share Offer.

	Audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2023	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2023**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	
	(Note 1)	*(Note 2)*		*(Notes 3 & 4)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$0.32 per Share	192,340	86,436	278,776	0.17	0.19
Based on an Offer Price of HK$0.40 per Share	192,340	111,275	303,615	0.19	0.21

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2023 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated equity attributable to owners of the Company as at 30 June 2023 of approximately RMB192,340,000.

(2) The estimated net proceeds from the Share Offer are based on 373,750,000 Shares and the indicative Offer Price of HK$0.32 and HK$0.40 per Share after deduction of the estimated underwriting fees and other related listing expenses payable by us (excluding listing expenses of RMB20,761,000 which has been accounted for in the consolidated statements of comprehensive income up to 30 June 2023).

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,625,000,000 Shares were in issue assuming that the Share Offer has been completed on 30 June 2023 but takes no account of any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to allot and issue or repurchase Shares as described in the section headed "Share capital" of this prospectus.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB0.8933 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2023.

(6) As at 31 August 2023, the Group's property interests were valued by Roma Appraisals Limited, an independent property valuer, and the full text of the valuation report with regard to such property interests is set out in Appendix III to this prospectus. The valuation surplus as at 31 August 2023, representing the excess of market value of the Group's property interests over its book value, was approximately RMB2,017,000 and nil for property No. 1 and property No. 2, respectively. Such valuation surplus has not been included in the Group's consolidated financial statements as at 30 June 2023. The above adjustments do not take into account the valuation surplus. Had the property interest for property No. 1 been stated at such valuation, additional depreciation of RMB227,000 per annum would be charged against the consolidated statement of comprehensive income.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Shenghui Cleanness Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shenghui Cleanness Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2023, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's prospectus dated 27 November 2023, in connection with the proposed initial public offering of the shares of the Company (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2023 as if the proposed initial public offering had taken place at 30 June 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the six months ended 30 June 2023, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars,* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 November 2023

The following is the text of a valuation report prepared for the purpose of incorporation in this prospectus received from Roma Appraisals Limited, an independent valuer, in connection with its valuations as at 31 August 2023 of certain properties held and leased by the Group.

ROMA

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27 November 2023

Shenghui Cleanness Group Holdings Limited
3/F, Office Block
36 Xinguang Road
Xinzao Town
Panyu District
Guangzhou
the PRC

Dear Sir/Madam,

Re: Valuation of various properties interests situated in the People's Republic of China

In accordance with your instructions for us to value certain properties held or leased by Shenghui Cleanness Group Holdings Limited the ("**Company**") and/or its subsidiaries (together with the Company referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 August 2023 (the "**Date of Valuation**") for the purpose of incorporation in the prospectus of the Company dated 27 November 2023.

BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

For property No. 1, we have valued the properties by the direct comparison approach assuming sale or asking prices of the properties in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. Comparison is based on the considerations realised on actual or asking transactions of comparable properties. Comparable properties with similar sizes, characters and locations are analysed and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

For property No. 2, we have attributed no commercial value to the property interests which are leased by the Group. Due to the long term nature of the lease, we have considered and capitalised the potential of profit rent which is the difference between the lease rent determined by the market and the rent agreed upon by the lessor and the lessee in the lease period and arrived at the investment value for reference purpose.

TITLE INVESTIGATION

For the properties in the PRC, we have been shown copies of extracts of various title documents and have been advised by the Group that no further relevant documents have been produced. Furthermore, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. We have relied on the information given by the Group and advice given by its PRC legal advisors, China Commercial Law Firm (廣東華商律師事務所), regarding the titles of the properties in the PRC.

We have also relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

REMARKS

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi (RMB).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited
Frank F Wong
BA (Business Admin in Acct/Econ) MSc (Real Est)
MRICS Registered Valuer MAusIMM ACIPHE
Director, Head of Property and Asset Valuation

Note: Mr. Frank F Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering who has 24 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 16 years' experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Czech Republic, Austria, Poland, United Kingdom, Canada, United States, Abu Dhabi (UAE) and Jordan.

SUMMARY OF VALUES

No.	Property	Market Value in Existing State as at 31 August 2023
Property held by the Group for investment purpose in the PRC		
1.	Unit Nos.2101, 2102, 2106 and 2107, No.81 Xian Lie Middle Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC 中國廣東省廣州市越秀區先烈中路81號 2101, 2102, 2106及2107室	RMB3,070,000
Property leased by the Group in the PRC		
2.	No.36 Xinguang Road, Xinzao Town, Panyu District, Guangzhou City, Guangdong province, the PRC 中國廣東省廣州市番禺區新造鎮 新廣路36號	No commercial value

VALUATION CERTIFICATE

Property held by the Group for investment purpose in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 August 2023
1.	Unit Nos. 2101, 2102, 2106 and 2107, No. 81 Xian Lie Middle Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC 中國 廣東省 廣州市 越秀區先烈中路81號 2101, 2102, 2106及 2107室	The property comprises 4 office units on 21-storey and a carpark on basement 1-storey, the office building completed on 2011. The property has a total gross floor area ("**GFA**") of approximately 151.1013 sq.m.. The land use rights of the property have been granted for a term of 50 years expiring on 30 August 2057 for office use.	The property is subject to a tenancy, the details please refer to Note No. 2.	RMB3,070,000

Notes:

1. Pursuant to 4 Real Property Ownership Certificates, Yue (2021) Guangzhou Real Estate Property Nos. 00017431, 00017434, 00017435 and 00017438 (粵(2021)廣州市不動產權第00017431號、00017434號、00017435號及00017438號), issued by the Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局), the property with a total GFA of approximately 151.1013 sq.m. is legally held by Guangzhou Shenghui Cleaning Service Co., Ltd. ("**Guangzhou Shenghui**") (廣州市升輝清潔服務有限公司).

2. Pursuant to a tenancy agreement made between Guangzhou Shenghui as lessor and Guangzhou Jianyin Engineering Cost Consulting Co., Ltd. ("**Guangzhou Jianyin**") (廣州市建銀工程造價諮詢有限公司), an independent third party, as lessee, Unit Nos.2101, 2102, 2106, 2107 of the property with a total GFA of approximately 151.10 sq.m is leased, with a monthly rent of RMB20,000 for a term commencing from 1 January 2020 to expiring on 31 December 2024.

3. The site inspection was performed by Ms. Vinci Qijin Hou, MSc, with about 7 years property valuation experience, in October 2020.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter-alia*, the following information:

   a. Guangzhou Shenghui has obtained the title certificate of the property and is in possession of a proper legal title to the property;

   b. The tenancy mentioned above was registered on 11 December 2020 which was later than the required date. As the Lease registration has been completed, there is no risk that Guangzhou Shenghui will receive a penalty from the government.

VALUATION CERTIFICATE

Property leased by the Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2023
2.	No.36 Xinguang Road, Xinzao Town, Panyu District, Guangzhou City, Guangdong province, the PRC 中國 廣東省 廣州市 番禺區新造鎮 新廣路36號	The property comprises a parcel of land with a total site area of approximately 10,213.78 sq.m., and 2 industrial buildings and an office building erected thereon completed on 2010. The property has a total gross floor area ("**GFA**") of approximately 3,122.12 sq.m.. The land use rights of the property have been granted for terms of 50 years commencing on 22 November 2002 for industrial and office uses.	The property is subject to 2 tenancies, the details, refer to Note Nos. 2, 3 and 4.	No Commercial Value

Notes:

1. Pursuant to 3 Real Estate Title Certificates, Yue Fang Di Quan Zheng Sui Zi Di Nos.0210195531, 0210195532, and 0210195527 (粵房地權證穗字第0210195531號、0210195532號及0210195527號) issued by the Guangzhou City Land Resources and Housing Administration, the property with a total site area of approximately 10,213.78 sq.m. and a total GFA of 3,122.12 sq.m. is legally held by Guangzhou City Panyu District Xinzao Town Real Estate Development Company ("**Xinzao Real Estate**") (廣州市番禺區新造鎮房地產開發公司).

2. Pursuant to Land Use Right Lease Contract between Xinzao Real Estate, an independent third party, as lessor and Guangzhou Shenghui Cleaning Service Co., Ltd. ("**Guangzhou Shenghui**") (廣州市升輝清潔服務有限公司) as lessee dated on 21 April 2016, the property with site area of approximately 10,213.78 sq.m. is leased for a term of 20 years commencing on 1 April 2016 and expiring on 31 March 2036 with monthly rent of RMB51,068.90. The rent free period is 6 months and rental to increase by 5% every 2 years.

