OVERVIEW

We are an integrated environmental 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, the total revenue of the Group was approximately RMB465.7 million, RMB563.5 million and RMB594.2 million, respectively, while profit for the year was approximately RMB31.3 million, RMB39.9 million and RMB34.4 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 departments and border control points in Guangdong province and airport management companies in the PRC. Our business relationship with these 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 environmental 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), 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 environmental 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											
	2020				2021				2022			
	RMB'000	*%*	*Gross profit*	*Gross profit margin*	*RMB'000*	*%*	*Gross profit*	*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
– 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
– 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
– 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
– 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
– 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
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
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

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.

Our contracts, tender success rates and our projects

For the years ended 31 December 2020, 2021 and 2022, the value of the submitted tenders/quotations amounts to approximately RMB1,771.4 million, RMB1,928.2 million and RMB1,893.0 million, respectively, and the value of the successful tenders/quotations amounts to approximately RMB748.3 million, RMB445.9 million and RMB464.0 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 actual contract sum of the projects shall be determined by the terms indicated in the actual service agreement between our Group and our customers.

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 and for the years ended 31 December 2020, 2021 and 2022, the percentage of our revenue derived from projects from tendering was approximately 93.2%, 91.7% and 89.4%, respectively. Taking into account the new contracts awarded to us overall, including both contracts secured through tender and direct engagement, we secured over 668, 732 and 773 contracts for the years ended 31 December 2020, 2021 and 2022, respectively.

For the years ended 31 December 2020, 2021 and 2022, our tender success rate was approximately 33.8%, 28.1% and 50.8%, respectively, for all tenders and approximately 87.0%, 73.5% and 77.3%, respectively, for tenders involving new contracts for existing projects.

Taking into account that different service contracts may be related due to, among others, (i) they may in practice, involve 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 such related contracts as all forming part of one project. Accordingly, our projects may involve one or more service contracts, principal service categories and customers. Based on our project determination method, for the years ended 31 December 2020, 2021 and 2022, we had 243, 259 and 296 projects, respectively. For further details on such determination method and our projects during the Track Record Period, please refer to the section headed "Business – Our projects" in this document.

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 2021, accounting for an aggregated market share of 8.7%, 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 2020 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

OUR BUSINESS STRATEGIES

Our principal business objectives are to further strengthen the position and overall competitiveness of our environmental 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 and RMB152.0 million, representing approximately 25.6%, 24.4% and 25.6% of our total revenue for the years ended 31 December 2020, 2021 and 2022, 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 and RMB153.6 million, representing approximately 75.0%, 71.0% and 67.3% of the total purchases for the years ended 31 December 2020, 2021 and 2022, 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 document and, in particular, should evaluate the specific risks set forth in the section headed "Risk factors" of this document in deciding whether to invest in our Shares.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the **[REDACTED]** and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme), **[REDACTED]** of the issued share capital of our Company will be owned by Prosperity Cleanness, which is a company wholly-owned by Mr. Li; and **[REDACTED]** 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 document.

OUR [REDACTED] INVESTOR

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

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 document) 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 document and the information set out in the section headed "Financial information" of this document.

Summary of consolidated statements of comprehensive income

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	465,664	563,541	594,204
Cost of services	(385,746)	(474,296)	(499,795)
Gross profit	79,918	89,245	94,409
Operating profit	39,438	45,955	40,290
Profit and total comprehensive income for the year/period attributable to owners of our Company	31,312	39,921	34,389

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.

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			**From 1 January 2023 up to the Latest Practicable Date**
	2020	**2021**	**2022**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening value of backlog	285,694	417,657	494,949	537,646
Total value of new confirmed contracts	597,627	640,833	636,901	484,264
Revenue recognised	(465,664)	(563,541)	(594,204)	(197,822)
Ending value of backlog	417,657	494,949	537,646	824,088

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			**From 1 January 2023 up to the Latest Practicable Date**
	2020	**2021**	**2022**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property cleaning				
Commercial building	144,163	242,964	267,162	476,737
Residential building	105,274	84,955	126,214	190,585
Transportation hub	75,496	64,975	27,111	16,266
Shopping mall	61,116	57,086	40,633	44,846
Public Utilities	7,692	14,384	13,123	12,967
Industrial Park	5,870	7,776	5,676	16,857
Public space cleaning	18,046	22,809	57,727	65,830
Other cleaning	–	–	–	–
Total	417,657	494,949	537,646	824,088

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					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Guangdong	390,973	84.0	459,108	81.5	467,337	78.6
Hainan	45,382	9.7	43,287	7.7	42,936	7.2
Chongqing	9,047	1.9	21,200	3.8	24,384	4.1
Guangxi	8,767	1.9	10,100	1.8	10,545	1.8
Others[Note]	11,495	2.5	29,846	5.2	49.002	8.3
	465,664	100.0	563,541	100.0	594,204	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% and 78.6% of the total sales for the years ended 31 December 2020, 2021 and 2022, respectively. Following Guangdong, Hainan contributed the second largest sales to our Group. Approximately 9.7%, 7.7% and 7.2 of the total sales were generated from Hainan for the years ended 31 December 2020, 2021 and 2022, 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, respectively, representing a CAGR of approximately 30.3% from 2020 to 2022.

