

RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in the [REDACTED]. 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 [REDACTED] and our Shares, and (iv) risks relating to statements in the document. 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, the percentage of our revenue derived from projects from tendering was approximately 93.2%, 91.7% and 89.4%, 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, 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. 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

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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 document). 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.

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

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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 document. 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.

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, our depreciation expenses were approximately RMB3.4 million, RMB3.8 million and RMB3.7 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 [REDACTED] from the [REDACTED] (for further detail, please refer to the section headed “Future plans and [REDACTED]” of this document).

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 31 December 2022, we had 6,394 employees, 6,347 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,

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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 document). 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, our employee benefit expenses recorded in our cost of services were approximately RMB208.8 million, RMB254.5 million and RMB291.9 million, representing approximately 54.1%, 53.7% and 58.4% of our cost of services, respectively. Employee benefit expenses recorded in our administrative expenses amounted to approximately RMB23.3 million, RMB30.3 million and RMB32.1 million, representing approximately 69.2%, 67.3% and 62.9% 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, we incurred subcontracting labour costs of approximately RMB149.9 million, RMB188.9 million and RMB172.9 million, representing approximately 38.9%, 39.8% and 34.6% 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

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impact of employee benefit expenses and subcontracting labour costs” of this document. 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 and nil for the years ended 31 December 2020, 2021 and 2022, 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 document. 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

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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 ranged from 30 days to 110 days and for the years ended 31 December 2020, 2021 and 2022, our average trade receivables turnover days were 99.8 days, 103.0 days and 121.7 days, respectively. As at 31 December 2020, 2021 and 2022, our trade receivables amounted to approximately RMB142.4 million, RMB175.6 million and RMB220.8 million, respectively. Approximately 8.0%, 6.2% and 3.3% 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 document). 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, allowance for impairment of trade receivables amounted to approximately RMB6.7 million, RMB9.1 million and RMB13.3 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

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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 document). 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 and RMB3.7 million, for the years ended 31 December 2020, 2021 and 2022, respectively. If we suffer any losses, damages or liabilities in the course of our

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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 during the Track Record Period (including our subcontractors) amounted to approximately RMB136.2 million, RMB173.5 million and RMB153.6 million, representing approximately 74.9%, 71.0% and 67.3% of the total purchases for the years ended 31 December 2020, 2021 and 2022 respectively. The purchases from our five largest subcontractors amounted to approximately RMB124.8 million, RMB163.4 million and RMB153.6 million, representing approximately 68.7%, 66.8% and 67.3% of the total purchases for the years ended 31 December 2020, 2021 and 2022, 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 document). We must comply with the conditions imposed by the relevant

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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 document. 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 environmental 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 34 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

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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

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recognition. Consequentially, large-scale environmental 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 five properties with an aggregate GFA of approximately 7,442.3 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 five 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 document. 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.

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.

The rising public awareness and standard of hygiene during the COVID-19 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, even at the post-pandemic stage, the growing demand

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in the environmental 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 other unforeseeable circumstances occurring in the PRC, such as natural disasters, economic recession 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 document. Our revenue and profitability may be materially affected if any health epidemic or virus outbreak affects the overall economic and market conditions in the PRC and the economy slowdown and/or negative business sentiment could potentially have an adverse impact on our business and operations. We are uncertain as to when the outbreak of COVID-19 will be contained, and we also cannot predict on future developments in relation to the outbreak. If there are material negative developments caused by the outbreak of COVID-19 or other unforeseeable circumstances, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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, our financial assets at fair value through profit or loss was approximately 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 document).

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.

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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 document), 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.

During the Track Record Period, our deferred income tax assets amounted to RMB3.8 million, RMB4.3 million and RMB5.0 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 document). 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.

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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 PRC

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 social, economic or political development, or any natural disaster or epidemic affecting the PRC, in particular the Guangdong province, may materially and adversely affect us including:

- natural disasters, acts of God or other unforeseeable events which may disrupt operations or our ability to provide services at our projects;
- epidemics including COVID-19 which may impact our operations or the overall economic and market conditions and the economy slowdown and/or negative business sentiment;
- increases in the level of competition in regions where we operate, such as the emergence of more competitors or competitors with stronger reputation than us, may lead to a significant decrease in the demand for our services or increase in pressures on our pricing to remain competitive, and our business, results of operations, expansion plan and prospects would be materially and adversely affected;
- significant downturn in the local economy, slowdown in the environmental cleaning and maintenance industry or significant contraction of spending by customers which may lead to postponement, delay or cancellation of contracts and delay in recovery of receivables;

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- changes in local government regulations and policies in relation to qualifications necessary to provide our services or tightening measures on local government spending on public sector projects;
- changes in industry trends in the PRC, levels of and fluctuations in consumer spending and changes in consumer confidence which lead to a reduction in private sector demand for environmental cleaning and maintenance services; or
- changes in international, national, regional and local economic conditions such as the impact caused by trade tensions between China and the United States.