3. Pursuant to Sub-Lease Tenancy Agreement between Guangzhou Shenghui as sub-lessor and Guangzhou Pengsheng Sports Development Co., Ltd. ("**Guangzhou Pengsheng**") (廣州彭升體育發展有限公司), which the Group previously held a majority interest in prior to its disposal on October 2020 to an independent third party, as sub-lessee dated on 23 June 2016, the property with site area of approximately 10,000 sq.m. is leased for a term of 8 years commencing on 1 July 2016 and expiring on 30 June 2024 with monthly rent of RMB86,000. The rent free period is 4 months and rental to increase by 10% every 2 years.

4. As per supplementary agreement signed by Guangzhou Shenghui and Guangzhou Pengsheng dated on 1 February 2021, to clarify the leasing area on 3rd floor of the office building of the property was excluded from the Sub-Lease Tenancy Agreement. The leased portion of the property will be changed and excluded the office building, industrial building No.1, road of the property and carpark space. The monthly rent is revised to RMB51,600.

5. The site inspection was performed by Ms. Vinci Qijin Hou, MSc, with about 7 years property valuation experience, in October 2020.

6. In the valuation of this property, we have attributed no commercial value to the property which are leased by the Group. However, for reference purpose, we are of the opinion that the investment value as at the date of valuation would be RMB530,000. This is assuming potential profit from the rent is capitalised which is the difference between the lease rent paid and the sub-lease rent received over a long-term period of the lease.

7. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal advisors, which contains, *inter-alia*, the following information:

   In respect of the Land Use Right Lease Contract entered into between Xinzao Real Estate and Guangzhou Shenghui, except for the difference area issue as disclosed hereafter:

   a. As per supplementary agreement signed by Xinzao Real Estate and Guangzhou Shenghui dated on 28 June 2017, Guangzhou Shenghui could redevelopment the dormitory building. Xinzao Real Estate issued the Information Note (情況說明) dated on 9 February 2021, which confirmed that the dormitory building was not actually built.

   b. Pursuant to Information Note mentioned above, Xinzao Real Estate confirmed they have noticed that portion of the property is leased to Guangzhou Pengsheng and Guangzhou Pengsheng has changed the usage of the property. Xinzao Real Estate will not pursue the legal responsibility against Guangzhou Shenghui.

   c. Pursuant to a building assessment report dated 15 June 2021, the buildings of workshop 1, workshop 2, passageway of zinc shed, guard room, utility room and security room, located at No. 36, Xinguang Road, Xinzao Town, Panyu District, Guangzhou, are generally in good condition and safe for operation.

   d. The Land Use Right Lease Contract is lawful, enforceable and legally binding on the signing parties.

   In respect of the Sub-Lease Tenancy Agreement entered into between Guangzhou Shenghui and Guangzhou Pengsheng, except for the difference area issue as disclosed hereafter:

   e. Guangzhou Pengsheng issued the Information Note (情況說明) dated on 8 February 2021 that Guangzhou Pengsheng will bear the liability caused by the change of usage from industrial to sport training.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 January 2021 under the Companies Act. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association Memorandum Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 14 November 2023 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned or postponed meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned or postponed meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange (the "**Listing Rules**") that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the Listing Rules that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by announcement or by electronic communication or by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by the Members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn or postpone and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that in the case of a physical meeting, the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the Listing Rules.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place (as defined below), and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify (a) the time and date of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by the Board pursuant to the Articles, the principal place of the meeting (the "**Principal Meeting Place**"), (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by the Company prior to the meeting, and (d) particulars of resolutions to be considered at the meeting.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be given or issued by the following means:

(aa) by serving it personally on the relevant person;

(bb) by sending it through the post to such member's registered address;

(cc) by delivering or leaving it at such member's registered address;

(dd) by placing an advertisement in newspapers or other publication and where applicable, in accordance with the requirements of the Stock Exchange;

(ee) by sending or transmitting it as an electronic communication to the relevant person at such electronic address as he may provide under the Articles, subject to the Company complying with the Cayman Islands laws and any other applicable laws, rules and regulations from time to time in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person;

(ff) by publishing it on the Company's website to which the relevant person may have access, subject to the Company complying with the Cayman Islands law and any other applicable laws, rules and regulations from time to time in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person and/or for giving notification to any such person stating that the notice, document or publication is available on the Company's computer network website; or

(gg) by sending or otherwise making it available to such person through such other means to the extent permitted by and in accordance with the Cayman Islands law and other applicable laws, rules and regulations.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aaa) the declaration and sanctioning of dividends;

(bbb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(ccc) the election of directors in place of those retiring;

(ddd) the appointment of auditors and other officers; and

(eee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorised representative or proxy, and entitled to vote. In respect of a separate class meeting (other than an adjourned or postponed meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a in general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to member of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 14 January 2021.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display as referred to in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available on display – Documents available on display" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 4 January 2021. Our Company has established a principal place of business in Hong Kong at 5/F, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 9 February 2021. Mr. Li and Ms. Law Kwok Wing have been appointed as authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Companies Act and its constitution documents comprising the Memorandum of Association and the Articles of Association. A summary of various parts of the constitution documents and relevant aspects of the Companies Act is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

(a) On 4 January 2021, our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 Shares. Upon our incorporation, one nil-paid initial Subscriber Share was allotted and issued, which was on the same day transferred to Prosperity Cleanness and one nil-paid Share was allotted and issued to Sunrise Cleanness.

(b) On 14 November 2023, the authorised share capital of our Company increased from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 new Shares pursuant to a resolution in writing passed by our then Shareholders referred to in the paragraph headed "A. Further information about our Company – 4. Written resolutions of our Shareholders" of this Appendix to this prospectus.

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK$100,000,000 divided into 10,000,000,000 Shares and the issued share capital of our Company will be HK$16,250,000 divided into 1,625,000,000 Shares, all fully paid or credited as fully paid, with 8,375,000,000 Shares remaining unissued.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further information about our Company - 4. Written resolutions of our Shareholders" of this Appendix to this prospectus below and the exercise of any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Changes in share capital of the subsidiaries of our Company

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and Group structure" of this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholders

Pursuant to the written resolutions of our Shareholders passed on 14 November 2023, among others,

(a) our Company approved and adopted the Articles, the terms of which are summarised in Appendix IV to this prospectus;

(b) the authorised share capital of our Company increased from HK$380,000 to HK$100,000,000 by the creation of additional 9,962,000,000 Shares of HK$0.01 each;

(c) conditional on (1) the Listing Committee granting the approval of the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and (2) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise (collectively the "**Conditions**"):

   (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer;

(ii) the Share Option Scheme was approved and adopted and our Directors were authorised subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares thereunder and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme; and

(iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK$12,512,490 standing to the credit of our share premium account towards paying up in full at par 1,251,249,000 Shares (including 40,625,000 Sale Shares) for allotment and issue to holders of Shares whose names appeared on the register of members of our Company at the close of business on 14 November 2023 (or as they may direct) in proportion as nearly as may be without involving fractions to their then existing shareholdings in our Company and our Shares to be allotted and issued pursuant to the resolution shall rank *pari passu* in all respects with our existing issued Shares (other than the Capitalisation Issue) and our Directors or any committee of our Board were authorised to give effect to the Capitalisation Issue;

(d) conditional upon the fulfilment of the Conditions:

(i) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or an issue of Shares pursuant to the exercise of options which may be granted under the Share Option Scheme, Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately upon completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares that may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

(ii) a general unconditional mandate was given to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), of Shares not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately upon completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares that may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first; and

(iii) the general unconditional mandate as mentioned in sub-paragraph (d)(i) above was extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d)(ii) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

5. Corporate reorganisation

The companies comprising our Group underwent our Reorganisation in preparation for Listing. For information relating to our Reorganisation, please refer to the paragraph headed "History, Reorganisation and Group structure – Reorganisation" in this prospectus.

6. Repurchase by our Company of our own securities

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 14 November 2023, a repurchase mandate (the "**Repurchase Mandate**") was given to our Directors authorising our Directors to exercise all powers of our Company to purchase our Shares as described above in the paragraph headed "A. Further information about our Company – 4. Written resolutions of our Shareholders" of this Appendix to this prospectus.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. Our Company may not repurchase our own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Act, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell our Shares to our Company.

(b) Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase our Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,625,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer (taking no account of any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), could accordingly result in up to 162,500,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years immediately preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

(a) The Deed of Indemnity dated 14 November 2023 and entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the paragraph headed "F. Other information – 1. Tax and other indemnities" in Appendix V to this prospectus;

(b) the Deed of Non-Competition dated 14 November 2023 and entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the paragraph headed "Relationship with our Controlling Shareholders – Non-competition undertakings" of this prospectus; and

(c) the Public Offer Underwriting Agreement in relation to the Public Offer of 41,437,500 Shares (subject to reallocation) in the issued share capital of Shenghui Cleanness Group Holdings Limited 升輝清潔集團控股有限公司 dated 24 November 2023 entered into among our Company, Mr. Li and Mr. Chen (as executive Directors), our Controlling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters relating to the Public Offer.

