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OVERVIEW

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

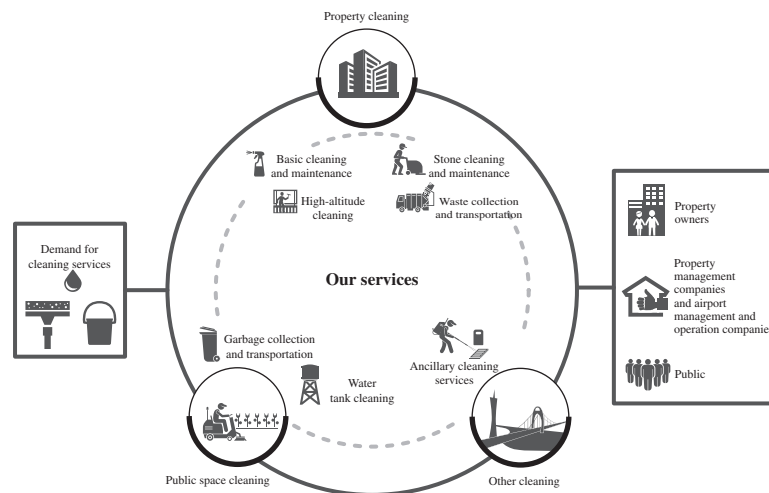
Our major customers during the Track Record Period include Fortune Global 500 property developers in the PRC, Fortune Global 500 real estate advisory firm, major property developers and property management companies in Asia and in the PRC, government department and border control points in Guangdong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

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

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

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



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

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

Notes:

- (1) Public utilities cleaning primarily consists of government offices and school cleaning.
- (2) Public space cleaning primarily consists of road sweeping and cityscape cleaning.
- (3) Other cleaning primarily consists of river cleaning.

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

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

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

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

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

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

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

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COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are led by a seasoned and stable management team

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

BUSINESS STRATEGIES

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

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

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

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Expand market coverage by establishment of new branch offices

Our historical success in establishing Haikou Branch and Chongqing Branch

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

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

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

On the other hand, branch companies/offices are established with strategic reasons for market expansion and penetration. In May 2017, we established Haikou Branch with a view to allocate more resources and business focus to the provision of cleaning services in Hainan province. During the Track Record Period, the Group had over 20 projects in Hainan province

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

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

Our established Zhengzhou Branch

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

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

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

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

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

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

Due to the COVID-19 pandemic, the PRC cities such as Shanghai are subject to lockdown from time to time, which led to the decrease in staff mobility to provide services across different provinces. As confirmed by Frost & Sullivan, there is an increasing demand for local presence of workers from tender offerors since the outbreak of COVID-19. In order to increase our Group's

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competitiveness in securing future tenders, our Directors consider that it is essential for our Group to set up local offices and have local staff present in different provinces. For further details on the purported benefits of setting up local offices in different provinces, please refer to the section headed “Future plans and [REDACTED] – [REDACTED]”.

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

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

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

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

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consecutive success in securing the cleaning and maintenance project for Chongqing Jiangbei International Airport, Guangzhou Baiyun International Airport and Sanya Phoenix International Airport also demonstrate our resilience in securing similar large-scale projects in different cities in the PRC.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Implementation of strategies

For further details on the implementation of the above strategies, please refer to the section headed “Future plans and [REDACTED]” of this document.

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OUR SERVICES

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

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

Notes:

- (1) Public utilities cleaning primarily consists of government offices and school cleaning.
- (2) Public space cleaning consists of road sweeping and cityscape cleaning.
- (3) Other cleaning primarily consists of river cleaning.

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Scope of services

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

Examples

Basic cleaning and maintenance

We provide regular property cleaning services involving dust removal, disinfecting and polishing of floors, ceilings and walls and other tasks for sanitation purposes. For buildings, we conduct such services for individual rooms, escalators, roofs, staircases, and other common areas of buildings as well as ancillary areas such as fountains, pools, gardens and carparks in the buildings' vicinity. We will also provide maintenance services involving restocking of toiletries in washrooms and basic repairs. For public spaces such as streets and public squares, we sweep and clean, remove graffiti and unauthorised posters and deep clean with high pressure washers. For rivers and other natural bodies of water, we help conduct water cleaning which mainly consists of removal of floating debris.

Garbage collection and transportation

We assist in emptying and cleansing garbage bins and collect garbage from properties and public spaces. After collection, we help load such garbage into collection vehicles for transport.

Waste collection and transportation

We remove the sludge and other waste from septic tanks and grease traps mainly for commercial and residential properties and help transport it.

Water tank cleaning

Water tanks may accumulate dirt, rust and other impurities which may result in pipe blockage or unsanitary conditions. We provide specialised cleaning and disinfection services as well as conduct water quality inspection services for various types of water tanks such as fresh water tanks, flushing water tanks and fire hydrant tanks.

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Examples

Stone cleaning and maintenance

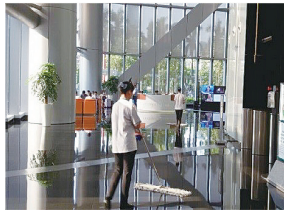
Over time, objects or surfaces made from stone, such as natural stone, marble and granite, may receive stains, scratches and lose their colour and lustre. We have qualified staff and special equipment to help polish, hone and restore such parts of the property with stone-like materials.

High-altitude cleaning

For cleaning of windows and walls on the exterior of tall buildings or otherwise involving high-altitudes, we have dedicated workers with equipment to reach such areas and perform such cleaning.

Ancillary services

We offer ancillary services such as greening services involving watering and fertilising plants, cutting grass and pruning trees, and pest control involving the extermination of common vectors such as cockroaches, mosquitoes, rodents and flies.



Basic cleaning and maintenance (indoors)

Basic cleaning and maintenance (outdoors)

High-altitude cleaning

Ancillary services

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Services by provincial-level regions

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

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

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

GEOGRAPHIC COVERAGE

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

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OUR PROJECTS

Basis of determination for individual projects

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

- during the course of performing one service contract, we may enter into an additional supplemental contract(s) or undertake one-off service requests with a limited scope and duration for service locations in the vicinity of the ones set out in the main service contracts.
- upon the expiry of the service period under the service contracts, we may successfully obtain new contracts for a new service period, leading us to provide services on the same service locations over consecutive service periods.
- in the case of larger properties, such as commercial buildings involving different individual tenants for units in such properties, we may enter into one or more service contracts with the relevant property management company or property owner for the cleaning of a significant part of the relevant properties and, subsequently, we may also enter into separate individual service contracts with individual tenants for the cleaning of their respective units on the properties.
- for larger customers, such as property management companies with a national presence, we may enter into preliminary discussions to provide services for multiple properties owned, managed or otherwise controlled by them or their affiliates at the same time and thus such discussions may lead to our obtaining multiple service contracts of varying terms and service locations.

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

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Movement in number of projects

The following table sets out the movement of our projects during the years/periods indicated^{Note}:

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

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

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

Property cleaning^{Note 1}

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

Notes:

- (1) Property cleaning includes the cleaning of commercial building, residential building, transportation hub, shopping mall, public utilities, and industrial park.
- (2) The above table excludes projects involving relatively low contract sum or otherwise considered insignificant.

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Public space cleaning^{Note 1}

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

Notes:

- (1) Public space cleaning consists of road sweeping and school cleaning.
- (2) The above table excludes projects involving relatively low contract sum or otherwise considered insignificant.

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Other cleaning^{Note 1}

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

Notes:

- (1) Other cleaning primarily consists of river cleaning
- (2) The above table excludes projects involving relatively low contract sum or otherwise considered insignificant.

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

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

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

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

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Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service ^{Note}	End date of service ^{Note}	Total Contract sum	Revenue recognised during the Track Record Period				
								Revenue recognised prior to the Track Record Period	Revenue recognised during the Track Record Period			Revenue to be recognised
								RMB'000	2020	2021	2022	2023
Project HGY	Project Customer Group E	Guiyang, Guizhou province	Basic cleaning and maintenance and garbage collection and transportation	Property cleaning - Residential building	1 July 2018	15 April 2024	73,116	6,224	5,368	20,183	9,889	28,335

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

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

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

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

BUSINESS

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

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

BUSINESS

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

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

For the year ended 31 December 2020

Property cleaning

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

BUSINESS

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

BUSINESS

Public space cleaning

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

BUSINESS

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service ^{Note}	End date of service ^{Note}	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the year ended 31 December 2020	Revenue to be recognised since 1 January 2021
								RMB'000	RMB'000	RMB'000
Project KTC	Project Customer Group M	Guangzhou, Guangdong province	Basic cleaning and maintenance, garbage collection and transportation and waste collection and transportation	Public space cleaning	1 January 2020	31 December 2025	18,179	-	2,038	16,142
Other cleaning										
Project ZLS	Project Customer N	Guangzhou, Guangdong province	Water tank cleaning	Other cleaning	15 May 2020	30 June 2020	370	-	370	-

BUSINESS

For the year ended 31 December 2021

Property cleaning

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

BUSINESS

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

BUSINESS

Public space cleaning

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

BUSINESS

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

Other cleaning

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

BUSINESS

For the year ended 31 December 2022

Property cleaning

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

BUSINESS

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service ^{Note}	End date of service ^{Note}	Total contract sum	Revenue recognised prior to the Track Record	Revenue recognised for the year ended 31 December 2022	Revenue to be recognised since 1 January 2023
								RMB'000	RMB'000	RMB'000
Chongqing Jiangbei International Airport (重慶江北國際機場)	Project Customer Group O	Chongqing municipality	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Transportation hub	15 July 2020	14 July 2023	62,116	-	19,639	13,757
Guangdong Baiyun International Airport (廣東白雲國際機場)	Project Customer Group C (one of the customers is also Customer B, who is one of our five largest customers for the year ended 31 December 2020 during the Track Record Period)	Guangzhou, Guangdong province	Basic cleaning and maintenance, and high-altitude cleaning and ancillary service	Property cleaning – Transportation hub	1 December 2017	31 January 2024	90,158	35,217	15,803	5,433
Project YJL	Project Customer Group B	Haikou, Hainan province	Basic cleaning and maintenance, and garbage collection and transportation	Property cleaning – Residential building	1 July 2016	31 October 2024	99,743	38,533	15,746	16,637

BUSINESS

Public space cleaning

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

BUSINESS

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

Other cleaning

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

BUSINESS

For the six months ended 30 June 2023

Property cleaning

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

BUSINESS

Project name	Name of Customer	Location	Type of service provided	Type of service location	Start date of service	End date of service	Total contract sum	Revenue recognised prior to the Track Record Period	Revenue recognised for the six months ended 30 June 2023	Revenue to be recognised since 1 July 2023
								RMB'000	RMB'000	RMB'000
Project YHC	Project Customer Group U	Guangzhou, Guangdong province	Basic cleaning and maintenance	Property cleaning – Shopping mall and public utilities	20 August 2020	25 September 2024	56,723	-	5,440	28,175
Project HC	Project Customer Group A	Guangzhou, Guangdong province	Basic cleaning and maintenance service, garbage collection and transportation, and ancillary service	Public space cleaning	1 January 2017	28 February 2027	116,375	28,922	4,927	49,479

Public space cleaning

BUSINESS

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

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Other cleaning

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

Notes:

- (1) Project Customer Group A includes a company engaged in the provision of consultation and marketing services for planning of constructions and real estate projects.
- (2) Project Customer Group B includes property management companies such as Customer D, one of our five largest customers for the year ended 31 December 2020 during the Track Record Period.
- (3) Project Customer Group C includes airport operation and property management companies such as Customer B, one of our five largest customers for the year ended 31 December 2020 during the Track Record Period.
- (4) Project Customer Group D includes property management companies, restaurants, shops and retailing companies.
- (5) Project Customer Group E includes companies engaged in property management companies and companies engaged in the provision of real estate-related services.
- (6) Project Customer Group F includes property management companies.
- (7) Project Customer Group G includes property management companies, companies engaged in marketing activities and companies engaged in real estate-related services.
- (8) Project Customer Group H includes a company engaged in property management, provision of housekeeping services, greening services and pest-control services.
- (9) Project Customer Group I includes a company engaged in real estate-related services and the People's Government of a town in the PRC.
- (10) Project Customer Group J includes a company engaged in property management and provision of housekeeping services, greening services, pest-control services, real estate-related services, cleaning and disinfection services, and property cleaning services.
- (11) Project Customer Group K includes companies engaged in hotel management, companies engaged in property management and companies engaged in the provision of real estate-related services.
- (12) Project Customer Group L includes the People's Government of a town and an office of a local committee in the PRC.
- (13) Project Customer Group M includes a village committee in the PRC.
- (14) Project Customer Group N includes a company engaged in water pipeline engineering construction services, water quality testing services, tap water supply and production.
- (15) Project Customer Group O includes a company engaged in airport management.
- (16) Project Customer Group P includes companies engaged in asset management and investment consultation, and companies engaged in property management.
- (17) Project Customer Group Q includes a sub-district office of the People's Government of a district in the PRC, and a kindergarten.
- (18) Project Customer Group R includes a People's Government of a town in the PRC.