We are greatly affected by the changes in the PRC economy. Although the PRC's economy has been transitioning from a planned economy to a more market-oriented economy, it differs from the economies of most development countries in many aspects, including with respect to the portion of state-owned productive assets, the amount of government involvement, level of development, growth rate, governmental control of foreign exchange and allocation of resources. In recent years, the PRC government has significant oversight over the economic growth of the PRC by allocating resources, regulating payments of foreign currency-denominated obligations, setting monetary policies and granting preferential treatments to particular industries or companies. Although the PRC government has implemented economic reform measures with a view to introducing market forces and establishing sound corporate governance systems and modern management systems in business enterprises in recent years, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not necessarily benefit from such measures. 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.

Uncertainties 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. However, there are uncertainties in the PRC legal system. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court but court decisions may be cited for reference only and have limited weight as precedents. The PRC has not developed a fully-integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC, or may be unclear or inconsistent in their implementation. Due to the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent. The PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be

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limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial 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 of the Ministry of Housing and Urban-Rural Development and Other Eight Departments on Continuous Improvement and Standardisation of the Order of the Real Estate Market (住房和城鄉建設部等8部門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% and 70.8% of our projects involve property management companies as customers during the years ended 31 December 2020, 2021 and 2022, 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.

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our Directors and management.

Substantially all of our assets are located within the PRC. Most of our Directors and senior management reside in the PRC and a substantial portion of their assets are located within the PRC. It may not be possible for investors to effect service of process upon us or our Directors and senior management in the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned 《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》 (the “**Arrangement**”), pursuant to which a party with an enforceable final court judgement rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgement in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgement rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for you to effect service of process against our Directors and senior management in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

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The PRC government control of currency conversion and future fluctuations of Renminbi exchange rates could have a material adverse effect on our business, results of operations, financial condition and prospects, and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

Substantially all of our revenue and expenses are denominated in Renminbi, which is currently not a freely convertible currency. A portion of such revenue must be converted into other currencies in order to meet our foreign currency obligations. For example, we will need to obtain foreign currency to make payments of declared dividends, if any, on our Shares.

Under the PRC existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to make current account foreign exchange transactions including paying dividends in foreign currencies without prior approval from the SAFE. However, in the future, the PRC government may take measures, at its discretion, to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. If such measures are implemented, we may not be able to pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under our capital account are subject to significant foreign exchange controls and require the SAFE's approval. These limitations could affect our ability to obtain foreign exchange through offshore financing.

The value of the Renminbi against the Hong Kong dollar and the U.S. dollar and other currencies fluctuates, and is subject to changes in policies of the PRC and other governments, and depends to a large extent on domestic and international economic and political conditions. We cannot assure you that Renminbi will not experience significant appreciation or depreciation against the U.S. dollar or other foreign currencies in the future.

Our [REDACTED] from the [REDACTED] will be denominated in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currency may result in the decrease in the value of our foreign currency-denominated assets and our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividend payable on, our Shares in foreign currencies. There are limited instruments available for us to reduce our foreign currency risk exposure at reasonable cost in the PRC, and we have not utilised, but may in the future utilise, any such instrument. Furthermore, we are also currently required to obtain the approval from the SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, results of operations, financial condition and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively with the [REDACTED] from the [REDACTED], which may adversely affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions.

We plan to finance our PRC subsidiaries with the [REDACTED] from the [REDACTED] through overseas shareholder loans or additional capital contributions, which require registration

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with, or approvals from, the PRC government authorities. Any additional capital contributions or loans that we, as an offshore holding company, make to our PRC subsidiaries, are subject to the relevant PRC laws, regulations and foreign exchange loan registrations. For instance, our loans to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the SAFE, its local counterpart or the competent banks. Added on that, our capital contributions to our PRC subsidiaries must be registered at the SAIC or its local counterpart and filed at the MOFCOM or its local counterpart. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries with the [REDACTED] from the [REDACTED]. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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. Furthermore, payments of dividends by our subsidiaries are subject to restrictions under the applicable laws and regulations in the PRC. Any of the above factors may affect our ability to pay dividends to our Shareholders and to service our indebtedness.