C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

1. Trademark

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks which we believe are material to our business:

No.	Trademark	Name of registered owner	Class(Note)	Registration number	Expiry date	Place of registration
1.		Guangzhou Shenghui	37	6900795	6 June 2030	PRC

No.	Trademark	Name of registered owner	Class(Note)	Registration number	Expiry date	Place of registration
2.	升辉	Guangzhou Shenghui	37	13122840	6 January 2025	PRC
3.		Guangzhou Shenghui	37	305481649	16 December 2030	Hong Kong
4.	升輝 升辉	Guangzhou Shenghui	37	305481658	16 December 2030	Hong Kong

As at the Latest Practicable Date, our Group has applied for the registration of the following trademarks which we believe are material to our business:

No.	Trademark	Name of applicant	Class(Note)	Application number	Application date	Place of application
1.	天佑升辉	Guangzhou Shenghui	42	74539450	13 October 2023	PRC
2.	天佑升辉	Guangzhou Shenghui	37	74495005	11 October 2023	PRC

Note: Class 37 – construction services; installation and repair services; mining extraction, oil and gas drilling

Class 42 – scientific and technological services and research and design relating thereto; industrial analysis, industrial research and industrial design services; quality control and authentication services; design and development of computer hardware and software

2. Patent

As at the Latest Practicable Date, our Group had registered the following patents in the PRC which we believe are material to our business:

No.	Patent description	Name of the registered owner	Registration number	Effective period
1.	A type of multi-functional warning sign* 一種多功能警示牌	Guangzhou Shenghui	ZL 2019 2 0874221.X	11 June 2019 to 10 June 2029

No.	Patent description	Name of the registered owner	Registration number	Effective period
2.	Electric duster* 電動除塵撣	Guangzhou Shenghui	ZL 2019 2 0874194.6	11 June 2019 to 10 June 2029
3.	Front-mounted vacuum cleaner of a floor scrubber machine* 洗地機前置吸塵器	Guangzhou Shenghui	ZL 2019 2 0883053.0	11 June 2019 to 10 June 2029
4.	Escalator sweeping device* 扶手電梯的清掃裝置	Guangzhou Shenghui	ZL 2019 2 0883083.1	11 June 2019 to 10 June 2029
5.	Marble descaling wipes 石材深度除鏽敷片	Guangzhou Shenghui	ZL 2019 2 0979885.2	26 June 2019 to 25 June 2029
6.	Water wiper* 推水刮具	Guangzhou Shenghui	ZL 2019 2 0876247.8	11 June 2019 to 10 June 2029
7.	Pipe-cleaning duster* 一種管道清潔撣	Guangzhou Shenghui	ZL 2019 2 0874223.9	11 June 2019 to 10 June 2029
8.	Hose reel* 水管收卷器	Guangzhou Shenghui	ZL 2019 2 0883055.X	11 June 2019 to 10 June 2029
9.	Duster cloth drying rack with dehydrator* 帶脱水器的塵推布涼曬架	Guangzhou Shenghui	ZL 2019 2 0979911.1	26 June 2019 to 25 June 2029
10.	Marble reconditioning machine* 一種晶面機	Guangzhou Shenghui	ZL 2019 2 0874286.4	11 June 2019 to 10 June 2029
11.	Dustproofing device for angle grinder* 角向磨光機的防塵裝置	Guangzhou Shenghui	ZL 2019 2 0876140.3	11 June 2019 to 10 June 2029
12.	Portable high pressure water gun* 一種便攜式高壓水槍	Guangzhou Shenghui	ZL 2019 2 0883052.6	11 June 2019 to 10 June 2029

No.	Patent description	Name of the registered owner	Registration number	Effective period
13.	Sprinkler mounting device* 噴淋器的安裝裝置	Guangzhou Shenghui	ZL 2019 2 0979883.3	26 June 2019 to 25 June 2029
14.	Mobile squeegee* 活動刮水器	Guangzhou Shenghui	ZL 2019 2 0979881.4	26 June 2019 to 25 June 2029
15.	Multi-functional chandelier cleaner* 多功能吊燈清洗器	Guangzhou Shenghui	ZL 2019 2 0981117.0	26 June 2019 to 25 June 2029
16.	Water suction device with absorbent squeegee* 一種配有吸水刮的吸水器	Guangzhou Shenghui	ZL 2019 2 0981419.8	26 June 2019 to 25 June 2029
17.	Multi-functional sweeping device* 一種多功能的清掃裝置	Guangzhou Shenghui	ZL 2019 2 0981420.0	26 June 2019 to 25 June 2029
18.	Dust pusher* 塵推器	Guangzhou Shenghui	ZL 2019 2 0990330.8	26 June 2019 to 25 June 2029
19.	Automatic umbrella dehydrator* 自動雨傘除水器	Guangzhou Shenghui	ZL 2019 2 0979915.X	26 June 2019 to 25 June 2029
20.	Cleaning robot* 一種保潔機器人	Guangzhou Shenghui	ZL 2017 1 0688747.4	13 August 2017 to 12 August 2037
21.	Umbrella dehydrating device* 一種雨傘脱水裝置	Guangzhou Shenghui	ZL 2019 2 0885353.2	11 June 2019 to 10 June 2029
22.	Cleaning and maintenance device for marble surface* 石材晶面清潔養護處理裝置	Guangzhou Shenghui	ZL202023350595.3	31 December 2020 to 30 December 2030

No.	Patent description	Name of the registered owner	Registration number	Effective period
23.	Dustproofing cleaning device with absorbent* 一種強吸水無塵耐用清潔裝置	Guangzhou Shenghui	ZL202023351324.X	31 December 2020 to 30 December 2030
24.	Intelligent automatic floor scrubbing device* 智能化全自動洗地裝置	Guangzhou Shenghui	ZL202023349490.6	31 December 2020 to 30 December 2030
25.	A type of premium electric dust pusher* 一種高級電動塵推裝置	Guangzhou Shenghui	ZL202023351379.0	31 December 2020 to 30 December 2030
26.	Dust removal device for ceiling of high-rise building* 高層建築天花板除塵裝置	Guangzhou Shenghui	ZL202023349488.9	31 December 2020 to 30 December 2030
27.	Three-in-one carpet automatic extraction and cleaning device* 三合一地毯自動化抽洗裝置	Guangzhou Shenghui	ZL202023351286.8	31 December 2020 to 30 December 2030
28.	Automatic cleaning device for the interior of smart elevators* 自動化樓宇智能電梯用內部清潔裝置	Guangzhou Shenghui	ZL202121544138.X	7 July 2021 to 6 July 2031
29.	A type of leaf sweeper* 一種新型樹葉清掃車	Guangzhou Shenghui	ZL202121552792.5	7 July 2021 to 6 July 2031
30.	Smart cleaning device for glass* 樓宇玻璃智能清洗裝置	Guangzhou Shenghui	ZL202121541808.2	7 July 2021 to 6 July 2031

No.	Patent description	Name of the registered owner	Registration number	Effective period
31.	Cleaning device for the exterior of high-rise building* 高層建築外牆清洗裝置	Guangzhou Shenghui	ZL202121545015.8	7 July 2021 to 6 July 2031
32.	Vacuum cleaner for dirt* 一種可清理頑垢的吸塵裝置	Guangzhou Shenghui	ZL202121544042.3	7 July 2021 to 6 July 2031
33.	High cleanliness ultrasonic cleaner* 一種高清潔度超聲波清潔機	Guangzhou Shenghui	ZL202222233731.3	24 August 2022 to 23 August 2032
34.	Smart detection and cleaning equipment for glass curtain wall stains* 一種玻璃幕牆污漬智能檢測清洗設備	Guangzhou Shenghui	ZL202110716452.X	28 June 2021 to 27 June 2041
35.	Efficient washing and grinding device for roadside rocks* 一種高效路邊石沖洗打磨裝置	Guangzhou Shenghui	ZL202222238746.9	24 August 2022 to 23 August 2032
36.	Anti-pollution storage device for high-rise building cleaning* 一種高層建築清洗用的防污染儲存裝置	Guangzhou Shenghui	ZL202223604419.7	29 December 2022 to 28 December 2032

* *English translation of its Chinese counterpart is for reference only*

As at the Latest Practicable Date, our Group has applied for the registration of the following patents which we believe are material to our business:

	Name of patent	Name of applicant	Application number	Application Date
1.	Small-sized multipurpose cleaning and waste transfer equipment* 一種小型多功能清掃轉運垃圾設備	Guangzhou Shenghui	202222238749.2	24 August 2022
2.	Smart building dust-free purification device* 一種智能樓宇無塵淨化裝置	Guangzhou Shenghui	202222233688.0	24 August 2022
3.	Airbag-type exterior glass curtain wall cleaning device* 氣囊式樓宇外玻璃幕牆清洗器	Guangzhou Shenghui	202222233732.8	24 August 2022
4.	Dry and wet waste sorting processor and its processing method* 一種乾濕垃圾分類處理器及其處理方法	Guangzhou Shenghui	202211476544.6	23 November 2022
5.	Brushless high-pressure water washing sweeper* 一種無刷盤高壓水洗掃車	Guangzhou Shenghui	202223478106.1	26 December 2022
6.	Waste treatment recycling and reuse system* 垃圾處理回收再利用系統	Guangzhou Shenghui	202223477247.1	26 December 2022
7.	High-pressure spray mechanism of a sweeping vehicle* 一種洗掃車的高壓噴掃機構	Guangzhou Shenghui	202223527732.5	26 December 2022

	Name of patent	Name of applicant	Application number	Application Date
8.	High-altitude intelligent cleaning equipment* 一種高空智能清潔裝置	Guangzhou Shenghui	202223599785.8	29 December 2022

* *English translation of its Chinese counterpart is for reference only.*

3. Copyright

As at the Latest Practicable Date, our Group had the following copyrights which we believe are material to our business:

No.	Copyright description	Name of registered owner	Registration number	Effective period
1.	Shenghui's system software for automatic glass curtain wall cleaning 升輝自動免擦玻璃幕牆清洗系統軟件	Guangzhou Shenghui	2019SR0526885	7 October 2016 to 31 December 2066
2.	Shenghui's system software for ultrafine marble surface maintenance 升輝超精細石材晶面養護處理系統軟件	Guangzhou Shenghui	2019SR0522708	31 January 2017 to 31 December 2067
3.	Shenghui's software for detecting and analysing dust in high level of lobby 升輝大堂高位灰塵檢測分析軟件	Guangzhou Shenghui	2019SR0535734	1 February 2018 to 31 December 2068
4.	Shenghui's intelligent high-rise-building-cleaning information processing software 升輝高層建築智能清洗過程信息處理軟件	Guangzhou Shenghui	2019SR0526349	16 December 2016 to 31 December 2066

No.	Copyright description	Name of registered owner	Registration number	Effective period
5.	Shenghui's architectural glass cleaning and maintenance software 升輝建築外牆玻璃清潔維護管理軟件	Guangzhou Shenghui	2019SR0526285	30 November 2017 to 31 December 2067
6.	Shenghui's garbage removal and maintenance software 升輝垃圾清運維護管理軟件	Guangzhou Shenghui	2019SR0532878	9 October 2018 to 31 December 2068
7.	Shenghui's fully automated cleaning quality inspection and evaluation system software 升輝全自動清潔質量檢測評估系統軟件	Guangzhou Shenghui	2019SR0540616	19 June 2018 to 31 December 2068
8.	Shenghui's photometric inspection software for marble surface cleaning 升輝石材水晶晶面清潔養護光度檢測軟件	Guangzhou Shenghui	2019SR0526279	15 August 2017 to 31 December 2067
9.	Shenghui's cleaning and disinfection evaluation software for central air conditioning 升輝中央空調清洗消毒方案評估軟件	Guangzhou Shenghui	2019SR0522861	3 April 2017 to 31 December 2067
10.	Shenghui's automated control software for floor cleaning equipment 升輝自動化地面清洗設備控制軟件	Guangzhou Shenghui	2019SR0529667	22 December 2018 to 31 December 2068

4. Domain name

As at the Latest Practicable Date, our Group had registered the following domain name which we believe is material to our business:

Domain name	Registrant	Registration date	Expiry date
www.gzshqj.com	Guangzhou Shenghui	16 January 2014	16 January 2028

D. DISCLOSURE OF INTERESTS

1. Interests and short positions of our Directors and chief executive in the shares, underlying shares and debentures of our Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue, without taking no account of Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or will be required, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(a) Long position in our Shares

Name of Substantial Shareholders	Capacity/ Nature of interest	Number of Shares *(Note 1)*	Percentage of shareholding interests in our Company
Mr. Li *(Notes 2 and 3)*	Interest of controlled corporation	1,173,087,500 (L)	72.19%

Name of Substantial Shareholders	Capacity/ Nature of interest	Number of Shares *(Note 1)*	Percentage of shareholding interests in our Company
Mr. Chen *(Notes 2 and 4)*	Interest of controlled corporation	1,173,087,500 (L)	72.19%

Notes:

1. The letter "L" denotes the entity/person's long interest in our Shares.

2. On 16 March 2021, Mr. Li and Mr. Chen executed the Controlling Shareholders' Confirmation, pursuant to which Mr. Li and Mr. Chen confirmed that they have been a group of controlling shareholders, details of which are set out in the section headed "Relationship with our Controlling Shareholders" of this prospectus. Accordingly, each of our Controlling Shareholders, i.e. Mr. Li, Prosperity Cleanness (being wholly owned by Mr. Li), Mr. Chen and Sunrise Cleanness (being wholly owned by Mr. Chen) is deemed to be interested in 72.19% of the issued share capital of our Company.

3. Shares in which Mr. Li is interested consist of (i) 586,543,750 Shares held by Prosperity Cleanness, a company he wholly owned, and Mr. Li is therefore deemed to be interested in all the Shares held by Prosperity Cleanness by virtue of the SFO; and (ii) 586,543,750 Shares in which Mr. Li is deemed to be interested as a result of the Controlling Shareholders' Confirmation.

4. Shares in which Mr. Chen is interested consist of (i) 586,543,750 Shares held by Sunrise Cleanness, a company he wholly owned, and is therefore deemed to be interested in all the Shares held by Sunrise Cleanness by virtue of the SFO; and (ii) 586,543,750 Shares in which Mr. Chen is deemed to be interested as a result of the Controlling Shareholders' Confirmation.

(b) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Percentage of interest in the associated corporation held by our Director	Nature of interest	No. of Shares held by the associated corporation *(Note)*	Percentage of shareholding interests in our Company
Mr. Li	Prosperity Cleanness	100%	Beneficial owner	1,173,087,500 (L)	72.19%
Mr. Chen	Sunrise Cleanness	100%	Beneficial owner	1,173,087,500 (L)	72.19%

Note: The letter "L" denotes the entity/person's long interest in our Shares.

2. Interests and short positions of Substantial Shareholders in our Shares, and underlying Shares of our Company

So far as our Directors are aware and save as disclosed in this prospectus, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Substantial Shareholders	Capacity/ Nature of interest	Number of Shares *(Note 1)*	Percentage of shareholding interests in our Company
Prosperity Cleanness *(Notes 2 and 3)*	Beneficial owner	1,173,087,500 (L)	72.19%
Mr. Li *(Notes 2 and 3)*	Interest of controlled corporation	1,173,087,500 (L)	72.19%
Ms. Tang Yongzhen (唐永珍) ("**Ms. Tang**") *(Note 4)*	Interest of spouse	1,173,087,500 (L)	72.19%
Sunrise Cleanness *(Notes 2 and 5)*	Beneficial owner	1,173,087,500 (L)	72.19%
Mr. Chen *(Notes 2 and 5)*	Interest of controlled corporation	1,173,087,500 (L)	72.19%

Notes:

1. The letter "L" denotes the entity/person's long interest in our Shares.

2. On 16 March 2021, Mr. Li and Mr. Chen executed the Controlling Shareholders' Confirmation, pursuant to which Mr. Li and Mr. Chen confirmed that they have been a group of controlling shareholders, details of which are set out in the section headed "Relationship with our Controlling Shareholders" of this prospectus. Accordingly, each of our Controlling Shareholders, i.e. Mr. Li, Prosperity Cleanness (being wholly owned by Mr. Li), Mr. Chen and Sunrise Cleanness (being wholly owned by Mr. Chen) is deemed to be interested in 72.19% of the issued share capital of our Company.

3. Shares in which Mr. Li is interested consist of (i) 586,543,750 Shares held by Prosperity Cleanness, a company he wholly owned, and Mr. Li is therefore deemed to be interested in all the Shares held by Prosperity Cleanness by virtue of the SFO; and (ii) 586,543,750 Shares in which Mr. Li is deemed to be interested as a result of the Controlling Shareholders' Confirmation.

4. Ms. Tang is the spouse of Mr. Li and is therefore deemed to be interested in all the Shares held or interested in by Mr. Li by virtue of the SFO.

5. Shares in which Mr. Chen is interested consist of (i) 586,543,750 Shares held by Sunrise Cleanness, a company he wholly owned, and is therefore deemed to be interested in all the Shares held by Sunrise Cleanness by virtue of the SFO; and (ii) 586,543,750 Shares in which Mr. Chen is deemed to be interested as a result of the Controlling Shareholders' Confirmation.