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- (19) Project Customer Group S includes a village committee in the PRC and a company engaged in real estate agency services.
- (20) Project Customer Group T includes a village committee in the PRC.
- (21) Project Customer Group U includes companies engaged in property management and provision of real estate-related services.
- (22) Project Customer Group V includes companies engaged in property management and provision of real estate-related services.

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

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

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

Fluctuations in the ending value of backlog per project

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

BUSINESS

as compared to the six months ended 30 June 2023 was mainly attributable to an increase in the number of new contracts secured in the first half of 2023 with relatively high contract sum, such as a project in Xiamen, Fujian province engaged by a customer in Project Customer group V.

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

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

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

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

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

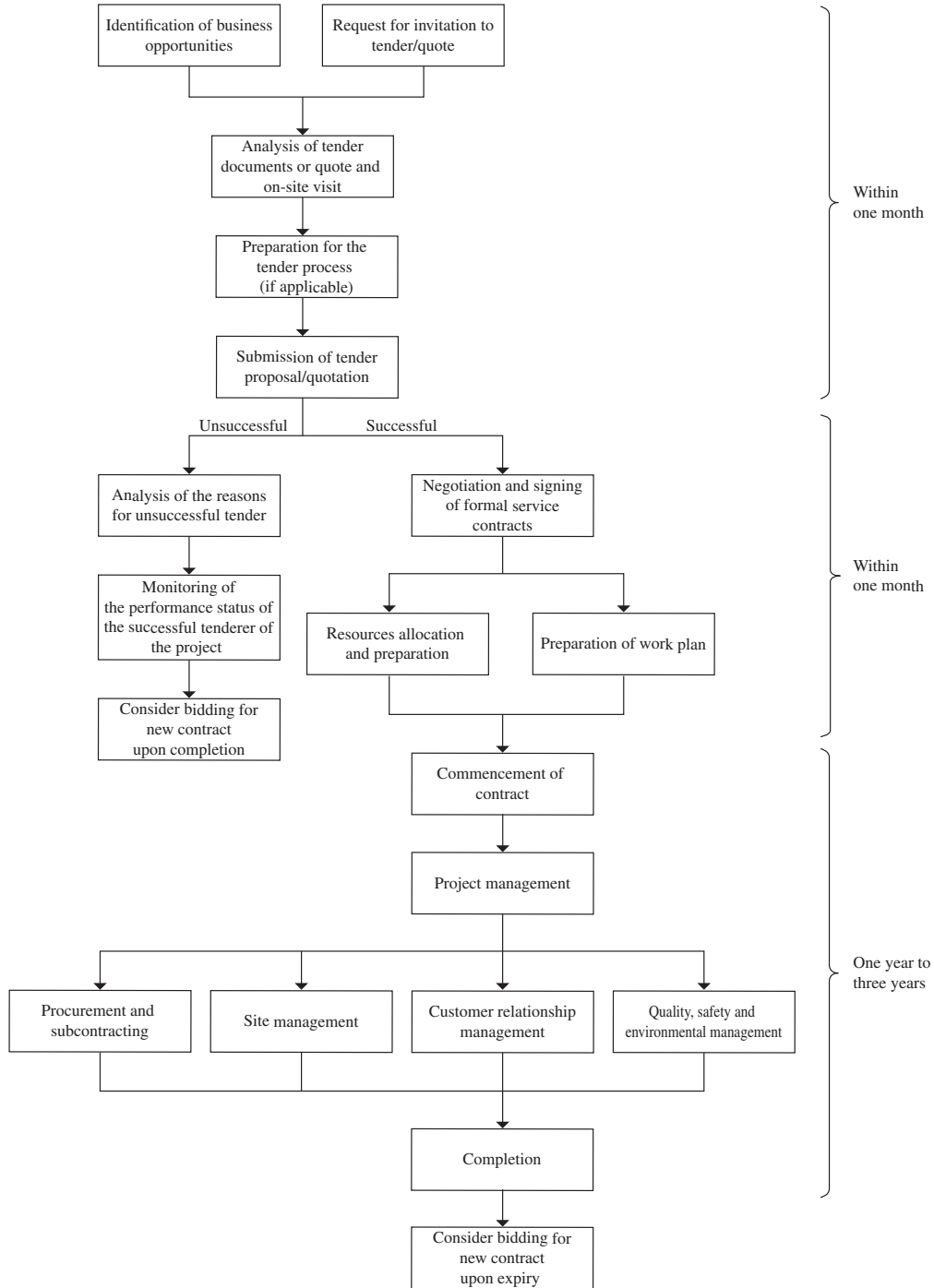
For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the total number of loss-making projects of our Group amounted to 19, 7, 1, and nil, recording an aggregate loss of approximately RMB1.8 million, RMB0.4 million, RMB34 and nil, respectively.

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

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OPERATION FLOW

The following diagram summarises our typical operation flow^{Note} including the principal steps and approximate time for the major steps:



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

BUSINESS

Identifying new business opportunities

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

Initial preparation, proposal submission and award

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

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

Tender strategy, tender success rate and overall contracts awarded

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

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

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

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

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

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

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

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

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

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

Contract negotiation

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

Contract performance

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

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

PRICING POLICY AND CREDIT MANAGEMENT

Pricing policy

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

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

Payment terms and credit management

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

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

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QUALITY CONTROLS

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

- **Overall quality management:** Our management department is responsible for the overall quality management of our operations implementation of our quality management system. Internal audit on our quality management system is conducted annually to review and evaluate our compliance with ISO 9001 requirements.
- **Project-specific quality management:** Our regional deputy general managers are responsible for the quality management of specific projects. This includes implementation of the project’s tailor-made work plan, particularly compliance with any standards required by our customers and monitoring the service quality in our projects.
- **Regular inspection:** Our inspection officers are responsible for conducting regular inspections and making inspection reports detailing their findings for follow-up.
- **Procurement of consumables and services:** We are careful in the selection of our suppliers and generally select our suppliers of consumables and services based on various factors including their background, quality and prices of the consumables and services, capacity of supply, delivery period, reputation and their past performance. In relation to quality of consumables procured, we will check upon delivery whether they match our specifications as well as if there are any defects and thus should be returned.
- **Customer relationship and complaint management process:** We maintain on-going communications with our customers or their agents to keep them informed of the status of project and address complaints and feedback.

MARKETING ACTIVITIES

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

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SEASONALITY

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

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

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

OUR CUSTOMERS

Characteristics of customers

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

We have a diversified customer base for our services including government authorities and institutions, state-owned enterprises, companies (or subsidiaries thereof) listed on the Stock Exchange or other major stock exchanges and private enterprises. Our major customers include Fortune Global 500 property developers in the PRC, Fortune Global 500 real estate advisory firm, major property developers and property management companies in Asia and in the PRC, government departments and border control points in Guangdong province and major airport management companies in the PRC. When deciding which contracts to bid for, we take into consideration the customers’ background including their reputation and their owned or managed properties in the PRC, as we believe that through the selection of financially strong and reputable partners, we can obtain a stable flow of business opportunities in the near and long

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term and also maintain our reputation for servicing notable properties. Accordingly, our five largest customers for each year/period during the Track Record Period were (i) property management companies in the PRC; (ii) airport management and operation companies; (iii) companies (or subsidiaries thereof) listed on the Stock Exchange, the London Stock Exchange or stock exchanges in the PRC; or (iv) companies falling within more than one of the above categories. Property management companies were a significant category of customers in terms of revenue contribution during the Track Record Period and our customers within this category included a number of property management groups with a national presence in the PRC and managing high-end commercial properties.

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

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

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

For the year ended 31 December 2020

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

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

For the year ended 31 December 2021

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

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For the year ended 31 December 2022

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

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For the six months ended 30 June 2023

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

Notes:

- (1) Customer A is a PRC established company, with registered share capital of RMB143.5 million, principally engaged in the provision of property management and related services, and is a subsidiary of a company group engaged in the provision of real estate-related services and consultation, airport operation, with paid-up share capital of approximately RMB11,425 million, whose shares are listed on the Shanghai Stock Exchange.
- (2) Customer B is a group of companies established in the PRC principally engaged in the management and operation of an airport, and subsidiaries of a company engaged in airport operation, with paid-up share capital of approximately RMB2,366 million, whose shares are listed on the Shanghai Stock Exchange.
- (3) Customer D is a group of companies established in the PRC principally engaged in the provision of property management services, and subsidiaries of a company engaged in real estate-related services, with paid-up share capital of approximately RMB1,420 million and over 87,000 employees, whose shares are listed on the Main Board.

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- (4) Customer E is a group of companies established in the PRC principally engaged in the provision of property management services and real estate agency services, and subsidiaries of a company engaged in real estate-related services, with paid-up share capital of approximately GBP3.6 million and over 40,000 employees, whose shares are listed on the London Stock Exchange.
- (5) Customer F is a group of companies established in the PRC principally engaged in the provision of property management services, and subsidiaries of a company engaged in property management, with paid-up share capital of approximately RMB2,543 million and over 11,000 employees, whose shares are listed on the Main Board.
- (6) Customer G is a group of companies established in the PRC principally engaged in the provision of property management services. The registered share capital of the group company is RMB50 million and wholly owned by a state-owned company engaged in development, urban planning and provision of real estate-related services.
- (7) Customer H is a group of companies established in the PRC principally engaged in the provision of property management services, one of which is a company, with paid-up share capital of approximately RMB533 million and over 42,000 employees, whose shares are listed on the Main Board.
- (8) Customers I is a group of companies established in the PRC principally engaged in the provision of property management services and real estate agency services, subsidiaries of a company engaged in property management and services, with paid-up share capital of approximately RMB1,050 million and over 106,000 employees, whose shares are listed on the Main Board.
- (9) Customer J is a company established in the PRC principally engaged in the provision of property management services and real estate agency services and is a subsidiary of a company group engaged in property management, with paid-up share capital of approximately RMB17 million, whose shares are listed on the Main Board.

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

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

Number of customers during the Track Record Period

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

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Major terms of contracts with customers

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

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

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OUR SUPPLIERS

Characteristics of suppliers

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

Selection of suppliers and general payment terms

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

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

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

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

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For the year ended 31 December 2020

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

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For the year ended 31 December 2021

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

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For the year ended 31 December 2022

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

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For the six months ended 30 June 2023

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

Notes:

- (1) Shenzhen Jianke Enterprise Management Co., Ltd.* (深圳市捷安客企業管理有限公司) is a PRC established company, with registered share capital of RMB2 million, principally engaged in the provision of human resource services and cleaning services.
- (2) Generali China Insurance Co., Ltd. Guangdong Branch * (中意財產保險有限公司廣東分公司) is a branch of a PRC established company principally engaged in the provision of insurance services, with a registered share capital of RMB1,300 million and over 400 employees, and is a subsidiary of a company whose shares are listed on the Shenzhen Stock Exchange engaged in property management investment consultation and asset management.
- (3) Xingjiangnan Labour Market (Tianjin) Co., Ltd. * (星江南人力市場(天津)有限公司) is a PRC established company, with registered share capital of RMB2.01 million, principally engaged in the provision of labour and human resources services and building cleaning services.
- (4) Supplier G is a PRC established company, with registered share capital of RMB5 million and over 400 employees, principally engaged in the provision of technical services in relation to cloud platforms and softwares, human resources services, recruitment services and cleaning services.

