
FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please refer to the section headed “Business – Business strategies” of this document for a detailed description of our business strategies.

[REDACTED]

We estimate that the aggregate [REDACTED] of the [REDACTED] (after deducting [REDACTED] and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]) will be approximately HK\$[REDACTED]. We intend to apply such [REDACTED] in the following manner:

- Approximately HK\$[REDACTED] representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], for expanding our geographic presence across the PRC, among which
 - (1) approximately HK\$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] 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.

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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 <i>HK\$ million</i>	Shanghai <i>HK\$ million</i>	Hangzhou <i>HK\$ million</i>
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.

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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 document.

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 [REDACTED] from the [REDACTED] 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 [REDACTED], we intend to [REDACTED] 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.

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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.

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- *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

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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 document.

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 [REDACTED], 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.

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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.

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- (2) approximately HK\$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] 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.

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- *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 [REDACTED] from the [REDACTED] 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 [REDACTED] from the [REDACTED], 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\$[REDACTED] representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], for enhancing our service capabilities to capture opportunities in the public space cleaning sector.

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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 <i>RMB million</i>
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.

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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 (RMB)	Estimated useful life	Average monthly costs (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

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Garbage transportation

	Value <i>(RMB)</i>	Estimated useful life	Average monthly costs <i>(RMB)</i>		
– Vehicle and equipment	560,000	60 months	9,333.33		
	Average hourly rate <i>(RMB)</i>	Daily operation hours	Average monthly costs <i>(RMB)</i>		
– Employees (1 staff required)	43.27	8 hours	10,528.85		
	Distance	Fuel Consumption	Oil price per Litre <i>(RMB)</i>	Average costs per trip <i>(RMB)</i>	Average monthly costs <i>(RMB)</i>
– Fuel costs	124.4km	35.4L/ 100km	7.72	340	<u>10,340.76</u>
Garbage Transportation Fee					<u><u>30,202.94</u></u>
Amortisation to project cost (B)					<u><u>966.49</u></u>
Total average monthly cost ((C)=(A)+(B))					<u><u>6,419.81</u></u>

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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\$[REDACTED] representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], 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\$[REDACTED] for the purchase of cleaning robots and approximately HK\$[REDACTED] 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\$[REDACTED] representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], to expand our marketing department and strengthen our brand recognition through promotional activities.
- The remaining approximately HK\$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], for our working capital and for general corporate purposes.

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To the extent our [REDACTED] from the [REDACTED] 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 [REDACTED] from the sale of the [REDACTED] by our [REDACTED] in the [REDACTED]. Our [REDACTED] estimate that they will receive, in aggregate, [REDACTED] from the [REDACTED] of approximately HK\$13.6 million, after deducting the estimated [REDACTED] commissions and expenses payable by them in the [REDACTED] and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED] in this document.

If the [REDACTED] is set at the high end of the indicative [REDACTED] range, being HK\$[REDACTED] per [REDACTED], the [REDACTED] of the [REDACTED] will increase by approximately HK\$[REDACTED]. If the [REDACTED] is set at the low end of the indicative [REDACTED] range, being HK\$[REDACTED] per [REDACTED], the [REDACTED] of the [REDACTED] will decrease by approximately HK\$[REDACTED]. In such event, we will increase or decrease the allocation of the [REDACTED] to the above purposes pro-rata to what is set out above.

Should our Directors decide to reallocate the intended [REDACTED] 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 [REDACTED] as described above, we will make appropriate announcement(s) in due course. To the extent that the [REDACTED] of the [REDACTED] 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.

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IMPLEMENTATION PLANS

The following table sets forth a breakdown of how the [REDACTED] to be received by us from the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]) are intended to be applied and the timing of application:

	For the year ending 31 December 2024 RMB million	For the year ending 31 December 2025 RMB million	For the year ending 31 December 2026 RMB million	For the year ending 31 December 2027 RMB million	Total amount used from [REDACTED] RMB HK\$ million million %		
Expanding our geographic presence across the PRC							
– Establish new subsidiaries and branches ^{Note 1}	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– Strategic acquisition(s) ^{Note 2}	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<i>Sub-total</i>					[REDACTED]	[REDACTED]	[REDACTED]
Enhancing our service capabilities ^{Note 3}	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adopting technological advances and upgrading our IT system ^{Note 4}	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expanding our marketing department and strengthen our brand recognition ^{Note 5}	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital					[REDACTED]	[REDACTED]	[REDACTED]

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 [REDACTED]. 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.

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- (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 document. 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 [REDACTED]

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 [REDACTED] 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 [REDACTED] 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 [REDACTED] 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;

FUTURE PLANS AND [REDACTED]

- (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 [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] will broaden our Group's shareholder base and strengthen our capital base.