3. Particulars of service agreements and letters of appointment

Each of our executive Directors has entered into a service agreement with our Company. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:

(a) Each service agreement is for an initial fixed term of three years commencing from the Listing Date and shall continue thereafter until it is terminated by either party by giving not less than three months' notice in writing at any time after such initial fixed term to the other, provided that our Company may terminate the agreement by giving to our executive Director not less than three months' prior notice in writing at any time after the date of the agreement. The appointment shall terminate automatically in the event of our executive Director ceasing to be a director for whatever reason.

(b) Under the arrangements currently proposed, conditional upon Listing, the annual basic remuneration (excluding payment pursuant to any discretionary benefits or bonus, granting of share options or other fringe benefits) payable by our Group to each of Mr. Li and Mr. Chen will be approximately HK$900,000 and HK$600,000 respectively.

(c) Each of our executive Directors may be entitled to, if so recommended by our remuneration committee and approved by our Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of our executive Director.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company under which each of them is appointed for a period of one year commencing from the Listing Date. The annual director's fee payable to each of Ms. Chong Sze Pui Joanne, MH, Ms. Cheung Bo Man and Ms. Yau Yin Hung under their respective letter of appointment shall be HK$120,000. Save for the annual director's fees mentioned above, none of our independent non-executive Directors is expected to receive any other remuneration for holding her office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have any service agreement or letter of appointment with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

4. Remuneration of Directors

During the Track Record Period, our Directors confirmed that our remuneration policy for our Directors and senior management member of the subsidiaries were based on their experience, level of responsibility and general market conditions. Any discretionary bonus was linked to the business performance of our Group and the individual performance of such Directors and senior management member. Our Company intends to adopt the same remuneration policy after Listing, subject to the review by and the recommendations of our remuneration committee.

For each of the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023, the aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Company to our Directors were approximately RMB0.4 million, RMB0.5 million, RMB0.6 million and RMB0.3 million, respectively.

Further information in respect of emoluments of our Directors is set out in Appendix I to this prospectus. It is expected that the aggregate emoluments (excluding payment pursuant to any discretionary bonus or granting of share options) payable by our Group to our Directors (including our independent non-executive Directors) for the year ending 31 December 2023 will be approximately RMB0.6 million.

Save as disclosed in Appendix I to this prospectus, none of our Directors received any remuneration or benefits in kind from our Group during the Track Record Period.

5. Disclaimers

Save as disclosed in this prospectus:

(a) so far as our Directors are aware, none of our Directors or chief executive has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following the completion of the Share Offer and assuming that the options which may be granted under the Share Option Scheme are not exercised, which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she will be taken or deemed to have under the SFO) once our Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once our Shares are listed, or which will be required, pursuant to the Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, once our Shares are listed;

(b) so far as our Directors are aware, none of our Directors and experts referred to under the paragraph headed "F. Other information – 6. Qualifications of experts" of this Appendix to this prospectus has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors and experts referred to under the paragraph headed "F. Other information – 6. Qualifications of experts" of this Appendix to this prospectus is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors has any existing or proposed service agreements with any member of our Group, excluding agreements which are determinable by the employer within one year without payment of compensation other than statutory compensation;

(e) taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person, not being a Director of our Company, who will, immediately following completion of the Share Offer and the Capitalisation Issue, be interested in or has short positions in the Shares or underlying Shares of our Company which have to be notified to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once our Shares are listed, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(f) none of the experts referred to under the paragraph headed "F. Other information – 6. Qualifications of experts" of this Appendix has any shareholding in any member of our Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) none of our Directors, their associates or any Shareholder of our Company (which to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers for each year during the Track Record Period and five largest customers for each year during the Track Record Period.

6. Agency fees or commissions received

Information on the agency fees or commissions received by the Underwriters is set out in section headed "Underwriting" in this prospectus.

Save as disclosed herein and in the section headed "Directors and senior management" and the accountants' report of our Group set out in Appendix I to this prospectus, none of the Directors, or the experts named in the paragraph headed "F. Other information – 6. Qualifications of experts" in this Appendix to this prospectus had received any agency fee, commissions, discounts, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years immediately preceding the date of this prospectus.

7. Related party transactions

For details of the related party transactions of our Group entered into within two years immediately preceding the date of this prospectus, please refer to the Accountants' Report set out in Appendix I to this prospectus and the section headed "Connected Transactions" in this prospectus.

E. SHARE OPTION SCHEME

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	14 November 2023, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
"Board"	our board of Directors
"Business Day"	any day on which the Stock Exchange is open for the business of dealings in securities
"Exercise Price"	the price per Share at which a grantee may subscribe for our Shares on the exercise of an Option as described in paragraph (c)

"Group"	our Company and its subsidiaries
"Offer Date"	the date on which an Option is offered to a Participant
"Option"	an option to subscribe for Shares granted pursuant to the Share Option Scheme and for the time being subsisting
"Scheme Period"	the period of ten years commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof, unless terminated earlier in accordance with the terms of the Share Option Scheme

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our then Shareholders passed on 14 November 2023:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees, directors, advisers, consultants, distributors, contractors, suppliers, agents and service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

Our Board may, at its absolute discretion, invite any person belonging to any of the following classes of participants ("**Participants**") to take up Options to subscribe for Shares:

(a) any director and employee of our Company or any of its subsidiaries (including persons who are granted Options as an inducement to enter into employment contracts with the Company or any of its subsidiaries) ("**Employee Participant(s)**");

(b) any director and employee of the holding companies, fellow subsidiaries or associated companies of our Company ("**Related Entity Participant(s)**");

(c) any person who provides services to our Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of our Group, including but not limited to person(s) who work for the Company as independent contractors (including advisers, consultants, distributors, contractors, suppliers, agents and service providers of any member of our Group) where the continuity and frequency of their services are akin to those of employees, but excluding (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions; and (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity ("**Service Provider(s)**").

The basis of eligibility of any Participant to the grant of any Option shall be determined by our Board from time to time on the basis of his or her contribution or potential contribution to the development and growth of our Group.

In assessing whether Options are to be granted to any Participant, our Board shall take into account various factors, including but not limited to, the nature and extent of contributions provided by such Participant to our Group, the special skills or technical knowledge possessed by them which is beneficial to the continuing development of our Group, the positive impacts which such Participant has brought to our Group's business and development and whether granting Options to such Participant is an appropriate incentive to motivate such Participant to continue to contribute towards the betterment of our Group.

In assessing the eligibility of an Employee Participant, our Board will consider all relevant factors as appropriate, including, among others:

(i) his/her skills, knowledge, experience, expertise and other relevant personal qualities;

(ii) his/her performance, time commitment, responsibilities or employment conditions and the prevailing market practice and industry standard;

(iii) his/her contribution made or expected to be made to the growth of our Group; and

(iv) his/her educational and professional qualifications, and knowledge in the industry.

In assessing the eligibility of a Related Entity Participant, our Board will consider all relevant factors as appropriate, including, among others:

(i) the positive impacts brought by, or expected from, the Related Entity Participant on our Group's business development in terms of an increase in turnover or profits and/or an addition of expertise to our Group;

(ii) the period of engagement or employment of the Related Entity Participant by our Group;

(iii) whether the Related Entity Participant has referred or introduced opportunities to our Group which have materialised into further business relationships;

(iv) whether the Related Entity Participant has assisted our Group in tapping into new markets and/or increased its market share; and

(v) the materiality and nature of the business relation of holding companies, fellow subsidiaries or associated companies with our Group and the Related Entity Participant's contribution in such holding companies, fellow subsidiaries or associated companies of our Group which may benefit the core business of our Group through a collaborative relationship.

Amongst the Service Providers eligible for the granting of the Options:

(i) advisers and consultants are those who would play significant roles in our Group's business development by contributing their specialised skills and knowledge in the business activities of our Group on a continuing and recurring basis. Such advisers and consultants would possess industry-specific knowledge or expertise or valuable experience or deep understanding or insight in the business of our Group. Their continuing and recurring engagement and cooperation with our Group would benefit our Group with frequent and successive strategic advice and guidance in its ordinary and usual course of business, which are substantively comparable to contributions of highly-skilled or executive employees of our Group; and

(ii) distributors, contractors, suppliers and agents are to directly contribute to the long-term growth of our Group's business by taking roles or providing services that are in a continuing and recurring nature in its ordinary and usual course of business. The works of distributors, contractors, suppliers and agents are closely connected with various areas of our Group's day-to-day operations, including sales, procurement, marketing, manufacturing and development of construction equipment, and their performances will contribute to the operating performance and financial results of our Group.