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- (5) Lingong Yizhan Service Management (Xiantao) Co., Ltd.* (Former Name: Hubei Headhunt Human Resource Development Co., Ltd.*) (靈工驛站服務管理(仙桃)有限公司(原名：湖北職場獵人人力資源開發有限公司)) is a PRC established company, with registered share capital of RMB2 million, principally engaged in the provision of labour dispatch and human resource services.
- (6) Guangzhou Hangzhen Cleaning Products Co., Ltd.* (廣州航臻清潔用品有限公司) is a PRC established company, with registered share capital of RMB2 million, principally engaged in supply of cleaning materials.
- (7) Supplier J is a PRC established company, with registered share capital of RMB2 million, principally engaged in the provision of labour dispatch and human resources services.
- (8) Supplier K is a PRC established company, with registered share capital of RMB50 million, principally engaged in the provision of labour dispatch and human resources services.
- (9) Supplier L is a branch of a PRC established company, with registered share capital of RMB10 million, principally engaged in the provision of corporate management and human resources services.
- (10) N/A refers to no credit period specified in the contract.

Five largest subcontractors during the Track Record Period

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

For the year ended 31 December 2020

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

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

For the year ended 31 December 2021

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

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For the year ended 31 December 2022

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

For the six months ended 30 June 2023

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

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

Notes:

- (1) Guangzhou Ganghao Cleaning Service Co., Ltd.* (廣州市剛浩清潔服務有限公司) is a PRC established company, with registered share capital of RMB0.88 million, principally engaged in supply of cleaning products and provision of building cleaning services.
- (2) Supplier F is a company established in the PRC, with registered capital of RMB0.5 million, principally engaged in provision of human resource services and cleaning services.
- (3) Supplier J is a PRC established company, with registered share capital of RMB2 million, principally engaged in provision of labour dispatch and human resources services.
- (4) Supplier K is a PRC established company, with registered share capital of RMB50 million, principally engaged in provision of labour dispatch and human resources services.
- (5) Supplier L is a branch of a PRC established company, with registered share capital of RMB10 million, principally engaged in provision of corporate management and human resources services.
- (6) Supplier M is a PRC established company, with registered capital of RMB50 million, principally engaged in sale of cleaning products and provision of professional cleaning and building cleaning services.

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

- (i) our reliance on our five largest suppliers for the years ended 31 December 2020, 2021 and 2022 has been decreasing throughout the Track Record Period in terms of the total purchases;
- (ii) our Group has been engaging different suppliers to assist our business operations, for example, Supplier J and K became two of our five largest suppliers for the year ended 31 December 2022 since our commencement of business relationships with them in 2022; and
- (iii) our Directors are of the view that, in case of any shortage of supply from certain suppliers, we are able to source from alternative suppliers with comparable quality and prices for similar services or consumables, and hence our business operations would not solely rely on the supply of a particular supplier.

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

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

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Major terms of contracts with suppliers (including our subcontractors)

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

Subcontractors

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

Suppliers of consumables

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

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

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

Subcontractors and other third party service providers

Reasons for subcontracting and use of other third party service providers

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

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

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and other third party services providers are mainly used for assisting our workforce in the provision of our services and otherwise engaged on as a needed basis.

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

Basis for determining subcontracting fees and total subcontracting labour costs

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

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

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MACHINERY, EQUIPMENT AND VEHICLES

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

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

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

Notes:

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

In connection with our business strategy to enhance our capabilities and capture more opportunities in the public space cleaning sector, we intend to purchase additional vehicles, machineries and equipment (for further details, please refer to the section headed “Future plans and [REDACTED]” in this document.

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LICENCES, CERTIFICATES AND QUALIFICATIONS

Our Directors and our PRC Legal Advisers confirmed that we have obtained and currently maintain all necessary licences, certificates and qualifications required for our current business operations in the PRC. As at the Latest Practicable Date, we held the following material licences, certificates and qualifications in the PRC:

Licences, certificates and qualifications	Issuing authority	Holder	Validity Period
Operational Cleaning, Collection and Transportation Services of Municipal Solid Waste Licence* (城市生活垃圾經營性清掃、收集、運輸服務許可證)	Panyu District Branch of the Guangzhou Urban Management and Comprehensive Law* Enforcement Bureau (廣州市番禺區城市管理和綜合執法局)	Guangzhou Shenghui	21 October 2022 to 20 October 2025
Certificate for Indoor Environmental Pollution Control Organisation – Grade A* (室內環境污染治理機構資質等級證書 – 甲級)	Federation of Indoor Environmental Purification Industry (National) Associations* (室內環境淨化行業(全國)協會聯盟)	Guangzhou Shenghui	29 August 2023 to 21 September 2026
Pest Control Service Qualification Certificate* (有害生物防制服務資質證)	Guangzhou Pest Control Association* (廣州衛生有害生物防制協會)	Guangzhou Shenghui	24 February 2022 to 31 March 2024
Road Transport Permit* (道路運輸經營許可證)	Guangzhou Panyu Traffic Management Terminal* (廣州市番禺區交通管理總站)	Guangzhou Shenghui	3 September 2021 to 30 September 2025
Stone & Floor Application Conservation Specialty Qualification Certificate – AAAAA Grade* (石材地坪應用護理專業資質證書 – AAAAA級)	The Stone Application Conservation Specialty Committee of Guangdong Stone Materials Association* (formerly known as the Professional Stone Care Committee of Guangdong Stone Materials Association*) (廣東省石材行業協會石材應用護理專業委員會)	Guangzhou Shenghui	12 June 2023 to 11 June 2025
Construction Enterprise Qualification Certificate* (建築業企業資質證書)	Guangzhou Municipal Housing and Urban-Rural Development Bureau* (廣州市住房和城鄉建設局)	Guangzhou Shenghui	23 September 2020 to 23 September 2025
Qualification Certificate of Public Cleaning and Disinfection Service Organisation – Grade A* (公共場所清潔消毒服務機構資質等級證書 – 甲級)	Guangdong Indoor Environmental Health Association* (廣東省室內環境衛生行業協會)	Guangzhou Shenghui	August 2023 to August 2024

Note: In accordance with our practice, we intend to apply for renewal of such licences around one month prior to the expiry date.

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Our marketing department is responsible for monitoring the expiration dates of our licenses, certificates and qualifications and arranging for their renewal. During the application for the renewal of such licenses, certificates and qualifications, the marketing department is required to prepare and submit related documents required by relevant issuing bodies for approval. Our Directors confirm that we have not experienced any material difficulty in obtaining or renewing the required licences, certificates and qualifications for our business operations during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND RECOGNITIONS

We have received a number of awards and certificates during our operating history in recognition of the quality of our services and other strengths of our business. The following table summarises certain more recent awards and certificates obtained by our Group:

Award/certificate	Issuing bodies	Year	Recipient
Sewage, Septic Tank, Pipeline Unclogging Treatment Cleaning Service Enterprise Qualification Certificate – National Level 1* (污水、化糞池、管道疏通處理清洗服務企業資質證書 – 國家一級)	China Standard (Beijing) Certification Service Centre* (華評信標(北京)認證服務中心)	2023	Guangxi Shenghui
Secondary Water Supply Cleaning Service Enterprise Qualification Certificate* (二次供水清潔服務企業資質證書)	China Standard (Beijing) Certification Service Centre* (華評信標(北京)認證服務中心)	2022	Guangxi Shenghui
Certificate of Corporate Integrity Management* (企業誠信管理體系認證證書)	Beijing Zhong’an Quality and Environment Certification Centre Co., Ltd.* (北京中安質環認證中心有限公司)	2022	Guangxi Shenghui
Best Service provider* (最佳服務供應商)	Guangzhou Yuexiu Property Development Co., Ltd. Guangzhou Branch* (廣州越秀物業發展有限公司廣州分公司)	2022	Guangzhou Shenghui

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Award/certificate	Issuing bodies	Year	Recipient
Advanced enterprise in anti-epidemic work* (抗疫工作先進企業)	Guangzhou Industry Association of Sanitation* (廣州環衛行業協會)	2021	Guangzhou Shenghui
Honorary Certificate of 2020 Guangdong Poverty Alleviation Day and Yangcheng Charity for the People* (2020年廣東扶貧濟困日暨羊城慈善為民榮耀證書)	People's Government of Xinzao Town, Panyu District, Guangzhou City* (廣州市番禺區新造鎮人民政府)	2021	Guangzhou Shenghui
Credit Enterprise* (誠信優質企業)	Guangzhou Industry Association of Sanitation* (廣州環衛行業協會)	2017–2020	Guangzhou Shenghui
Top 500 Property Services Enterprises – Cleaning Services* (物業服務企業500強 – 保潔服務)	China Property Management Institution and China Real Estate Appraisal Center of Shanghai E-House Real Estate Research Institute* (中國物業管理協會、上海易居房地產研究院)	2020	Guangzhou Shenghui
Contract Honouring and Credit Keeping Enterprise in Guangdong* (廣東省守合同重信用企業)	Guangzhou Administration Bureau for Industry and Commerce* (廣州市市場監督管理局)	2011–2019	Guangzhou Shenghui
Labour Relations Harmonious Enterprise in Guangzhou City – A Grade* (廣州市勞動關係和諧企業A級)	Office of Tripartite Consultative Meeting on Labour Relations of Panyu District, Guangzhou* (廣州市番禺區勞動關係三方協商會議辦公室)	2017, 2018, 2019	Guangzhou Shenghui
Advanced Cleaning Service Provider in Guangdong province* (廣東省清潔服務先進單位)	China Quality Credit Evaluation Committee, China Quality Brands Promotion Committee, Beijing Bid Evaluation Centre* (中國質量信用企業徵信評估組委會, 中國質量品牌促進推廣組委會, 北京中標評信用評價中心)	2019	Guangzhou Shenghui

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Award/certificate	Issuing bodies	Year	Recipient
Consumer Satisfaction Five-Star Enterprise* (消費者滿意度五星企業)	Guangdong Stone Materials Association* (廣東省石材行業協會)	2019	Guangzhou Shenghui
Quality Demonstration Project of Zhujiang New Town Leatop Plaza* (珠江新城利通廣場優質示 範工程)	Guangdong Stone Materials Association* (廣東省石材行業協會)	2019	Guangzhou Shenghui
Excellent Property Management Supplier* (優秀物業管理供應商)	Guangzhou Property Management Industry Association* (廣州市物業管理行業協會)	2018	Guangzhou Shenghui
2018 Top Ten Units of Professional Technology in Stone and Floor Conserve Application Industry* (2018年度石材 地坪應用護理行業專業技 術十佳單位)	The Professional Stone Care Committee of Guangdong Stone Materials Association* (廣東石材應用護理專業委員會 (currently known as the Stone Application Conservation Specialty Committee of Guangdong Stone Materials Association*) (廣東省石材行業 協會石材應用護理委員會)	2018	Guangzhou Shenghui
Top 100 Scale of Business* (經營規模100強)	General Chamber of Commerce of Panyu District, Guangzhou* (廣 州市番禺區總商會)	2018	Guangzhou Shenghui
Sanitation Industry Advanced Enterprise* (環衛先進企業)	Guangzhou Industry Association of Sanitation* (廣州環衛行業協會)	2017	Guangzhou Shenghui
Honorary Certificate of Accurate Poverty Alleviation* (精準扶貧榮 譽證書)	Guangzhou City Management Bureau* (廣州市城市管理委員會)	2017	Guangzhou Shenghui

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE

During the Track Record Period, we did not incur significant expenditures for compliance with the environmental laws, and we do not expect to incur significant cost in relation to compliance with environmental laws in the future.

The Group’s governance regarding environmental, social and climate-related risks and opportunities

In order to ensure compliance with the relevant environmental and social laws and regulations in the PRC, our Group has established an ESG governance mechanism to oversee the implementation of the environmental, social and governance (“**ESG**”) related policies. Our Directors consider that establishing and implementing sound ESG principles and practices will increase the investment value of our Company and provide long term returns to our stakeholders.