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 document.

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 slight 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.

Summary of consolidated statements of financial position

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	31,705	30,246	30,749
Current assets	224,087	247,819	285,425
Total assets	255,792	278,065	316,174
Non-current liabilities	6,998	6,771	6,524
Current liabilities	107,359	128,651	132,618
Total liabilities	114,357	135,422	139,142
Total equity and liabilities	255,792	278,065	316,174
Net current assets	116,728	119,168	152,807
Net assets	141,435	142,643	177,032

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 **[REDACTED]**; 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 **[REDACTED]** and the increase in **[REDACTED]** payable and (iv) the decrease in restricted bank deposits by approximately RMB3.6 million.

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.

Summary of consolidated statements of cash flows

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Net cash generated from operating activities	22,027	14,926	5,779
Cash flows from investing activities			
Net cash generated from/(used in) investing activities	(5,425)	(7,423)	1,823
Cash flows from financing activities			
Net cash used in financing activities	(5,215)	(22,749)	(5,071)
Net increase/(decrease) in cash and cash equivalents during the year/period	11,387	(15,246)	2,531
Cash and cash equivalents at end of the year/period	67,437	52,191	54,722

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:

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

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 31 December 2022 (being the latest date of the consolidated financial information of our Group as set out in Appendix I to this document) and up to the Latest Practicable Date, we continued our focus as an environmental 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 31 December 2022 and up to the Latest Practicable Date.

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 selling and marketing expenses; and (ii) an expected increase in general and administrative expenses. The expected increase in selling and marketing expenses is primarily attributable to the expected implementation of the expansion plan in September 2023 by using the projected **[REDACTED]** that is expected to be received from the **[REDACTED]**, in which our Group is expected to incur monthly expenses for (i) tendering expenses; and (ii) marketing expenses on promoting the establishment of new branches. The expected increase in general and administrative expenses is primarily attributable to (i) the expected increase in employee benefit expenses, due to the expected increase in number of headcounts mainly as a result of the expansion of our Board, management team and office team for the **[REDACTED]**, and the expected increase in number of headcounts for the establishment of new branches in Beijing, Shanghai and Hangzhou in September 2023 financed by the projected **[REDACTED]** to be received from the **[REDACTED]**, in which our Group is expected to incur additional expenses; and (ii) the expected increase in the cost of cleaning materials consumed, which represents the cost of cleaning materials consumed for our Group's offices and branches, upon the establishment of the Beijing, Shanghai and Hangzhou branches. Our directors assume, on a conservative basis, that the tendering process will commence after the establishment of new branch offices in September 2023, and new projects will commence in November 2023 and our directors expect the breakeven period that needs 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, will be approximately eleven months after the establishment of branch offices in September 2023. For more details, please refer to the section headed" Future plans and **[REDACTED]**" of this document. Our Directors confirm that save for the estimated non-recurring **[REDACTED]** as disclosed in the paragraph headed "**[REDACTED]**" in this section, since 31 December 2022 (being the latest date of the consolidated financial information of our Group as set out in Appendix I to this document) and up to the date of this document, (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 document materially and adversely.

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 the Group's business operation, as cleaning services were essential services especially during the pandemic. Some of the districts where the Group provided services were subject to lockdown by the PRC government during the Track Record Period. However, as confirmed by the Directors, given the nature of the Group's business which was essential for maintaining environmental hygiene, the Group was generally still able to provide services during the lockdown period. As stated in the "Notice on Further Strengthening the Prevention and Control and Disinfection of the New COVID-19 Pandemic" (《關於進一步加強新冠肺炎疫情防控消毒工作的通知》(published in 2021) and "Notice of Guangzhou Housing and Urban-Rural Development Bureau and Guangzhou Property Management Industry Association on Going All Out to do a Good Job in Pandemic Prevention and Control in Property Service Areas" (《廣州市住房和城鄉建設局 廣州市物業管理行業協會關於全力以赴做好物業服務區域疫情防控工作的通知》) (published in 2022), it is highly encouraged by the PRC government to perform regular cleaning services in commercial properties and public areas during the outbreak of COVID-19. As disclosed in the section headed "Business – Machinery, equipment and vehicles" in this document, the average utilisation rate of our specialised vehicles has exceeded 100%. Given the limited capacity of our specialised vehicles, our Group was unable to further expand our business in the public space cleaning segment during the Track Record Period. Our Directors believe that with the purchase of additional specialised vehicles by the **[REDACTED]** from the **[REDACTED]** together with the increased awareness of public health and hygiene condition, our Group's revenue generated from the public space cleaning segment will be increased.