In assessing the eligibility of a Service Provider, our Board will consider all relevant factors as appropriate, including, among others:

(i) in respect of advisers and consultants:

A. the expertise, professional qualifications and industry experience of the Service Provider;

B. the performance of the Service Provider and track record, including whether the Service Provider has a proven track record of delivering quality services;

C. the prevailing market fees chargeable by other services providers;

D. our Group's period of engagement of or collaboration with the Service Provider; and

E. the Service Provider's actual or potential contribution to our Group in terms of a reduction in costs or an increase in turnover or profit;

(ii) in respect of distributors, contractors, suppliers and agents:

A. the scale of the Service Provider's business dealings with our Group in terms of purchases or sales attributable to him;

B. the ability of the Service Provider to maintain the quality of services;

C. the performance of the Service Provider(s) and track record, including whether the Service Provider has a proven track record of delivering quality services;

D. the benefits and strategic value brought by the Service Provider to our Group's development and future prospects in terms of the profits and/or income attributable to the Service Provider's collaboration with our Group;

E. the scale of the Service Provider's collaboration with our Group and the length of business relationships between the Service Provider and our Group; and

F. the business opportunities and external connections that the Service Provider has introduced or will potentially introduce to our Group.

(c) Exercise Price

The Exercise Price shall be a price solely determined by our Board and notified to a Participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and (iii) the nominal value of our Shares on the Offer Date, provided that in the event of fractional prices, the Exercise Price per Share shall be rounded upwards to the nearest whole cent. For the purpose of calculating the Exercise Price where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day falling within the period before listing.

(d) Grant of Options and acceptance of offers

An offer of the grant of Options must be accepted within five Business Days inclusive of the Offer Date. The amount payable by the grantee of an Option to our Company on acceptance of the offer of the grant of an Option is HK$1.

(e) Maximum number of Shares available for subscription

(i) The total number of Shares which may be issued in respect of all options (including the Options) and awards to be granted under the Share Option Scheme and any other share option scheme(s) and share award scheme(s) of our Company shall not exceed 10 % of the total number of Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**"). Therefore, it is expected that our Company may grant Options in respect of up to 162,500,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 162,500,000 Shares from time to time) to the participants under the Share Option Scheme.

(ii) Subject to sub-paragraph (i) above, the total number of Shares which may be issued in respect of all options (including the Options) or awards to be granted to the Service Provider(s) under the Share Option Scheme and any other share option scheme(s) and share award scheme(s) of our Company shall not exceed 1% of the total number of Shares in issue as at the Listing Date (the "**Service Provider Sublimit**"). The Service Provider Sublimit shall be within the Scheme Mandate Limit.

(iii) For the avoidance of doubt, our Shares underlying any options (including the Options) granted under the Share Option Scheme or any other share option scheme(s) of our Company which have been cancelled will be counted for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit. Where our Company has reissued such cancelled options, our Shares underlying both the cancelled options and the re-issued options will be counted as part of the total number of Shares subject to sub-paragraphs (i) and (ii) above. The options (including the Options) or awards lapsed in accordance with the terms of the Share Option Scheme or (as the case may be) any other share option scheme(s) or share award scheme(s) of our Company will, however, not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit.

(iv) The Scheme Mandate Limit (and the Service Provider Sublimit) as mentioned above may be refreshed at any time by approval of our Shareholders in general meeting after three years from the Adoption Date or the date of Shareholders' approval for the last refreshment, provided that:

a. the total number of the Shares which may be issued in respect of all options (including the Options) or awards to be granted under the Share Option Scheme and any other share option scheme(s) and share award scheme(s) of our Company under the Scheme Mandate Limit as refreshed (the "**New Scheme Mandate Limit**") shall not exceed 10% (and the Service Provider Sublimit as refreshed (the "**New Service Provider Sublimit**") shall not exceed 1%) of the Shares in issue as at the date of our Shareholders' approval of the New Scheme Mandate Limit and the New Service Provider Sublimit. Our Company shall send a circular to our Shareholders containing the number of options (Including the Options) and awards that were already granted under the Scheme Mandate Limit and the Service Provider Sublimit, and the reason for the refreshment;

b. any refreshment to the Scheme Mandate Limit (and the Service Provider Sublimit) within any three-year period shall be approved by our Shareholders subject to the following provisions:

(A) any controlling shareholders and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of our Company and their respective associates) shall abstain from voting in favour of the relevant resolution at the general meeting; and

(B) our Company shall comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules; and

c. the requirements under sub-paragraph b above do not apply if the refreshment is made immediately after an issue of securities by our Company to our Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the Scheme Mandate Limit (as a percentage of the total number of Shares in issue) upon refreshment is the same as the unused part of the Scheme Mandate Limit immediately before the issue of securities, rounded to the nearest whole Share.

(v) Our Company may seek separate approval by our Shareholders in general meeting for granting options (including the Options) or awards under the Share Option Scheme or any other share option scheme(s) or share award scheme(s) of our Company beyond the Scheme Mandate Limit or, if applicable, the New Scheme Mandate Limit, provided the options (including the Options) or awards in excess of the Scheme Mandate Limit or, if applicable, the New Scheme Mandate Limit, are granted only to the Participants specifically identified by our Company before such approval is sought. Our Company shall send a circular to our Shareholders containing the name of each specified Participant who may be granted such options (including the Options) or awards, the number and terms of the options (including the Options) or awards to be granted to each Participant, and the purpose of granting options (including the Options) or awards to the specified Participants with an explanation as to how the terms of the options (including the Options) or awards serve such purpose. The number and terms of the options (including the Options) and awards to be granted shall be fixed before our Shareholders' approval.

(f) Limit on granting options or awards to individual Participant

(i) The total number of our Shares issued and to be issued in respect of all options (including the Options) and awards granted to each Participant (excluding any options (including the Options) or awards lapsed in accordance with the terms of the relevant schemes) under the Share Option Scheme and any other share option scheme(s) and share award scheme(s) of our Company in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue (the "**1% Individual Limit**").

(ii) Where any grant of the Options to a Participant would result in our Shares issued and to be issued in respect of all options (including the Options) and awards granted and to be granted to such Participant (excluding any options (including the Options) or awards lapsed in accordance with the terms of the relevant schemes) in the 12-month period up to and including the date of such grant representing in aggregate over the 1% Individual Limit, such grant shall be separately approved by our Shareholders in general meeting with such Participant and his/her close associates (or associates if the Participant is a connected person), abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Participant, the number and terms of Options to be granted (and the options or awards previously granted to such Participant in the 12-month period), the purpose of granting the Options to such Participant and an explanation as to how the terms of the Options serve such purpose. The number and terms (including the Exercise Price) of Options to be granted to such Participant shall be fixed before our Shareholders' approval.

(g) Grant of Options to a Director, chief executive of our Company or Substantial Shareholder or any of their respective associates

(i) Any grant of the Options to a Director, or a chief executive of our Company or Substantial Shareholder, or any of their respective associates shall be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the Option).

(ii) Where any grant of the Options to an independent non-executive Director or a Substantial Shareholder, or any of their respective associates, would result in the Shares issued and to be issued in respect of all options (including the Options) and awards granted under the Share Option Scheme and any other share option scheme(s) and share award scheme(s) of our Company (excluding any options (including the Options) or awards lapsed in accordance with the terms of the relevant schemes) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of our Shares in issue, such further grant of the Options shall be subject to:

(a) the issue of a circular by our Company to our Shareholders; and

(b) the approval by our Shareholders in general meeting at which the proposed grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour at such general meeting, and in accordance with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

(iii) The circular to be issued by our Company to our Shareholders pursuant to sub-paragraph (ii)(a) above shall contain the following information:

(a) details of the number and terms of the Options to be granted to each Participant, which shall be fixed before the Shareholders' meeting (which shall include the information required under Rules 17.03(5) to 17.03(10) and Rule 17.03(19) of the Listing Rules);

(b) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the Options) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of our Company and Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;

(c) the information required under Rule 17.02(c) of the Listing Rules; and

(d) the information required under Rule 2.17 of the Listing Rules.

(iv) Any change in the terms of the Options granted to a Participant who is a Director, or a chief executive of the Company or Substantial Shareholder, or any of their respective associates, shall be approved by our Shareholders in the manner as set out in Rule 17.04(4) of the Listing Rules if the initial grant of the Options requires such approval (except where the changes take effect automatically under the existing terms of the Share Option Scheme). For the avoidance of doubt, the requirements for the grant to a director or chief executive of our Company set out in Rule 17.04 of the Listing Rules do not apply where the Participant is only a proposed director or chief executive of our Company.

(h) Restrictions on the times of grant of Options

(i) Our Company may not grant any Options after any inside information has come to its knowledge until (and including) the trading day after such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no Option may be granted during the period commencing one month immediately preceding the earlier of:

(a) the date of the meeting of our Board (such date to be first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(b) the last day on which our Company shall publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, and no Option may be granted during any period of delay in publishing a results announcement.