To ensure the effectiveness of our ESG risk management measures and respective internal control systems, our Board is and will be responsible for overseeing the formulation and reporting of our ESG strategies and determining the ESG-related risks. The Group has also established an ESG taskforce (the “**ESG Taskforce**”), which is chaired by Mr. Li, the chairman of the Board of Directors, our executive Director and our Chief Executive Officer and members are composed of representatives from different departments of our Group. The ESG Taskforce shall support the Board in establishing and implementing ESG-related policies and procedures, as well as monitoring and collecting ESG-related information for preparing disclosure in compliance with the requirements of the Environmental, Social and Governance Reporting Guide (“**ESG Reporting Guide**”) in Appendix 27 of the Listing Rules, upon [REDACTED] and when appropriate. The ESG Taskforce shall report to the Board regularly with regard to the implementation of the ESG-related risk management and internal control mechanism. In addition, upon [REDACTED] and when appropriate, an enterprise risk assessment will be conducted at least once annually to cover the current and potential risks faced by our business, including but not limited to the risks arising from the ESG and climate-related matters. Our Board will continuously assess, or engage qualified independent third parties to evaluate, the risks and our Group’s existing strategy, metrics and targets as well as internal controls, and necessary improvements will be implemented to mitigate such risks. The management of relevant business functions is responsible for providing guidance, advice, and support for the implementation of ESG initiatives concerning environmental performance, employment and labour practices, operating practices, as well as community investment. The management regularly conducts key review and supervision on the progress and effectiveness of the ESG initiatives to identify risks brought by ESG issues such as climate change. During the implementation process of ESG initiatives, the management identifies material ESG-related opportunities and reports its analysis, recommendations and action plans to the ESG Taskforce for review regularly.

To manage quality, environmental and occupational health and safety performance, the Group has an established Management System which is certified under ISO 9001, ISO 14001 and ISO 45001 certifications.

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Impact of environmental, social and climate-related issues and opportunities

We acknowledge that climate-related issues pose a certain level of threat to us. Climate-related risks identified by us can be classified into two major categories: physical risk and transition risk.

Potential physical risks can arise from extreme weather events such as flooding and typhoons and extreme heat. If such disasters were to occur in the regions where we operate, our delivery of services, especially in the provision of services at outdoor locations, could be adversely affected and disrupted as well as the cleaning service workload would be subsequently increased. Striving to reduce the unforeseen impacts of emergency situations on our operations, we have business continuity measures stipulated in our environmental, social and governance (“ESG”) policy, which outlines the mitigation measures of enabling our key operation to be resumed under such extreme weather events. For the extreme heat circumstances, the Group has adopted occupational health and safety guidelines, work arrangement plan which is in line with the requirements stipulated under the High Temperature Labor Protection Measures of Guangdong Province (廣東省高溫天氣勞動保護辦法), respective protection measures and high temperature allowance for our operational employees. Regular training is also provided to operational employees to ensure their occupational safety.

Potential transition risks and opportunities may also result from the change in our customers’ preference in terms of increasing demand of environmental and social risk assessment on their suppliers and more stringent requirements on environmentally friendly services. Furthermore, the implementation of strict fuel economy and emissions standards by the PRC government in the medium and long term may raise the leasing and purchase costs of machinery, equipment and vehicles, which may adversely impact on our financial performance. Our Group continues to monitor the regulatory environment to ensure that our services meet the demands and expectations of our customers and regulators.

In response to the aforementioned physical risks and transition risks, our ESG Taskforce has further evaluated the likelihood of occurrence of those risks and the potential impact of those risks on our Group’s business in the short, medium and long term horizons.

Horizon	Risks	Potential Impacts
Short term	<ul style="list-style-type: none">• Extreme weather conditions such as typhoons, floods and droughts• Extreme heat	<ul style="list-style-type: none">• Injuries or loss of personnel• Disruption of service operation• Damages to properties and assets• Delay in the supply of consumables

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Horizon	Risks	Potential Impacts
Medium term	<ul style="list-style-type: none"> • Extreme heat • Change in customers’ preference 	<ul style="list-style-type: none"> • Injuries or loss of personnel • Disruption of service operation • Increased cost of compliance
Long term	<ul style="list-style-type: none"> • Change in climate-related regulations 	<ul style="list-style-type: none"> • Higher operating cost

Identification, assessment and management of environmental, social and climate-related risks

Based on the consideration of our business nature, assessments conducted by our ESG Taskforce, as well as materiality maps provided by well-known external institutions including the ESG Industry Materiality Map by MSCI and SASB Standards by Sustainability Accounting Standards Board, we have identified the material ESG issues highly related to our business, and monitored on related performances. Other than the aforementioned governance, our Group will conduct an enterprise risk assessment at least once a year, upon [REDACTED] and where appropriate, to cover the current and potential risks that arose in our business including, but not limited to, the risks arising from the ESG aspects and strategic risk around disruptive forces such as climate change. Our Board will also assess or engage qualified independent third parties to evaluate the risks and review our Group’s existing strategy and internal control, and necessary improvement will be implemented to manage and mitigate such risks.

Our Group has formulated an integrated management policy to strive for environmental protection and high quality service. Our policy aims to actively promote environmentally friendly practices such as encouraging employees to reduce, reuse and recycle waste. For any hazardous waste generated by our Group, we will engage qualified agencies for the disposal as required by regulatory authorities.

We have established a fair labour practices policy, a training management system and an occupational health and safety standards system which sets out our Group’s employment and labour practices. In accordance with the relevant policies, we have adopted the following measures to manage our employment matters.

- **Working condition:** we are committed to providing a positive work environment that values the wide-ranging perspectives inherent in our diverse workforce and fosters the achievement of business goals through implementing the fair labour practices policy and relevant measures. Our policy aims to provide equal opportunities for employees regardless of gender, age, race or any other social or personal characteristics. We have taken measures including, but not limited to, (i) adopting fair labour practices among the workforce and prohibiting discrimination against individuals; and (ii) establishing communication channels such as opinion collection box and email.

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- **Employment:** we enter into labour contracts when we establish labour relationships with our employees. The labour contracts set out the terms of employment to ensure that the interest of our employees is protected. The employment relationship will be confirmed by signing a labour contract after both the employee and our Group have clarified their rights and obligations and agreed to the written employment terms. We abide by local laws and regulations regarding employment practices such as compensation, rest periods and working hours.
- **Training:** we have established a training management system to provide corresponding training programmes specialised for the needs and requirements of different employees. Training programmes, including environmental protection, quality and occupational safety and health training, emergency response and rescue training, specialised cleaning skills training and management skills training, are regularly provided or arranged to our employees.
- **Health and safety:** as the majority of our employees are retired persons, the occupational health and safety of our employees is of paramount importance. To protect employees’ occupational health and safety, we have implemented the health and safety standards system and relevant measures. Our management department manages our occupational health and safety standards system to strive to reduce the risk of workplace accidents. Our occupational health and safety standards system meets ISO45001 standards and includes features such as the provision of protective gears, safety-awareness education, safety signs and symbols, occupational safety and health training, emergency response and rescue training, implementation of safety officers supervision and the adoption of a major incidents reporting system. We have taken measures including, but not limited to, (i) providing employees with appropriate personal protective equipment during the provision of cleaning and maintenance services; (ii) allocating on-spot emergency treatment materials; and (iii) requiring our employees to comply with occupational health and safety guidelines which cover machinery operation, chemical handling, use of electrical appliances, carrying heavy objects and working at height.

Metrics and targets on environmental, social and climate-related risks

We have established ESG Policy and put in place various measures to govern, manage and mitigate environmental, social and climate-related issues, which includes greenhouse gas (“GHG”) emissions and resource consumption. The ESG Policy has been established with reference to the standards of Appendix 27 to the Listing Rules. Our GHG emissions consist of (i) direct GHG emissions (scope 1), including the GHG emissions mainly from fuel consumption of the company’s vehicles and machinery; and (ii) energy indirect GHG emissions (scope 2),

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including the GHG emissions mainly from the usage of purchased electricity. The GHG emissions data is presented in terms of tonnes carbon dioxide equivalent (“tCO₂e”). The following table sets out a breakdown of our GHG emissions by scope and intensity for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
Direct GHG emissions (Scope 1) (tCO ₂ e)	313	320	333	167	166
Energy indirect GHG emissions (Scope 2) (tCO ₂ e)	201	152	160	78	66
Total GHG emissions (tCO₂e)	514	472	493	245	232
Total GHG emissions intensity (tCO ₂ e/million RMB revenue)	1.10	0.84	0.83	0.85	0.78

For the year ended 31 December 2022, our Group’s total GHG emissions were approximately 493 tCO₂e, which comprises approximately 333 tCO₂e of direct GHG emissions (scope 1) and approximately 160 tCO₂e of energy indirect GHG emissions (scope 2). For the year ended 31 December 2022, our Group’s total GHG emissions intensity was approximately 0.83 tCO₂e per RMB million revenue. Considering our Group’s business development and the latest available full-year data, we have set an emission target of limiting the increase in our total GHG emissions intensity to be not more than 10% in the next three years, using the intensity level in the year ended 31 December 2022 as the baseline.

Our Group’s total GHG emissions decreased by approximately 5% from approximately 245 tCO₂e for the six months ended 30 June 2022 to approximately 232 tCO₂e for the six months ended 30 June 2023. Our Group’s total GHG emissions intensity decreased by approximately 8.24% from approximately 0.85 tCO₂e per million RMB revenue for the six months ended 30 June 2022 to approximately 0.78 tCO₂e per million RMB revenue for the six months ended 30 June 2023.

Our resource consumption principally comprises energy consumption and water consumption so as to support our business operations. Our available data on resource consumption is focused on office use and does not include the resource consumption directly resulted from the provision of services to customers. Our Group has established an internal control system to collect quantitative data and monitor the usage on our resources. Such resources include fuels, electricity and water purchased by our Group. The ESG Taskforce is responsible for monitoring our Group’s resource consumption levels and the effectiveness of our Group’s measures on resource conservation. The major types of energy consumed were direct

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energy consumption and indirect energy consumption. Direct energy consumption represents fuel consumed by vehicles and machinery, and indirect energy consumption represents purchased electricity. The following table sets out a breakdown of our energy consumption by type and intensity for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
Direct energy consumption (MWh)	1,232	1,260	1,309	655	652
Indirect energy consumption (MWh)	329	249	280	128	116
Total energy consumption (MWh)	<u>1,561</u>	<u>1,509</u>	<u>1,589</u>	<u>783</u>	<u>768</u>
Total energy consumption intensity (MWh/million RMB revenue)	<u>3.35</u>	<u>2.68</u>	<u>2.67</u>	<u>2.71</u>	<u>2.58</u>

For the year ended 31 December 2022, our Group’s total energy consumption was approximately 1,589 MWh, which comprises approximately 1,309 MWh of direct energy consumption and approximately 280 MWh of indirect energy consumption. For the year ended 31 December 2022, our Group’s total energy consumption intensity was approximately 2.67 MWh per RMB million revenue. Considering our Group’s business development and the latest available full-year data, we have set an energy use efficiency target of limiting the increase in our total energy consumption intensity to be not more than 10% in the next three years, using the intensity level in the year ended 31 December 2022 as the baseline.

Our Group’s total energy consumption decreased by approximately 2% from approximately 783 MWh for the six months ended 30 June 2022 to approximately 768 MWh for the six months ended 30 June 2023. Our Group’s total energy consumption intensity decreased by approximately 4.80% from approximately 2.71 MWh per million RMB revenue for the six months ended 30 June 2022 to approximately 2.58 MWh per million RMB revenue for the six months ended 30 June 2023.

Our water consumption was mainly from our offices and facilities. The following table sets out our total water consumption and intensity for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023:

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	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	Total water consumption (cubic metres)	<u>14,858</u>	<u>10,108</u>	<u>15,980</u>	<u>7,295</u>
Total water consumption intensity (cubic metres/million RMB revenue)	<u>31.91</u>	<u>17.94</u>	<u>26.89</u>	<u>25.23</u>	<u>23.85</u>

For the year ended 31 December 2022, our Group’s total water consumption was approximately 15,980 cubic metres. For the year ended 31 December 2022, our Group’s total water consumption intensity was approximately 26.89 cubic metres per RMB million revenue. Considering our Group’s business development and the latest available full-year data, we have set a water efficiency target of limiting the increase in our total water consumption intensity to be not more than 10% in the next three years, using the intensity level in the year ended 31 December 2022 as the baseline.