We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to PRC corporate withholding tax under the EIT Law.

Pursuant to the EIT Law, if an enterprise incorporated outside the PRC has its "de facto management bodies" within the PRC, such enterprise would generally be deemed a "PRC resident enterprise" for tax purposes and be subject to an EIT rate of 25.0% on its global income. "De facto management body" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the SAT promulgated a circular to clarify certain criteria for the determination of "de facto management bodies" for foreign enterprises controlled by the PRC enterprises. These criteria include: (1) the enterprise's senior management personnel and department who are responsible

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for managing the day-to-day production and operation perform their obligations primarily in the PRC; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel in the PRC; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (4) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. According to these regulations, we may be regarded as a PRC resident enterprise by the PRC tax authorities and have to pay EIT at a rate of 25.0% for all of our global income. In addition, the "de facto management bodies" determination is based on the principle of substance over form. The SAT further issued administrative rules in July 2011 and January 2014 regarding administrative procedures for recognising PRC resident enterprise status of a Chinese-invested company registered abroad.

According to the foregoing SAT circulars, a Chinese-invested company registered abroad could either apply for the PRC resident enterprise status with the competent PRC tax authorities in the place where its major PRC investor is located and the application will be subject to approval by competent PRC tax authorities, or be recognised as a PRC resident enterprise by competent PRC tax authorities. In this regard, there are uncertainties regarding whether a Chinese-invested company registered abroad would be treated as a PRC resident enterprise before obtaining the relevant approval from competent PRC tax authorities, and there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises which are not controlled by the PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the PRC tax authorities will treat a case such as ours. We cannot assure you that we will not be considered a PRC resident enterprise for EIT purposes and be subject to the uniform 25.0% EIT rate on our global income.

Gains on the sales of our Shares and dividends on our Shares may be subject to the PRC income taxes.

Under the EIT Law, the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and their implementation rules, unless otherwise stipulated in a relevant international tax treaty entered into by the PRC, a PRC withholding tax at the rate of 10% is applicable to dividends paid to investors that are "non-PRC resident enterprises", which do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their source within the PRC. A PRC withholding tax at the rate of 20% is applicable to dividends paid to investors who are "non-PRC resident individuals". Similarly, unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, any gain realised on the transfer of shares by investors that are "non-PRC resident enterprises" is also subject to a PRC income tax at a rate of 10% and any gain realised on the transfer of shares by investors that are "non-PRC resident individuals" is subject to a PRC income tax at a rate of 20%, if such gain is regarded as income derived from sources within the PRC.

We are a holding company incorporated in the Cayman Islands and currently all of our operations are in the PRC. There is an uncertainty on whether we will be considered as a "PRC

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tax resident enterprise” for the purpose of the EIT Law. As a result, it is unclear whether dividends paid on our Shares, or any gain realised from the transfer of our Shares, would be treated as income derived from sources within the PRC and would as a result be subject to the PRC income tax. If we are considered as a “PRC tax resident enterprise”, then any dividends paid to our Shareholders that are “non-PRC residents” and any gains realised by them from the transfer of our Shares may be regarded as income derived from PRC sources and, as a result, would be subject to PRC income tax. It is unclear whether, if we are considered a “PRC tax resident enterprise”, our Shareholders would be able to claim the benefit of income tax treaties or agreements entered into between the PRC and other countries or regions. If dividends paid to our non-PRC Shareholders that are “non-PRC residents” or gains from the transfer of our Shares are subject to the PRC income tax, the value of such non-PRC Shareholders’ investment in our Shares may be materially and adversely affected.

The PRC regulations relating to the establishment of offshore special purpose vehicles by the PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to make capital contributions into our PRC subsidiaries, limit our PRC subsidiaries’ ability to distribute profits to us, or otherwise adversely affect our financial position.