(ii) Further to the restrictions in sub-paragraph (i) above, no Option may be granted to a Director on any day on which financial results of our Company are published and:

(a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof (the "**Option Period**").

(j) Vesting period

The vesting period for the Options shall not be less than 12 months from the Offer Date, provided that where the Participant is:

(i) an Employee Participant who is a director or senior manager of our Company and specifically identified by our Board, the remuneration committee of our Board shall; or

(ii) an Employee Participant other than a director and senior manager of our Company and specifically identified by our Board, our Board shall

have the authority to determine a shorter vesting period under the following specific circumstances:

(a) grants of the Options in compensatory nature to a new Employee Participant to replace his/her share options or awards forfeited when leaving his/her previous employer;

(b) grants of the Options to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out-of-control event;

(c) grants of the Options with performance-based vesting conditions in lieu of time-based vesting criteria;

(d) grants of the Options that are made in batches during a year for administrative and compliance reasons, which include the Options that should have been granted earlier if not for such administrative or compliance reasons but had to wait for a subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the Options would have been granted;

(e) grants of the Options with a mixed or accelerated vesting schedule such as where the Options may vest evenly over a period of 12 months; and

(f) grants of the Options with a total vesting and holding period of more than 12 months.

(k) Performance target and clawback mechanism

(i) Unless our Board otherwise determines and states in the offer to a grantee, no performance target is attached to the Options. The description (which may be qualitative) of the performance targets, if any, attached to the Options may include a general description of the target levels and performance related measures and the method for assessing how they are satisfied.

(ii) The performance target, if any, shall be assessed in accordance with one or more of the following performance measure(s) (the "**Performance Measure(s)**"), or derivations of such Performance Measure(s) that may be related to the individual grantee or our Group as a whole or to a subsidiary, division, department, region, function or business unit of our Company or the relevant Related Entity Participant or the relevant Service Provider including but not limited to: cash flow, earnings, earnings per share, market value or economic value added, profits, return on assets, return on equity, return on investment, sales, revenue, share price, total shareholder return, customer satisfaction metrics, operating results and such other goal as our Board may determine from time to time.

(iii) Each Performance Measure may be assessed either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by our Board (or, in case the grantee is a director or senior manager of our Company, the remuneration committee of our Board) in its sole discretion. Our Board may, in its sole discretion, amend or adjust the Performance Measures and establish any special rules and conditions to which the Performance Measures shall be subject at any time.

(iv) Notwithstanding the terms and conditions of the Share Option Scheme, our Board may provide in the notice of offer that any Option prior to it being exercised may be subject to clawback or a longer vesting period if any of the events stated in sub-paragraph (v) below shall occur.

(v) If any of the following events shall occur during an Option Period:

(i) there being a material misstatement in the audited financial statements of our Company that requires a restatement;

(ii) the grantee being guilty of fraud, gross negligence or persistent or serious or wilful misconduct, regardless of whether there is any accounting restatement or a material error in calculating or determining the performance metrics or other criteria; and

(iii) if the grant or exercise of any Option is linked to any performance targets and our Board is of the opinion that there occur any circumstances that show or lead to any of the prescribed performance targets having been assessed or calculated in a materially inaccurate manner,

our Board may (but is not obliged to) by notice in writing to the grantee concerned (aa) claw back such number of the Options (to the extent not being exercised) granted as our Board may consider appropriate; or (bb) extend the vesting period (regardless of whether the initial vesting date has occurred) in relation to all or any of the Options (to the extent not being exercised) to such longer period as our Board may consider appropriate. The Options that are clawed back pursuant to this paragraph (k) shall be regarded as cancelled and the Options so cancelled shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

(l) Ranking of Shares

Our Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any Option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(m) Transferability of Option

An Option shall be personal to the grantee and shall not be transferrable or assignable, save where applicable under the Listing Rules, when the Stock Exchange has granted a waiver to the grantee to allow the transfer of his/her Option to a vehicle (such as a trust or a private company) for the benefit of the grantee and any family members of such grantee (e.g. for estate planning or tax planning purposes) that would continue to meet the purpose of the Share Option Scheme and comply with other requirements under the Listing Rules and where such waiver is granted, the Stock Exchange shall require our Company to disclose the beneficiaries of the trust or the ultimate beneficial owners of the transferee vehicle, no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option. Any breach of the foregoing by a grantee shall entitle our Company to cancel, revoke or terminate any Option granted to such grantee to the extent not already exercised.

(n) Rights on cessation of employment by death

In the event that the grantee (being an individual) dies before exercising the Option in full, his/her legal personal representative(s) may exercise the Option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death, provided that where any of the events set out in (r), (s) and (t) below occurs prior to his/her death or within such 12-month period following his/her death, then his/her legal personal representative(s) may so exercise the Option within such of the various periods respectively set out in such paragraphs instead of the period referred to in this paragraph and provided further that if within a period of three years prior to the grantee's death, the grantee had committed any of the acts as specified in paragraph (u)(4) below which would have entitled our Company to terminate his/her employment prior to his/her death, our Board may in its absolute discretion at any time resolve to forthwith terminate the Option of the grantee (to the extent not already lapsed or exercised) by serving written notice to his/her legal personal representatives and the Option (to the extent not already exercised) shall lapse on the date of the relevant Board resolution.

(o) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group when an offer is made to him/her and he/she subsequently ceases to be an employee of our Group by reason of a termination of his/her employment on one or more of the grounds specified in paragraph (u)(4) below, his/her Option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group and in the event the grantee has exercised the Option in whole or in part, but Shares have not been allotted to him/her, the grantee shall, unless our Board determines otherwise, be deemed not to have so exercised such Option and our Company shall refund to the grantee the subscription price in respect of the purported exercise of such Option without interest.

(p) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group when an offer is made to him/her and he/she subsequently ceases to be an employee of our Group for any reason other than (i) his/her death or (ii) the termination of his/her employment on one or more of the grounds specified in paragraph (u)(4) below, the Option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment.

(q) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of our Shares subject to the Option so far as unexercised; and/or the Exercise Price of any unexercised Option, as the auditors shall certify in writing or independent financial adviser to our Company shall confirm in writing (as the case may be) to our Board to be in their opinion fair and reasonable and in compliance with the relevant provisions of the Listing Rules (or any guideline or supplemental guideline issued by the Stock Exchange from time to time) (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that any such adjustments shall give a grantee the same proportion of the issued share capital of our Company, rounded to the nearest whole Share, as (but in any event shall not be greater than) that to which he/she/it was previously entitled and the subscription price payable by a grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than, except upon any consolidation of the Shares pursuant to this paragraph (q)) as it was before such event, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(r) Rights on a general offer

In the event of a general offer or partial offer (whether by way of takeover offer or share repurchase offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror), our Company shall use its best endeavours to procure that an appropriate offer is extended to all the grantee (on comparable terms, *mutatis mutandis*, and assuming that they will become, by exercise in full of the Options granted to them, as Shareholders). If such offer becoming or being declared unconditional, the grantee shall, notwithstanding any terms on which his/her Options were granted, be entitled to exercise the Option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(s) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee shall be entitled to exercise all or any of his/her Options (to the extent not already lapsed or exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the subscription price in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(t) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders and/or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Act, our Company shall give notice thereof to all the grantees on the same day as it gives notice of the meeting to our Shareholders and/or the creditors to consider such a compromise or arrangement and the Options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the "Suspension Date"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the subscription price in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of Options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of our officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act involving fraud, gross negligence or wilful misconduct on the part of our Company or any of our officers.

(u) Lapse of Option

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(1) the expiry of the Option Period;

(2) the expiry of any of the periods upon the occurrence of the relevant event referred to in paragraphs (n), (p), (r), (s) or (t) above;

(3) subject to paragraph (s) above, the date of the commencement of the winding-up of our Company;

(4) in respect of a grantee who is an employee of our Group when an offer is made to him/her, the date on which the grantee ceases to be an employee of our Group by reason of a termination of his/her employment on any one or more of the grounds that he/she has been guilty of fraud, gross negligent, or wilful or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or bringing our Group into disrepute or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his/her employment summarily pursuant to any applicable laws or the grantee's employment or service contract with our Group;

(5) in respect of a grantee other than an employee of our Group, the date of on which our Board shall at its absolute discretion determine that: (i) the grantee or his/her/its associate has committed any breach of any contract entered into between the grantee or his/her/its associate on the one part and any member of our Group on the other part; (ii) the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or

composition with his/her/its creditors generally; (iii) the grantee could no longer make any contribution to the growth and development of any member of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; or (iv) the grantee has been convicted of any criminal offence involving his/her/its integrity or honesty or bringing our Group into disrepute; and

(6) the date on which our Board exercises our Company's right to cancel, revoke or terminate the Option on the ground that the grantee commits a breach of paragraph (m) in respect of that or any other Option.