Our Group’s total water consumption decreased by approximately 2% from approximately 7,295 cubic metres for the six months ended 30 June 2022 to approximately 7,114 cubic metres for the six months ended 30 June 2023. Our Group’s total water consumption intensity decreased by approximately 5.47% from approximately 25.23 cubic metres per million RMB revenue for the six months ended 30 June 2022 to approximately 23.85 cubic metres per million RMB revenue for the six months ended 30 June 2023.

To strive to achieve efficient use of resources and GHG emission management, our ESG Policy includes (i) monitoring and reviewing environmental performance indicators such as fuel, electricity and water consumption levels, (ii) encouraging employees to limit the use of unnecessary lighting and turn off machinery and equipment which are not in use to save energy and costs; and (iii) machinery and equipment management programme which comprises regular inspections and repair and maintenance to ensure their satisfactory condition and reliability.

In addition, we consume resources, including electricity and water, as well as use cleaning chemicals when providing cleaning services to our customers. We have adopted an environmental management system and been accredited with ISO 14001 (environmental management) since 2009. Prior to successful tenders or direct engagements by our customers, the relevant customer may require our Group to obtain ISO 14001 certification to demonstrate our commitment to environmental protection. Our ISO 14001-certified environmental management system assists us to manage the consumption of resources, including electricity and water, when providing cleaning services to customers. During the course of our projects, our Group’s cleaning and maintenance workers carry out work in our customers’ premises, where the

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electricity and water consumed are provided by our customers. Therefore, the Group is not able to obtain records and data for water and electricity consumption specifically attributable to our services but we still manage the consumption of electricity and water in accordance with our ISO 14001-certified environment management system. We have also formulated usage guidelines for cleaning chemicals used when providing cleaning services to customers.

We place a high priority on the responsible use of cleaning chemicals, recognising that improper handling poses risks to the occupational health and safety of our employees, as well as the environment. Therefore, we provide our employees with training on adhering to guidelines for the proper usage of chemicals.

The following table sets out a breakdown of our use of common cleaning chemicals by types for the year ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
Bleach (litres)	164,057	205,342	194,164	86,266	81,700
Total bleach use intensity (litres/million RMB revenue)	352.31	364.38	326.76	298.32	273.93
Detergents (litres)	66,368	89,486	80,139	36,011	30,711
Total detergents use intensity (litres/million RMB revenue)	142.52	158.79	134.87	124.53	102.97

Considering our Group’s business development and the latest available full-year data, we have set cleaning chemicals use efficiency targets as follows:

- limit the increase in our total bleach use intensity to be not more than 10% in the next three years, using the intensity level in the year ended 31 December 2022 as the baseline; and
- limit the increase in our total detergents use intensity to be not more than 10% in the next three years, using the intensity level in the year ended 31 December 2022 as the baseline.

We take our corporate social responsibility seriously and in our charitable actions we make donations and also pursue other poverty alleviation measures such as offering job opportunities to the elderly and the retired. In recognition of our charitable actions, we have previously received an Honorary Certificate of Accurate Poverty Alleviation* (精準扶貧榮譽證書) in 2017 from the Guangzhou City Management Bureau* (廣州市城市管理委員會).

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PROPERTIES

As at the Latest Practicable Date, we owned and leased a total of 18 properties in the PRC.

Our Directors confirmed that save and except for the properties set forth in Appendix III to this document, no single property interest that forms part of non-property activities has a carrying amount of 15% or more and no single property interest that forms part of property activities has a carrying amount of 1% or more, of the total assets. Accordingly, save and except for the disclosure set forth in Appendix III to this document, we are not required by Chapter 5 of the Listing Rules to value or include in this document any valuation report of our other property interests, and, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance.

Owned properties

As at the Latest Practicable Date, we owned 11 properties in Guangdong province with an aggregated GFA of approximately 812.2 sq.m.. As at the Latest Practicable Date, we obtained the property ownership certificates for all of the properties we own as set out below. The following table summarises the information regarding our owned properties as at the Latest Practicable Date:

<u>Address</u>	<u>Approximate GFA</u> <i>(sq.m.)</i>	<u>Use of the property</u>
Unit 2101, No.81 Xian Lie Middle Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	35.4	Investment <i>Note</i>
Unit 2102, No.81 Xian Lie Middle Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	52.2	Investment <i>Note</i>
Unit 2106, No.81 Xian Lie Middle Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	32.2	Investment <i>Note</i>
Unit 2107, No.81 Xian Lie Middle Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	31.4	Investment <i>Note</i>

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Address	Approximate GFA <i>(sq.m.)</i>	Use of the property
Carpark space B113, No.81 Xian Lie Middle Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	10.5	Carpark
Room 501, Block 1, No. 836 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	70.7	Office
Room 502, Block 1, No. 836 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	137.1	Office
Room 503, Block 1, No. 836 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	97.8	Office
Room 504, Block 1, No. 836 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	83.5	Office
Room 505, Block 1, No. 836 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	114.3	Office
Room 506, Block 1, No. 836 Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong province, the PRC	147.1	Office

Note: These units are currently held for investment purposes and are leased to an Independent Third Party for office purposes. For further details, please refer to the valuation certificate of Property No. 1 in Appendix III to this document which refers to these units collectively as a property.

Leased properties

As at the Latest Practicable Date, we leased seven properties from Independent Third Parties with two in Guangdong province, and one each in Hainan province, Guangxi Zhuang autonomous region, Henan province, Beijing municipality and Chongqing municipality each and with an aggregated GFA of approximately 7,597.7 sq.m..

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The following table summarises the information regarding our leased properties as at the Latest Practicable Date:

Address	Approximate GFA <i>(sq.m.)</i>	Term	Use of the property
36 Xinguang Road, Xinzao Town, Panyu District, Guangzhou, Guangdong province, the PRC <i>(Notes 1 & 2)</i>	3,122.1	20 years from 1 April 2016 to 31 March 2036	partially as office and partially sub-leased
Area #034, 6/F, Building 2, 15 Xiangyu Road, Airport Development Zone, Shuangfengqiao Street, Yubei District, Chongqing Municipality, the PRC	10.0	one year from 9 December 2022 to 8 December 2023	office
No. 1606, Unit 3, Building 6, Haoran Landscape Community, 178 Minzu Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region, the PRC	120.8	one year form 14 November 2023 to 14 November 2024	office
Room 505, 5th Floor, Building 12, 13, 14, 15, Phase 2, Baoli Xiuying Gang Project, 2 Haixia Road, Xiuying District, Haikou, Hainan Province, the PRC	33.93	one year from 16 April 2023 to 15 April 2024	office

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Address	Approximate GFA <i>(sq.m.)</i>	Term	Use of the property
(1) Nanfang Gewu Tuan temporary parking lot, 27 Chigang Road, Haizhu District, Guangzhou, Guangdong province, the PRC	4,155.5	approximately one year from 20 January 2023 to 19 January 2024	(1) as carpark, (2)–(6) sub-leased
(2) No. 13, Building 3, 27 Chigang Road, Haizhu District, Guangzhou, Guangdong province, the PRC			
(3) No. 16, First Floor, 37 Chigang Road, Haizhu District, Guangzhou, Guangdong province, the PRC			
(4) No. 15, First Floor, 27 Chigang Road, Haizhu District, Guangzhou, Guangdong province, the PRC			
(5) No. 12, Building 3, 27 Chigang Road, Haizhu District, Guangzhou, Guangdong province, the PRC			
(6) Room 102, 35 Chigang Road, Haizhu District, Guangzhou, Guangdong province, the PRC			

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Address	Approximate GFA (sq.m.)	Term	Use of the property
608, 6th Floor, Henghua Building, No. 65 Zhenghua Road, Jinshui District, Zhengzhou City, Henan province, the PRC	42	one year from 9 June 2023 to 8 June 2024	office
A1, Room 301, 3rd Floor, Tongniu International Building, Building 2, No. 15 Guanghua Road, Chaoyang District, Beijing	113.36	one year from 12 July 2023 to 11 July 2024	office

Notes:

- (1) The leased property has a total site area of approximately 10,213.8 sq.m. and a total GFA of 3,122.12 sq.m., of which a site area of approximately 10,000 sq.m. is sub-leased to Guangzhou Pengsheng at monthly rent of RMB86,000 from 1 July 2016 to 31 December 2020 and RMB 51,600 from 1 January 2021 to 30 June 2024, which we previously held a majority interest in prior to its disposal on October 2020 to an Independent Third Party (for reasons and details of the disposal, please refer to the section headed “History, Reorganisation and Group structure – Reorganisation – Step 1: Disposal and deregistration of the Disposed/Deregistered Companies” of this document). The sub-leased portion of this property is used by Guangzhou Pengsheng for sports training purpose.
- (2) We had not received the relevant property ownership certificate (《房地產權證》) from the lessor for part of this leased property comprising a security room, a sundries room and the roof of another part. Based on our enquiries, we understand that the lessor, which is a state-owned entity, does not possess the relevant certificates for these areas and such areas satisfy the relevant basic safety standard and are safe for use. In addition, the usage by the sub-lessee for sports training purpose for the same leased property did not fully comply with the approved land use of the property. As advised by our PRC Legal Advisers, if the property is not used for the approved purpose, the landlord may be ordered to return the parcel of land on which the property is situated by the relevant government authority and a fine may be imposed. Accordingly, the validity of our leases may be affected.

As advised by our PRC Legal Advisers, pursuant to the Civil Code of the PRC and the relevant Interpretations of Supreme People’s Court, a lessee shall pay the rent within the time limit in accordance with lease contract. The parties may specify in the contract, the certain amount of liquidated damages shall be paid upon default by a party, or the method of calculating the compensation for losses arising from the breach. The lessor may request the lessee to pay fees for occupying the property according to the rent standard stipulated in the contract even if the lease contract is invalid.

Although the usage of the property by the sublessee is defective, as for the property with certificates, the lease contract entered into by our Group and the sublessee is the expression of true intentions of both parties, which does not infringe upon the interests of the state, the collective or others or violate the mandatory rules on effectiveness. The contract is valid and the rent and calculation methods of liquidated damages has been provided for in the contract. Therefore, our Group has the right to receive such payment from the sublessee in accordance with the lease contract. As for the property without certificates, our Group still has the right to request the sublessee to pay fees for occupying the property according to the rent standard stipulated in the lease contract even if the contract is invalid.

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Our Directors and our PRC Legal Advisers are of the view that further remedial actions are not necessary and that these legal irregularities are not expected to materially and adversely affect our business and results of operations for the following reasons: (i) the lease by us and sub-lease to Guangzhou Pengsheng is part of a historical arrangement which began in 2016 and we have not received any claim of rights by, or challenges from, any third parties or the PRC government in relation to the title of any of these leased properties up to the Latest Practicable Date; (ii) the leased property has a total site area of approximately 10,213.8 sq.m. and a total GFA of 3,122.12 sq.m., of which as at the Latest Practicable Date approximately 189.0 sq.m. is for self-use as office purpose, and therefore if we are forced to relocate, our Directors expect the cost and difficulty to seek an alternative premise to be relatively low; (iii) we have received a confirmation from the relevant lessor that it agrees (a) to indemnify us for the losses in connection with the lack of property ownership certificate and not to terminate the lease agreement; (b) to the sub-lease by us and such usage by the sub-lessee and the lessor will not claim against us due to such circumstances; (iv) we have received a confirmation from the sub-lessee that it undertakes to indemnify us for the losses and bear the liability in connection with its usage; and (v) pursuant to the Deed of Indemnity, we have obtained an indemnity from our Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such property defects.

In addition to the above, as at the Latest Practicable Date, we had not registered twelve of the lease agreements with the relevant housing administrative authorities. The registration of such leases requires the cooperation of our lessors and as at the Latest Practicable Date, we had not obtained such lease registrations, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. As advised by our PRC Legal Advisers, pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), failure to complete lease registration and filing procedures would not affect the legal validity of the relevant lease agreements. However, according to the Administrative Measures for Commercial Housing Leases (《商品房屋租賃管理辦法》), the housing administrative authorities may require the parties to the lease agreements to complete lease registration within a prescribed period of time and the failure to do so may subject the parties to the lease agreements to fines of no more than RMB10,000 for each case. During the Track Record Period, we had not received any administrative penalties for failure to register our leases. We believe the failure to complete lease registration will not have a material adverse effect on our financial condition or results of operations.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had:

- registered 36 patents (comprising of 34 utility model patents and two invention patent) in the PRC.
- registered two trademarks in the PRC and registered two trademarks in Hong Kong.
- 10 registered copyrights in the PRC.
- registered www.gzshqj.com as our domain name.