Under several regulations promulgated by the SAFE, PRC residents and PRC corporate entities are required to register with and obtain approval from local branches of the SAFE or designated qualified foreign exchange banks in the PRC in connection with their direct or indirect offshore investment activities. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE or the bank, with respect to any material change involving that offshore company, such as an increase or decrease in capital, transfer or swap of shares, merger or division. These regulations apply to direct and indirect holders of our Shares who are PRC residents and may apply to any offshore acquisitions that we make in the future. To the best of our knowledge, as at the Latest Practicable Date, Mr. Li and Mr. Chen, who are required to make the foreign exchange registration under Circular 37 and Circular 13, had completed such registration with the local bank. However, we may not be fully aware or informed of the identities of all the PRC residents holding direct or indirect interests in us, and we cannot assure you that all of our shareholders and beneficial owners who are PRC residents will comply with these foreign exchange regulations.

If any PRC-resident Shareholder fails to make the required registration or update the previously filed registration, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into our PRC subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability on the related PRC-resident Shareholder or our PRC subsidiaries under the PRC laws for evasion of applicable foreign exchange restrictions.

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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 [REDACTED] 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 a negative 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.

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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 a negative impact on the value of your investment in us.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

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

Prior to the [REDACTED], 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 [REDACTED]. In addition, the initial issue price range for our Shares was the result of negotiations among our Company, our [REDACTED], the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED], and the [REDACTED] may differ significantly from the market price of our Shares following the completion of the [REDACTED]. We have applied for the [REDACTED] of and [REDACTED] in our Shares on the Stock Exchange. The [REDACTED] 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 [REDACTED] or that the market price of our Shares will not decline after the [REDACTED].

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 [REDACTED] to vary significantly from the [REDACTED], 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 in the PRC;
- 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;

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- 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 [REDACTED], 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.

The approval of or filing with the CSRC or other governmental authorities may be required in connection with the [REDACTED], and, if required, we cannot assure you that we will be able to obtain such approval or complete such filing.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly published “Opinions on Strictly Cracking Down On Illegal Securities Activities in accordance with the Law” (《關於依法從嚴打擊證券違法活動的意見》) (“**Securities Activities Opinions**”), which calls for enhanced administration and supervision of overseas-listed China-based companies, as well as proposes to revise the relevant regulations governing the overseas securities issuance, listing of shares by such companies and clarifies the responsibilities of competent domestic industry regulators and government authorities. As of the Latest Practicable Date, due to the lack of further clarifications or detailed rules and regulations being announced, there are still uncertainties regarding the interpretation and implementation of the Securities Activities Opinions.

Further, 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 [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 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.

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Our PRC Legal Advisers are of the view that we are required to submit the filing materials to the CSRC within three business days after our application for the initial [REDACTED] is submitted. If new rules or regulations promulgated in the future in such a way that the Share offer is subject to any additional approval, filing, or other authorisation or requirement of CSRC or other governmental authorities, we cannot assure you that we could obtain such approval in a timely manner or at all. Failure to obtain necessary approval or complete required filings in a timely manner may lead to failure to complete the [REDACTED], or subject us to fines, penalties or other sanctions, which may have material adverse effect on our financial condition as well as the [REDACTED].

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 [REDACTED] 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 “[REDACTED]” of this document 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 [REDACTED]. The market price of our Shares when trading begins could be lower than the [REDACTED].

The [REDACTED] of our Shares will be determined on the [REDACTED]. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the [REDACTED]. 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

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[REDACTED] 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 [REDACTED].

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;

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- 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 [REDACTED].

Potential investors will pay a price per Share in the [REDACTED] that substantially exceeds the per Share value of our net tangible assets immediately prior to the [REDACTED]. Therefore, purchasers of our Shares in the [REDACTED] 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 document. In addition, holders of our Shares may experience a further dilution of their interest if the [REDACTED] exercise the [REDACTED].

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

Certain facts, statistics and data contained in this document 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 document 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 [REDACTED], the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED] 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 document 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.

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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 [REDACTED]

Prospective investors should note that the [REDACTED] are entitled to terminate their obligations under the [REDACTED] by the [REDACTED] (for themselves and on behalf of the [REDACTED]) by giving written notice to our Company (for ourselves and on behalf of our [REDACTED]) upon the occurrence of any of the events stated in the section headed "[REDACTED]" of this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. 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 [REDACTED] (for themselves and on behalf of the [REDACTED]) exercise their rights and terminate the [REDACTED], the [REDACTED] 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 document.

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You should only place reliance on information released by us including this document and other formal announcements made with respect to the [REDACTED], 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 document. 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 [REDACTED], you should rely only on the information in this document and other formal announcements made with respect to the [REDACTED].

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

This document 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 document 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 document for further details.