(v) Cancellation of Options granted

Any cancellation of the Options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation. Where our Company cancels the Options and makes a new grant to the same grantee, such new grant may only be made under the Share Option Scheme with available Scheme Mandate Limit and Service Provider Sublimit or the limits approved by our Shareholders pursuant to paragraphs (e)(iv) and (v). The Options cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit (and the Service Provider Sublimit).

(w) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof.

(x) Alteration of the Share Option Scheme

(i) Subject to sub-paragraphs (ii) to (iv) below, the Share Option Scheme may be altered in any respect by resolution of our Board except that:

(a) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature; and

(b) any alterations to the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules to the advantage of Participants,

which shall be approved by a resolution of our Shareholders in general meeting.

(ii) Any change to the terms of the Options granted to a Participant shall be approved by our Board, the remuneration committee of our Board, the independent non-executive Directors and/or our Shareholders (as the case may be) if the initial grant of the Options was approved by our Board, the remuneration committee of our Board, the independent non-executive Directors and/or our Shareholders (as the case may be), unless the alterations take effect automatically under the existing terms of the Share Option Scheme.

(iii) Any change to the authority of the Directors or the administrators of the Share Option Scheme to alter the terms of the Share Option Scheme, shall be approved by our Shareholders in general meeting.

(iv) The amended terms of the Share Option Scheme and/or the Options pursuant to this paragraph (x) shall still comply with the relevant requirements of Chapter 17 of the Listing Rules.

(y) Termination

(i) Our Company, by resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but Options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

(ii) Details of the Options granted, including Options exercised or outstanding under the Share Option Scheme shall be disclosed in the circular to our Shareholders seeking approval of the first new scheme to be established or refreshment of Scheme Mandate Limit under any other existing scheme after such termination.

(z) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of any Options and commencement of dealings in our Shares on the Stock Exchange.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no Option has been granted or agreed to be granted under the Share Option Scheme.

F. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have entered into a Deed of Indemnity in favour of our Company (for itself and as trustee for each of its subsidiaries) pursuant to which our Controlling Shareholders have agreed to jointly and severally indemnify and at all times keep each member of our Group fully and effectively indemnified against, among others, the followings:

(a) the amount of any and all taxation paid or required to be paid by any of the members of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the Listing Date; and

(b) all losses, payments, charges, settlement payment, costs (including legal costs and other professional costs on a full indemnity basis), liability, damages, charges, fees, fines or expenses which any of the members of our Group may incur or suffer, accrue, directly or indirectly, from any act of the members of our Group arising from and/or in connection with any non-compliance, failure, delay or defect of corporate or regulatory compliance on the part of any or all members of our Group of any provision of, the Companies Ordinance or any other applicable laws in the world of any of the members of our Group on or before the Listing and/or as a result of and/or in relation to all litigations, arbitrations, claims (including counter-claims), actions, complaints, demands, judgments and/or legal proceedings by or against any of the members of our Group which were issued, accrued and/or arising from any act of any member of our Group at any time on or before the Listing Date;

Our Controlling Shareholders will, however, not be liable under the Deed of Indemnity to the extent that, among others:

(a) provision, reserve or allowance has been made for such taxation or liability for such taxation in the audited accounts of our Group for each of the years ended 31 December 2020, 2021, 2022 and six months ended 30 June 2023; or

(b) the taxation or liability for such taxation falling on any member of our Group on or after the Listing Date except such taxation or liability would not have arisen but for any act or omission of, or transaction voluntarily effected by our Company or any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of our Controlling Shareholders other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date; or

(iii) consisting of any member of our Group ceasing, or being deemed to cease, to be a member of our Group for the purposes of any matter of taxation on or before the Listing Date; or

(c) the taxation or liability for such taxation arises or is incurred or is increased by an increase in rates of taxation or other penalties as a result of any retrospective change in law or practice coming into force after the date of the Deed of Indemnity or any retrospective increase in tax rates coming into force after the date of the Deed of Indemnity; or

(d) any provision or reserve made for taxation in the audited accounts of our Group for each of the years ended 31 December 2020, 2021, 2022 and six months ended 30 June 2023 which is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company, then our Controlling Shareholders' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excessive reserve; or

(e) for which any member of our Group is liable in respect of or in consequence of any event occurring or income, profits or gain earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business on in the ordinary course of acquiring and disposing of capital assets after the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As at the Latest Practicable Date, to the best knowledge of our Directors, there is no current material litigation or any pending or threatened litigation or arbitration proceedings against any member of our Group that could have a material adverse effect on our financial condition or results of operation.

3. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme on the Stock Exchange.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The fees of the Sole Sponsor are HK$4.4 million and are payable by our Company.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately US$5,400 and are payable by our Company.

There is no annual cost of compliance with applicable rules and regulations during the Track Record Period.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The followings are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Cinda International Capital Limited	A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588)
Conyers Dill & Pearman	Legal advisers of our Company as to the laws of the Cayman Islands

Name	Qualification
China Commercial Law Firm	Legal advisers of our Company as to the laws of the PRC
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Roma Appraisals Limited	Property valuer

None of the experts has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

7. Consents of experts

Each of the parties listed in the paragraph headed "F. Other information – 6. Qualifications of experts" of this Appendix to this prospectus has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter, report, memorandum, valuation certificate, opinion and/or references to its name (as the case may be), all of which are dated the date of this prospectus, in the form and context in which they respectively appear in this prospectus.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Share Registrars

The register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to our Shares must be lodged for registration with, and registered by, our branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

10. No material adverse change

Our Directors confirm that there has been no material adverse change in our financial prospects of our Company or its subsidiaries since 30 June 2023 (being the date to which the latest audited financial statements of our Company were made up) and up to the date of this prospectus.

11. Particulars of our Selling Shareholders

The particulars of our Selling Shareholders are set out as follows:

Name:	Prosperity Cleanness	Sunrise Cleanness
Registered address:	Commerce House Wickhams Cay 1 P.O. Box 3140 Road Town, Tortola BVI VG1110	Commerce House Wickhams Cay 1 P.O. Box 3140 Road Town, Tortola BVI VG1110
Description:	An investment holding company incorporated in the BVI with limited liability	An investment holding company incorporated in the BVI with limited liability
Sale Shares:	20,312,500 Shares	20,312,500 Shares
Interest of our Directors in the Sale Shares:	Prosperity Cleanness is wholly-owned by Mr. Li, being an executive Director and one of our Controlling Shareholders	Sunrise Cleanness is wholly-owned by Mr. Chen, being an executive Director and one of our Controlling Shareholders

12. Miscellaneous

Save as disclosed herein:

(a) within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

(iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and

(iv) no founder, management or deferred share of our Company has been issued or agreed to be issued;

(b) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) all necessary arrangements have been made enabling our Shares to be admitted into CCASS;

(d) our Directors confirm that none of them shall be required to hold any Share by way of qualification and none of them has any interest in the promotion of our Company;

(e) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;

(f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(g) our Company has no outstanding convertible debt securities.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in the paragraph headed "F. Other information – 7. Consents of experts" in Appendix V to this prospectus;

(b) a copy of each of the material contracts referred to in the paragraph headed "B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix V to this prospectus; and

(c) the statement of particulars of our Selling Shareholders as set out in the paragraph headed "F. Other information – 11. Particulars of our Selling Shareholders" in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.gzshqj.com** for 14 days from the date of this prospectus (both days inclusive):

(a) the Memorandum and Articles of Association;

(b) the accountant's report of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023;

(d) the report on unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;

(e) the summary of valuations and valuation report relating to certain property interests of our Group prepared by Roma Appraisals Limited, the texts of which are set out in Appendix III to this prospectus;

(f) the rules of the Share Option Scheme;

(g) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;

(h) the Cayman Companies Act;

(i) the material contracts referred to in the paragraph headed "B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix V to this prospectus;

(j) the written consents referred to in the paragraph headed "F. Other information – 7. Consents of experts" in Appendix V to this prospectus;

(k) the service agreements and letters of appointment referred to in the paragraph headed "D. Disclosure of interests – 3. Particulars of service agreements and letters of appointment" in Appendix V to this prospectus;

(l) the legal opinion issued by China Commercial Law Firm, the legal advisers to our Company as to the laws of the PRC;

(m) the Industry Report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. referred to in the section headed "Industry overview" of this prospectus; and

(n) the statement of particulars of our Selling Shareholders as set out in the paragraph headed "F. Other information – 11. Particulars of our Selling Shareholders" in Appendix V to this prospectus.

Shenghui Cleanness Group Holdings Limited
升輝清潔集團控股有限公司