As confirmed by our Directors, there have been no confirmed cases among the Group's employees. We believe that our insurance coverage is in line with the industry practice and is sufficient to cover our current operation. For example, we maintain medical insurance for our employees and all employees of our Group participate in social insurance plans established in the PRC, which cover medical benefits. Since the outbreak of COVID-19, our Group has also implemented measures and policies to minimise the spread of COVID-19 in our work place set out in the section headed "Business – Impact of COVID-19 – Impact on our business operations" of this document. However, we do not have specific insurance coverage for certain matters including, but not limited to, risks associated with COVID-19. For more details on the risks related to our insurance coverage, please refer to the section headed "Risk factors – Risks relating to our business and industry – 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 document. Moreover, 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. 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.

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business model, revenue structure, financial performance, profitability and cost structure generally remained unchanged. 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 environmental 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.

Our cash and cash equivalent as at 31 December 2022 was approximately RMB54.7 million. We will closely monitor the COVID-19 situation and promptly implement necessary measures to minimise any adverse effect on our financial condition and results. 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. For further details of the impact of COVID-19 on our business, financial condition and industry up to the Latest Practicable Date, please refer to the section headed "Business – Impact of COVID-19" of this document.

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 circumstances in the PRC market such as the occurrence of a natural disaster, economic recession and any other incidents may affect our business, financial conditions and results of operations" of this document.

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.

Regulations relating to overseas [REDACTED] and [REDACTED] 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 **[REDACTED]** and **[REDACTED]** activities by domestic companies, either in direct or indirect form (hereinafter referred to as "**overseas [REDACTED] and [REDACTED]**"). The Listing Trial Measures not only list out the circumstances where overseas **[REDACTED]** and **[REDACTED]** is forbidden, but also set out the conditions for determining the overseas **[REDACTED]** and **[REDACTED]** in indirect form. Domestic companies that seek to **[REDACTED]** and **[REDACTED]** 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 **[REDACTED]** is submitted.

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 31 December 2022 and up to the Latest Practicable Date.

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 December 2022, and there had been no events since 31 December 2022 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 document.

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]**
[REDACTED] of our Shares *Note 1*	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited pro forma adjusted consolidated net tangible assets per Share *Notes 2 and 3*	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

(1) The calculation of **[REDACTED]** is based on **[REDACTED]** Shares expected to be in issue immediately following the completion of the **[REDACTED]** and the "Capitalisation Issue" without taking into account any Shares to be issued pursuant to the exercise of the **[REDACTED]** or any options to be granted under the Share Option Scheme.

(2) Please refer to Appendix II to this document 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 31 December 2022.

[REDACTED]

Our Directors estimate that the total amount of expenses in relation to the **[REDACTED]** is approximately RMB**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**), which amounted to **[REDACTED]** of gross proceeds of the **[REDACTED]**, based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** range stated in this document), of which (i) **[REDACTED]**, including **[REDACTED]** and other expenses are approximately RMB**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) and (ii) **[REDACTED]** are approximately RMB**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**), comprising (a) **[REDACTED]** of approximately RMB**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) and (b) **[REDACTED]**, of approximately

RMB**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**). Out of the total expenses of approximately RMB**[REDACTED]**, approximately RMB**[REDACTED]** is directly attributable to the issue of the **[REDACTED]** and is expected to be accounted for as a deduction from equity upon **[REDACTED]**. The remaining amount of approximately RMB**[REDACTED]**, which cannot be so deducted, shall be charged to **[REDACTED]**. Of the approximately RMB**[REDACTED]** that shall be charged to **[REDACTED]**, approximately RMB**[REDACTED]** has been charged during the Track Record Period and approximately RMB**[REDACTED]** is expected to be incurred for after the Track Record Period. Expenses in relation to the **[REDACTED]** 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 **[REDACTED]**.

[REDACTED]

Assuming the **[REDACTED]** is not exercised, we estimate that we will receive **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]**, after deducting the **[REDACTED]** payable by us in connection with the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the **[REDACTED]** range stated in this document. We intend to use such **[REDACTED]** from the **[REDACTED]** for the following purposes: (i) approximately **[REDACTED]** (approximately HK$**[REDACTED]**), for expanding our geographic presence across the PRC, particularly establishing new subsidiaries or opening new branches locally and strategic acquisition(s); (ii) approximately **[REDACTED]** (approximately HK$**[REDACTED]**) would be used for enhancing our service capabilities to capture opportunities in the public space cleaning sector; (iii) approximately **[REDACTED]** (approximately HK$**[REDACTED]**) would be used for adoption of technological advances in the industry and upgrading our information technology system; and (iv) approximately **[REDACTED]** (approximately HK$**[REDACTED]**) would be used to strengthen our brand recognition through promotional activities; and (v) approximately **[REDACTED]** (approximately HK$**[REDACTED]**) 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 **[REDACTED]** by our **[REDACTED]** in the **[REDACTED]**. For details, please refer to the section headed "Future plans and **[REDACTED]**" of this document.

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 **[REDACTED]**, 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. For details, please refer to the section headed "Financial information – Dividend and dividend policy" of this document.

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 document.