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Please refer to the section headed “Statutory and general information – Further information about the business of our Group – C. Intellectual property rights of our Group” in Appendix V to this document for further details of our material intellectual property rights.

As at the Latest Practicable Date, we were not aware of any material disputes or pending or threatened claims against our Group in relation to material infringement of any intellectual property rights of third parties.

RESEARCH AND DEVELOPMENT

In an industry characterised by labour intensiveness, we appreciate the need to enhance our service efficiency through innovation and keep in line with the market trend of technological advances. Accordingly, in the past and throughout the Track Record Period, we encouraged our staff to conduct in-house research projects. Typically, such projects will involve preliminary investigations into public sources if certain research is already registered by third parties and if not, we will then commence our research. Once the research reaches a sufficiently advanced stage, we will seek registration of relevant intellectual property rights. During the Track Record Period, we completed research into improvements in our machinery and equipment which can be used in our operation including but not limited to the following:

Research conducted	Description and benefits
Safe and intelligent cleaning technology for exterior wall glass of high-rise building	– Cleaning with an automated drone, thereby increasing the efficiency and reducing the safety risks in connection with cleaning exterior glass walls
Fine stone maintenance technology	– Enhance the speed and quality of stone maintenance through detection of defects and data management and analysis
Remote garbage collection maintenance and management technology	– Monitor the amount of garbage in the garbage bin through sensors and automatically and remotely notify the cleaning staff to remove the garbage based on capacity allowing for timely removal of garbage

For further details of our patents and registered copyrights, please refer to the section headed “Statutory and general information – Further information about the business of our Group – C. Intellectual property rights of our Group” in Appendix V to this document. As at the Latest Practicable Date, all of our patents and registered copyright were for self-use in our operations. In December 2020, Guangzhou Shenghui received recognition as a High and New Technology Enterprise* (高新技術企業) by the relevant PRC governmental authorities.

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EMPLOYEES

Employees by function

As at 30 June 2023, we had 7,121 employees, all of whom are based in the PRC. The following table sets out a breakdown of the number of our employees by functions, gender and age group:

Functions	As at 30 June 2023
Administration and management	32
Operation	7,079
Finance	5
Marketing	5
	7,121
Total	7,121

Gender	As at 30 June 2023
Male	1,718
Female	5,403
	7,121
Total	7,121

Age group	As at 30 June 2023
18 to 35 years old	129
36 to 49 years old	376
50 years old or above	6,616
	7,121
Total	7,121

Among all employees as at 30 June 2023, we employed 6,436 retired persons and 48 disabled persons respectively.

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Among our 7,078 operating staff, most of them are employed by Guangzhou Shenghui and then re-allocated to different provincial-level regions in the PRC for execution of project work. The following table sets out the number of operating staff allocated by geographical locations as at 30 June 2023:

Geographical locations	As at 30 June 2023
Guangdong	4,902
Hainan	408
Chongqing	338
Guizhou	455
Guangxi	161
Jiangxi	62
Hubei	58
Heilongjiang	39
Anhui	57
Fujian	282
Henan	67
Shaanxi	–
Hunan	249
Total	7,078

A number of our employees hold particular qualifications in connection with our services. The table below sets forth the professional qualifications possessed by our employees as at 30 June 2023:

Qualification	Number of employees possessing such qualification
Special Industry Operation Certificate – Providing installation, maintenance and demolition services at high altitudes* (特種作業操作証 – 高處安裝、維護、拆除作業)	52
Stone Conservation & Floor Professional Qualification* (石材應用護理、地坪從業資格)	11
Employment Certificate of Cleaning of Secondary Water Supply Facilities in Guangzhou* (廣州市二次供水設施保潔上崗証)	38
Guangzhou Rodents Control Officer Employment Certificate* (廣州有害生物防制員)	43

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Recruitment policy and training

We normally recruit employees through online recruitment platforms and posting recruitment notices. We use our best endeavours to attract and retain appropriate and suitable workers to serve our Group. Our policy also aims to provide equal opportunities for employees regardless of gender, age, race or any other social or personal characteristics. We prohibit all forms of discrimination based on gender, age, disability and race. In this regard, we received an Honorary Certificate of Accurate Poverty Alleviation* (精準扶貧榮譽證書) in 2017 from the Guangzhou City Management Bureau* (廣州市城市管理委員會). As at 30 June 2023, we achieved the following diversity ratios and social performance:

- (a) Female to male gender ratio as approximately 3.14:1
- (b) Employment of 6,436 retired persons, representing approximately 90.4% of total workforce
- (c) Employment of 48 disabled persons, representing approximately 0.7% of total workforce

After recruitment, we provide or arrange various types of training to our employees, including environmental protection, quality and occupational safety and health training, emergency response and rescue training, specialised cleaning skills training and management skills training. We will provide them with our training manual which we update from time to time.

Labour union and employee relationship

We have a labour union which represents our employees’ interests and deals with our management on resolving labour-related issues. Our Directors believe that we have maintained good relationships with our employees and during the Track Record Period and up to the Latest Practicable Date, there had been no complaint or claims from employees or labour dispute which materially and adversely affected, or was likely to have a material adverse effect on our operations.

Remuneration policy

Remuneration for our employees includes basic wages, discretionary bonuses and other staff benefits. We participate in social insurance schemes and provide housing provident funds for our employees in accordance with applicable regulations. Save as disclosed in the paragraph headed “Historical non-compliance incidents” in this section, we have made payments to social insurance and housing provident funds for our qualified employees.

BUSINESS

ENVIRONMENTAL, OCCUPATIONAL HEALTH AND SAFETY

Environmental compliance

Our operations are subject to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and other PRC environmental requirements (for further details and other material environmental laws, please refer to the section headed “Regulatory overview – PRC laws and regulations – Laws and regulations on production safety and environmental protection” of this document).

Our Directors believe that our business operation does not generate hazardous materials that would have a significant adverse effect on the environment. During the Track Record Period, we did not incur any significant expenses for compliance with our environmental obligations and do not expect to incur any significant expenses in this respect going forward. As confirmed by our Directors and our PRC Legal Advisers after conducting relevant public searches and/or having obtained relevant compliance certificate issued by the competent PRC government authority, during the Track Record Period and up to the Latest Practicable Date, we had not received any material administrative penalties from any environmental protection departments of the PRC due to any failure to comply with any environmental laws and regulations.

Occupational health and safety

According to the Industry Report, the occurrence of accidents resulting in bodily injury and property damages are not uncommon in the industry. Accordingly, we have adopted an occupational health and safety standards system as managed by our management department which continuously seek to improve our system to reduce the risk of such accidents. Our occupational health and safety standards system meets ISO45001 (formerly GB/T 28001) standards. Our current occupational health and safety standards system includes the following major features:

- **Provision of protective gears:** We provide protective gears, such as soft sole shoes, safety belts, helmets and ropes, goggles and reflective safety vests.
- **Safety-awareness education:** We provide safety-awareness education to our employees in order to reduce occupational hazards and prevent injuries and accidents in the workplace.
- **Safety signs and symbols:** We provide safety signs and symbols, such as prohibitions, warnings, instructions, and prompts, in the workplace to remind our employees about safety risks, best practices and other information.

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- **Occupational safety and health training:** We provide our employees with occupational safety and health training, covering various topics including regulations governing safety and health, industrial accident prevention, risk assessment, the use of specialised equipment and safety on working at high altitudes.
- **Emergency response and rescue training:** We provide emergency response and rescue training, such as standard first aid, first aid for electric shock and heatstroke and artificial ventilation, in order to train our employees effective emergency response skills, thus reducing the chances of casualties from accidents.
- **Safety officers supervision and major incidents reporting system:** We have safety officers and on-site safety responsible officers to help us monitor the safety conditions in our projects and to check compliance of the works in accordance with relevant safety standards. We have also adopted a reporting system so that major safety incidents are promptly brought to the attention of our management.

During the Track Record Period, our accident rate was relatively low. The table below sets out the number of accidents and accidents rate of our Group during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2020	2021	2022	2023
	Number of accidents <i>Note 1</i>	39	–	52
Accident rate of our Group <i>Note 2</i>	0.7%	–	0.8%	0.1%

Notes:

- (1) Other than the one fatal accident as described below and another fatal traffic accident that occurred in 2022 in which our Directors confirmed that our Group is not exposed to any liability from the accident as at the Latest Practicable Date, the accidents which occurred during the Track Record Period were relatively minor and included, inter alia, (i) contusion and bruise; (ii) slipping, tripping or falling on same level; and (iii) sprain and strain. Our number of accidents increased during the Track Record Period mainly due to the increase in our number of employees and projects over such period.
- (2) The accident rate of our Group is calculated by dividing the number of accidents recorded in our internal records by total number of frontline workers as at the end of the relevant period. Our Directors confirm that the slightly increase in our accident rate for the year ended 31 December 2020 was mainly attributable to the relatively heavier workload of our frontline workers at the start of the COVID-19 pandemic which made them more susceptible to workplace injury.

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To the best of our Directors’ knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers’ safety except for one fatal accident which occurred in December 2019 as noted below. This fatal accident relates to one of our employees who walked up to the edge of the ninth floor of a building without permission and then lost balance and fell from such height. Given that the relevant governmental authority was of the view that we did not conduct sufficient safety supervision of on-site workers, did not seriously implement the screening, identification and control of work safety accident hazards, and failed to effectively and timely stop on-site worker’s violations of operation procedures in high-altitude operations and risky operations, it imposed a fine of RMB230,000 on 20 May 2020. Our Group has paid the fine accordingly. As advised by our PRC Legal Advisers, the penalty has been satisfied and our Group is no longer exposed to any liability from the incident. After this accident and despite the exceptional circumstances, we have strengthened our safety measures and provided safety training to our employees particularly relating to high-altitude safety. We also require a safety officer and an on-site safety responsible officer for every project to monitor safety levels and check and keep records on, before and after the work, (i) the guard-rails of the suspended working platform and other safety facilities, (ii) whether the workers’ safety belts, safety ropes and other protective gears are properly worn, and (iii) whether the safety facilities and protective gears are damaged. In preparation for the [REDACTED], we have engaged independent internal control consultants to perform a review over our internal controls, including but not limited to, (i) relevant records such as attendance records for safety training of our employees; (ii) our relevant occupational health and safety policies such as guidelines for cleaning external walls; (iii) our safety measures focusing on prevention of high-altitude accident; and (iv) our crisis management focusing on high-altitude accident such as emergency response plans. Based on the review findings and recommendations provided by the internal control consultants, we have strengthened our safety measures focusing on high-altitude safety, including the provision of mandatory training to new employees, and promotion of safety measures through posting materials regarding high-altitude safety on internal advertisement boards. Except for the abovementioned fine, during the Track Record Period and up to the Latest Practicable Date, there was no material claims or legal proceedings against us with respect to this accident.

INSURANCE

We maintain insurance policies that are required under the PRC laws and regulations including pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance. We also maintain public liability insurance to cover liabilities for damages suffered by third parties arising out of our business operations.

Our Directors believe that our current insurance policies are adequate and the coverage of the above insurance policies is consistent with industry norm considering our current operations and the prevailing industry practice. However, we have certain uninsured risks which are not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. For further details, please refer to the section headed “Risk factors – There is no guarantee that our insurance coverage will adequately cover the risks related to our business and operations and that our insurance expenses will not rise.” of this document.

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Our insurance expenses were approximately RMB4.6 million, RMB2.3 million, RMB3.7 million, RMB2.0 million and RMB1.0 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

LEGAL PROCEEDINGS

From time to time, we may be involved in legal proceedings or disputes during the ordinary course of business, such as contractual disputes with our customers and suppliers. During the Track Record Period and up to the Latest Practicable Date, none of our Company or any of our subsidiaries have been involved in any litigation or arbitration of material importance that would have a material adverse effect on our business, financial position or results of operations, and to the best knowledge of our Directors, we are not aware of any pending or threatened litigation, arbitration or claim of material importance against us or any of our subsidiaries, which could have a material adverse effect on our Group’s business, financial position or results of operations.

HISTORICAL NON-COMPLIANCE INCIDENTS

We had certain historical non-compliance incidents during the Track Record Period and up to the Latest Practicable Date. As confirmed by our Directors and our PRC Legal Advisers, save as disclosed below, our Group has complied in all material respects with the applicable laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date and did not receive any notices for any fines or penalties for any non-compliance that is material or systemic.

BUSINESS

We set out below a summary of our material and/or systemic non-compliance matters during the Track Record Period and up to the Latest Practicable Date, their rectification actions taken and current status:

Non-compliance incident	Reason(s) for the non-compliance	Possible legal consequences and potential maximum penalties	(a) Remedies taken/to be taken, the latest status (b) rectification measures to prevent future breach	Potential impact on our operations and financial condition
<i>Failure to make full social insurance and housing provident fund contributions</i>				
<p>During the Track Record Period, we did not make full social insurance and housing provident fund contributions for all of our eligible employees. Our Directors have assessed and estimated that the amount of shortfall of social insurance for the years ended 31 December 2020, 2021 and 2022, and for the six months ended 30 June 2023 was approximately RMB1.9 million, nil, nil and nil, respectively, and the shortfall of contributions to the housing provident funds was approximately RMB1.1 million, nil, nil and nil, respectively, over the same period.</p>	<p>The non-compliance was primarily due to our large labour force, our additional staff arising from the establishment of our new Chongqing branch office which we are in the process of setting up accounts for, the miscalculations of the payment amount for certain individuals after their salary changes and our human resources staff lacking sufficient understanding of the relevant PRC laws and regulations.</p>	<p>Our PRC Legal Advisers have advised that, pursuant to the relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equivalent to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we will be liable to a fine amounting to one to three times to the amount of the outstanding payments. In respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period. If the payment is not made within such time limit, an application may be made by the authorities to PRC courts for compulsory enforcement.</p>	<p>We had not received any orders or notifications from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date.</p> <p>We have updated our records on the social insurance and housing provident fund system. However, if we are demanded by the relevant government authorities, we will make full contributions or pay any shortfalls within the time period prescribed by them. We have made full social insurance and housing provident fund contributions for all of our eligible employees in accordance with the relevant PRC laws and regulations since May 2021.</p> <p>We have also made provisions in relation to such incidents. The total provisions made by our Group in respect of the shortfall in contribution to social insurance and housing provident funds and penalty amounted to RMB22.2 million as at 30 June 2023.</p> <p>We have adopted additional mechanisms for ensuring the due payment of social insurance and housing provident fund contributions including the double checking of the calculations by our finance department.</p>	<p>We have obtained written confirmations from the relevant local social insurance and housing provident fund regulatory authorities (<i>Note</i>), all of which state that no administrative penalty was imposed during the Track Record Period due to the non-compliance. As advised by our PRC Legal Advisers, such local regulatory authorities are the competent authorities to issue the above confirmations.</p> <p>Our PRC Legal Advisers are of the view that based on (i) written confirmations from the relevant regulatory authorities, which state that no administrative penalty has been imposed on us; (ii) that we have taken rectification measures for the payment of outstanding social insurance and housing provident fund contributions; (iii) that the employees who failed to make full social insurance or housing provident fund contributions had submitted their undertakings to us that they would not claim against us and the deficit was attributable to their personal reasons; (iv) that provisions have been made to the shortfall in the unpaid social insurance and housing provident fund contributions so that we will be able to pay the shortfall within the prescribed time limit upon the request of the relevant regulatory authorities; and (v) our Controlling Shareholders have executed the Deed of Indemnity to indemnify any economic loss we suffered from the failure to fully contribute to social insurance and housing provident funds, the risk that we would be subject to administrative penalties in relation to social insurance or compulsory enforcement in relation to housing provident funds is very low and the said non-compliance would not have any material adverse effect on our financial conditions or results of operations.</p>
<p>On such basis, the maximum potential penalties arising from such non-compliance would be RMB3.5 million, RMB4.8 million, RMB6.1 million and RMB6.8 million as at 31 December 2020, 2021 and 2022 and 30 June 2023.</p>				

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Note: The relevant regulatory confirmations were obtained from (i) the Guangzhou Municipal Human Resources and Social Security Affairs Service Centre (廣州市人力資源和社會保障事務服務中心), (ii) the Human Resources and Social Security Bureau of Panyu District, Guangzhou (廣州市番禺區人力資源和社會保障局), (iii) the Healthcare Security Administration of Guangzhou (廣州市醫療保障局), (iv) the Guangzhou Housing Provident Fund Management Centre (廣州住房公積金管理中心), (v) the Human Resources and Social Security Bureau of Yubei District, Chongqing (重慶市渝北區人力資源和社會保障局), (vi) the Healthcare Security Affairs Centre of Yubei District, Chongqing (重慶市渝北區醫療保障事務中心), (vii) the Chongqing Municipal Housing Provident Fund Administration Centre (重慶市住房公積金管理中心), (viii) the Nanning Municipal Human Resources and Social Security Bureau (南寧市人力資源和社會保障局), (ix) the Nanning Healthcare Security Affairs Administration Centre (南寧市醫療保障事業管理中心), (x) the Healthcare Security Administration of Nanning (南寧市醫療保障局), (xi) Guangxi Quzhi Housing Provident Fund Management Centre (廣西區直住房公積金管理中心), (xii) the Social Insurance Bureau of Haikou (海口市社會保險事業局), (xiii) the Housing Provident Fund Administration of Haikou (海口住房公積金管理局), (xiv) the Human Resources and Social Security Bureau of Zhengzhou (鄭州市人力資源和社會保障局) and (xv) the Zhengzhou Housing Provident Fund Administration Centre (鄭州住房公積金管理中心).

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Non-compliance incident	Reason(s) for the non-compliance	Possible legal consequences and potential maximum penalties	(a) Remedies taken/to be taken, the latest status (b) rectification measures to prevent future breach	Potential impact on our operations and financial condition
<i>Lack of relevant qualification in relation to project</i>	As the project did not relate to our core business and we were approached by the customer to render our assistance, our marketing department staff, being the responsible department for our licences, was not familiar with the qualification requirement prior to entering into the contract.	Our PRC Legal Advisers have advised that, pursuant to the relevant PRC laws and regulations, the relevant authority may order cessation of the illegal activity, impose a fine of 2% to 4% of the contract sum, and confiscate the illegal income, if any.	We had not received any orders or notifications from the relevant PRC authorities requiring us to cease such works nor received any administrative penalties in relation to such incident during the Track Record Period and up to the Latest Practicable Date. After this incident, we adopted a more formal procedure to be followed by our marketing department prior to bidding for new projects and particularly when starting a new business line and we will consult legal advice when necessary.	We have obtained written confirmation from the Housing and Urban-Rural Development Bureau of Longyan, Fujian (福建省龍岩市住房和城鄉建設局), which states, among others, that: (i) although we had not received the relevant qualification upon signing of the contract, it was not considered a material violation; and (ii) it will not confiscate the relevant income or impose any fine or other penalties. As stated in the above confirmation and advised by our PRC Legal Advisers, the labour services performed in the road construction project were governed by the local regulatory authority as stated above and the said authority is the competent authority to issue the above confirmation. Our PRC Legal Advisers are of the view that based on the above and that we had obtained the relevant qualification in September 2020, the risk of penalty against us for such incident is remote.
As confirmed by the	Directors, we undertook the project on the basis that (i) the services that our Group agreed to undertake were labour-intensive and did not require specialised knowledge or skillset from workers which, in nature, was similar to the cleaning services provided by our Group; (ii) our Group was not required under the contract to provide any technicians and specialised equipment to conduct the project; and (iii) the customer may further engage our Group to conduct cleaning services upon the completion of the project.			
As confirmed by the	Directors, our Group did not provide similar services in other occasions during the Track Record Period.			
During the year ended 31	December 2020, the net income generated from such project was approximately RMB2.7 million.			

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Non-compliance incident	Reason(s) for the non-compliance	Possible legal consequences and potential maximum penalties	(a) Remedies taken/to be taken, the latest status (b) rectification measures to prevent future breach	Potential impact on our operations and financial condition
<i>Failure to register lease agreements</i>				
As at the Latest Practicable Date, we had not registered twelve of the lease agreements with the relevant housing administrative authorities.	The registration of such leases requires the cooperation of our lessors and as at the Latest Practicable Date, we had not obtained such lease registrations, primarily due to the difficulty of procuring our lessors’ cooperation to register such leases.	Our PRC Legal Advisers have advised that, pursuant to the Administrative Measures for Commercial Housing Leases (《商品房屋租賃管理辦法》), the housing authorities may require the parties to the lease agreements to complete lease registration within a prescribed period of time and the failure to do so may subject the parties to the lease agreements to fines no more than RMB10,000 for each case.	As advised by our PRC Legal Advisers, pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), failure to complete lease registration and filing procedures would not affect the legal validity of the relevant lease agreements. During the Track Record Period, we had not received any administrative penalties for failure to register our leases.	Our PRC Legal Advisers are of the view that the failure to complete leases registration will not have a material adverse effect on our financial condition or results of operations.

Our Directors are of the view that the non-compliance incidents, individually and collectively, will not have any material adverse impact on our Group’s business operations and financial position having considered (i) the non-compliance incidents have been properly rectified or otherwise is unlikely to reoccur; (ii) preventative measures have been or will be put in place to prevent future occurrence; (iii) our PRC Legal Advisers’ advice having taken into account the confirmations received from relevant regulatory authorities; and (iv) provision has been made for the non-compliance incidents relating to social insurance and housing provident fund contributions.

Our Directors are of the view that our internal control is sufficient and effective to prevent the occurrence of the non-compliance incidents in the future. Our Directors have reached this view after taking into account the reasons for such incidents and the preventative measures to address them.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of among others, any liabilities and penalties which may arise from among others any non-compliance incidents of our Group prior to the [REDACTED] becoming unconditional. Further details of the Deed of Indemnity are set out in the section headed “Statutory and general information – F. Other information – 1. Tax and other indemnities” in Appendix V to this document.

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Provisions

We made provisions in respect of our failure to make adequate social insurance and housing provident fund contributions as discussed above. Except as noted, no provision was made in the financial statements of our Group in respect of the aforesaid non-compliances on the basis that (i) the issues have been rectified or otherwise is unlikely to reoccur; (ii) up to the Latest Practicable Date, our Directors were not aware of any prosecution instituted against us or any notice for any fines or penalties in relation to the above non-compliances; (iii) our PRC Legal Advisers’ advice on the risk of penalty having taken into account the confirmations received from relevant regulatory authorities; and (iv) our Controlling Shareholders shall indemnify our Group against the liabilities arising from such non-compliances pursuant to the Deed of Indemnity.

IMPACT OF COVID-19

An outbreak of COVID-19 was first reported in December 2019, and the COVID-19 pandemic spread around the world during the Track Record Period. The PRC government took a number of actions to control the spread, which included quarantining individuals infected with or suspected of having COVID-19 and temporarily restricting residents from free travel. In December 2022, the PRC government eased the restrictions previously imposed with respect to the control of the COVID-19 pandemic. In May 2023, the World Health Organisation ended the global emergency status for COVID-19, declaring that it is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern. As a result, regional lockdown, quarantine requirements and inter-region travel restrictions have been gradually lifted.

Impact on relevant industry and outlook

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

Impact on our business operations

To minimise the spread of COVID-19 in our workplace, we have implemented the following measures and policies:

- provide personal protection equipment (including but not limited to surgical masks, gloves and hand sanitisers) to our employees;

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- require mandatory body temperature check before entering our offices and project sites and those who have fever or upper respiratory tract infection symptoms shall be prohibited from working and should seek medical advice promptly;
- require our employees to wear masks at our offices and project sites; if any of our employees are requested by governmental authorities to be quarantined, the affected employees will continue to be paid during the quarantine period;
- require our employees to report to their respective project management team or department if they or their close relatives have been confirmed to have contracted COVID-19;
- maintain environmental hygiene and cleanliness of our offices and project sites;
- maintain adequate social distancing at our offices and project sites; and
- provide our workers the COVID-19 safety training.

As at the Latest Practicable Date, to the best knowledge and belief of our Directors, none of our employees, including our senior management and our employees in higher-risk projects such as relating to airports, had been confirmed as having contracted COVID-19 and there was no material disruption to the daily administration and operation of our Group as a result of COVID-19.

Our Directors confirm that given the nature of our business, during the Track Record Period and up to the Latest Practicable Date, our projects were not halted, delayed or cancelled due to the COVID-19 outbreak and instead COVID-19 has led to more business opportunities for us in terms of customers' interest in our cleaning and maintenance service as reflected in the steady increase in the number of our projects and increasing revenue during the Track Record Period.

Our current financial condition

Our cash and cash equivalent as at 30 June 2023 was approximately RMB49.9 million. We will closely monitor the epidemic situation of COVID-19 and promptly implement necessary measures to minimise any adverse effect on our financial condition and results.

Our Directors confirm that to the best of their knowledge and belief, subsequent to the Track Record Period and up to the Latest Practicable Date, our Group had not received any notice from: (i) our major customers terminating our existing projects with them; or (ii) our major suppliers terminating our existing contracts with them relating to their provision of consumables or services. Taking into account the above and the current levels of cash and cash equivalents, we believe the outbreak of COVID-19 does not have a significant adverse impact on our continuing business operation.

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RISK MANAGEMENT AND INTERNAL CONTROL

In preparation for the [REDACTED], we have engaged independent internal control consultants (the “**Internal Control Consultants**”) to perform a review over our internal controls in December 2020 (the “**Internal Control Review**”). The selected areas of our internal control that were reviewed by the Internal Control Consultants included overall corporate governance, financial reporting, tender management cycles, revenue management of projects, cash and fund management, investment management, fixed asset management, human resources and salary management and information and technology management. During the course of the Internal Control Review, the Internal Control Consultants provided their findings and recommendations. We have accordingly taken the enhanced internal control measures to make improvements. The Internal Control Consultants performed follow-up reviews from February 2021 to April 2022 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the “**Follow-up Review**”). The Internal Control Consultants did not have any further recommendation in the Follow up Review. The Internal Control Review and the Follow-up Review were conducted based on information provided by us and no assurance or opinion on internal control was expressed by the Internal Control Consultants. After considering the implementation of the enhancement measures and the result of such Follow-up Review, our Directors are satisfied that our internal control system is adequate and effective for our current operational environment.

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Detailed risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For more details on the major risks identified by our management, please refer to the section headed “Risk factors – Risks relating to our business and industry” of this document.

In addition, we face various financial risks, including interest rate risk, credit risk, liquidity risk and capital risk that arise during our ordinary course of business. Please refer to the section headed “Financial information – Financial risk management” of this document for a discussion of these financial risks.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted or will adopt prior to [REDACTED], among other things, the following:

Risk management policies and fostering a compliance culture

- To manage key risks, we have adopted stringent measures and procedures under our quality, safety and environmental management systems (for further details, please refer to the paragraphs headed “Quality controls” and “Environmental, occupational health and safety” in this section).

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- We strive to foster a strong compliance culture in our Group through: (i) a detailed employee handbook provided to each of them after recruitment; (ii) on-going training on various areas as detailed in the sub-paragraph headed “Recruitment policy and training” in this section; and (iii) signs and posters placed on-site to provide day to day reminders of risks and best practices.
- We are committed to social responsibilities as disclosed in the paragraph headed “Environmental, social and governance” in this section, and consider environmental, social and governance (“ESG”) essential to our continuous development. We plan to set up metrics and targets for these ESG issues and to review our key ESG performance on a regular basis. Our Directors will actively participate in designing our ESG strategies and targets, and will evaluate, determine and address our ESG-related risk. We may from time to time engage independent professional third parties to help us to make necessary improvements. After the [REDACTED], we will publish an Environmental, Social and Governance Report each year pursuant to Appendix 27 of the Listing Rules to analyse and disclose important ESG matters, risk management and the accomplishment of performance and objectives.

Anti-corruption and anti-bribery measures

As recommended by our Internal Control Consultants, we have formulated and adopted an anti-corruption and anti-bribery regime. Key anti-corruption and anti-bribery measures include the following:

- We provide anti-fraud and ethics training to our employees and distribute our anti-corruption and anti-bribery policy including express prohibitions against non-compliance to all employees;
- Our administration department is responsible for identifying improper conduct of our employees and monitoring inter-department activities. The duties of our administration department also include providing anti-corruption and anti-bribery compliance advice, investigating potential corruption or fraudulent incidents, and initiating anti-fraud promotional activities with our Group;
- Our customers and suppliers are required to sign an agreement to undertake that they will not engage in bribery, corruption or unethical behaviors with our employees or their families;
- We have a whistleblowing and complaint handling process and we will conduct investigations for any suspected cases of bribery, corruption or other related misconduct or fraudulent activities; and
- We undertake rectification measures with respect to any identified corrupt activities, evaluation of the identified corrupt activities and establish preventative measures to avoid future non-compliance.

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During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, there were no legal proceedings regarding corrupt or bribery practices brought against us or any of our directors and employees.

Key corporate governance measures

- Our Directors attended a training session conducted by our legal advisers as to Hong Kong laws on the on-going obligations and duties of a director of a company whose shares are [REDACTED].
- We have engaged Cinda International as our compliance adviser and will, upon [REDACTED], engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the Listing Rules and/or other relevant laws and regulations applicable to our Company.
- Our Board is responsible for reviewing and approving our strategic development, devising our risk management strategies and operational plans as well as appointing our senior management. We will also have four Board committees, namely our Audit Committee, our Remuneration Committee, our Nomination Committee and our Investment Committee (for further details of their composition and duties, please refer to the section headed “Directors and senior management – Board committees” of this document).
- We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after [REDACTED]. To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with our Controlling Shareholders – Corporate governance measures” of this document.
- We shall establish systems and manuals in relation to distribution of annual and interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules.

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INVESTMENT MANAGEMENT POLICY

We adopt stringent procedures for conducting investment activities. The entire process is managed at the Group level by our finance department, working in close coordination with our Investment Committee. We have established an investment management policy (the "**Investment Management Policy**") which sets out a clear guidance on the procedures relating to account opening and closing, fund allocation, and transactions. In accordance with the Investment Management Policy, the Company is prohibited from (i) conducting any securities trading activities in secondary markets including, but not limited to, the trading of stocks, bonds, options, futures, and derivatives, and (ii) borrowing to wholly or partially fund any investments. To execute investment transactions, the following procedures shall be involved:

- **Investment research:** our staff shall conduct their own investment research or engage third party researchers to analysis investment prospects. Upon completing the research, a report shall be filed in our Company's document system. Our finance department shall hold regular meetings with our Investment Committee to discuss on the report findings. Our Investment Committee and finance department will be informed regularly on the condition of investment markets with sufficient research work done, hence our Group shall be able to make investment decision efficiently and effectively to prevent any loss-making investment.
- **Decision-making:** should our department staff decide to execute an investment transaction, feasibility studies on the proposed transaction including, but not limited to, the purchase amount, price, expected risks, risk control cost-benefit analysis, stop-profit and cut-loss percentage, impacts on the operations of our Group and key performance indicators, shall be sent together with the transaction request, to our Investment Committee for approval. Our finance department must also formulate asset allocation plans, including asset allocation types and proportions among different markets, stocks, funds, bonds, and cash, and adjust asset allocation plans according to market conditions, and report to our Investment Committee. Moreover, our finance department may seek or engage investment consultant to assist on making any investment decisions. These procedures enhance the cautiousness of our Group to make any investment decision and prevent misappropriation of use of working capital.
- **Execution of transaction:** all transactions shall be carried out under the supervision of the department head of our finance department, and all information relating the transactions shall be kept confidential. The department head of our finance department supervises all transactions, and our finance department must review the transactions details on the transaction day, including, but not limited to, the stock name, number of stocks traded, stock price and the total cost. The department head of our finance department can request for fund transfer by submitting the reason(s) for the transfer and the amount of funds when there is a need for funds in the stock account, the funds can be transferred after the approval of our Investment Committee. In addition, the enhanced internal control policy states clearly the prohibition of short-term securities trading, including stocks, bonds, options, futures, derivatives etc, except commercial

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mergers or acquisition and equity investment and the prohibition of the use of margin financing for investment. Meanwhile, our finance department must review the risk of investment portfolio monthly and inform our Investment Committee of the market situation in a timely manner, in order to facilitate the adjustment of investment strategies. Our Investment Committee must issue investment summary and report to our Directors on a monthly basis, analyse and summarise the investment behaviour of our Group, and provide the suitable direction and evaluation for future investments. With sufficient internal control, timely analysis and review in different aspects, prohibition of short-term securities trading and use of margin financing, risk of severe loss in investment can be minimised.

- **Verification:** Our department staff shall review all of the executed transactions through the verification of transaction data. If an department has recorded a loss of more than 20% of the investment amount, our department staff shall suggest to our Investment Committee and our Board of the relevant risks. Moreover, if it is discovered that a particular transaction may violate relevant laws or regulations, our finance department shall immediately report to the Investment Committee.

The Investment Committee shall be responsible for the regular review of the Investment Management Policy. The responsibilities of our Investment Committee include:

- (a) reviewing and evaluating the performance of our Group's past investment projects and making recommendations to our Directors;
- (b) monitoring and prohibiting our Group from participating in short-term securities transactions, including stocks, bonds, options, futures, derivatives etc, except commercial mergers or acquisition and equity investment;
- (c) monitoring and prohibiting our Group from the use of margin financing;
- (d) researching and reviewing our Group's future development investment projects (including mergers and acquisitions, joint ventures, equity investments, etc.), ensuring that our Group can only invest in business related to its principal business and make recommendations to our Directors;
- (e) implementing investment decision-making procedures within the scope of the authority of our Directors, and supervising the implementation of the investment decision-making procedures;
- (f) understanding and reviewing the policies related to our Group's development, and reporting to our Directors on matters that may have a significant impact on our Group's development and providing comments and suggestions; and
- (g) handling other matters authorised by our Directors.

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Our Investment Committee comprised at least two members and our executive Directors will not be members of the committee. Taking into account of the experience and qualifications of the independent non-executive Directors including Ms. Yau Yin Hung (who has approximately 11 years of experience in the banking industry with a focus on providing securities and asset management services) and Ms. Chong Sze Pui Joanne MH (who has over 18 years of experience in auditing, taxation and business development), our Directors are of the view that our Investment Committee has sufficient knowledge and qualification in advising and monitoring our Group’s commercial mergers or acquisitions and equity investments.

For further details of its composition and duties, please refer to the section headed “Directors and senior management – Board committees – Investment Committee” of this document.

As at the Latest Practicable Date, the Group is not involved in any securities trading activities.

COMPETITIVE LANDSCAPE

According to the Industry Report, the environmental cleaning and maintenance industry in the PRC is dominated by certain market players. In 2022, the top five market participants accounted for an aggregate market share of approximately 9.3% by revenue in the environmental cleaning and maintenance industry in the PRC. Our Group had a market share of approximately 0.1% of the environmental cleaning and maintenance industry in the PRC in 2022 in terms of revenue. According to the Industry Report, this industry mainly comprises and is largely dominated by two sectors: the property cleaning sector and the public space cleaning sector. The public space cleaning sector mostly involves high contract sum projects with local government customers which prefer large-scale service providers with good industry recognition. In contrast, the property cleaning sector is more competitive and with lower barriers to entry given that it is much more labour intensive with newcomers not required to invest heavily in fixed assets. For further details of the competitive landscape, please refer to the section headed “Industry overview – Competitive landscape of environmental cleaning and maintenance service market in the PRC – Competition overview” of this document. Our Group is able to compete effectively given our competitive strengths including: (i) being one of the well-established service providers for property cleaning in Guangdong province with a strong brand recognition and proven track record; (ii) being able to provide a variety of cleaning and maintenance services and having strong capabilities to support our service offering; and (iii) having a diversified customer base and strong relationship with our major customers (for further details of the above and other competitive strengths, please refer to the paragraph headed “Competitive strengths” in this section).