

## APPENDIX I

## ACCOUNTANT’S REPORT

*The following is the text of a report set out on pages I-1 to I-3, received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

*[Letterhead of PricewaterhouseCoopers Hong Kong]*

*[DRAFT]*

### **ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHENGHUI CLEANNESS GROUP HOLDINGS LIMITED AND CINDA INTERNATIONAL CAPITAL LIMITED**

#### **Introduction**

We report on the historical financial information of Shenghui Cleanness Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-67, which comprises the consolidated statements of financial position as at 31 December 2020, 2021 and 2022 and 30 June 2023, the statements of financial position of the Company as at 31 December 2021 and 2022 and 30 June 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-67 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

#### **Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### **Reporting accountant’s responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2021 and 2022 and 30 June 2023 and the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

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**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**Dividends**

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the companies now comprising the Group in respect of the Track Record Period. No dividends have been paid by the Company since its date of incorporation in respect of the Track Record Period.

**No statutory financial statements for the Company**

No statutory financial statements have been prepared for the Company since its date of incorporation.

**[PricewaterhouseCoopers]**  
*Certified Public Accountants*  
Hong Kong

[Date]

**I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand of RMB (“RMB’000”) except when otherwise indicated.

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Year ended 31 December</b>			<b>Six months ended</b>	
		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>30 June</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(Unaudited)</i>	
Revenue	5	465,664	563,541	594,204	289,173	298,251
Cost of services	6	(385,746)	(474,296)	(499,795)	(243,433)	(251,074)
<b>Gross profit</b>		79,918	89,245	94,409	45,740	47,177
Selling and marketing expenses	6	(3,111)	(3,076)	(3,983)	(1,966)	(2,730)
General and administrative expenses	6	(33,682)	(45,033)	(51,060)	(26,627)	(24,042)
Impairment losses on financial assets		(4,580)	(2,333)	(4,185)	(1,905)	(5,016)
Other income, net	7	8,238	7,155	5,109	3,437	2,235
Other loss	8	(7,345)	(3)	–	–	–
<b>Operating profit</b>		39,438	45,955	40,290	18,679	17,624
Finance expenses, net	11	(1,172)	(404)	(422)	(236)	(197)
Share of net profit of associates	18	236	–	–	–	–
<b>Profit before income tax</b>		38,502	45,551	39,868	18,443	17,427
Income tax expenses	12	(7,190)	(5,630)	(5,479)	(3,051)	(2,119)
<b>Profit and total comprehensive income for the year/period attributable to owners of the Company</b>		<u>31,312</u>	<u>39,921</u>	<u>34,389</u>	<u>15,392</u>	<u>15,308</u>
<b>Earnings per share attributable to owners of the Company (expressed in RMB’000 per share)</b>						
– Basis and diluted	14	<u>31.3</u>	<u>39.9</u>	<u>34.4</u>	<u>15.4</u>	<u>15.3</u>

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		As at 31 December			As at
		2020	2021	2022	30 June
	Notes	RMB'000	RMB'000	RMB'000	2023
					RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	14,817	15,741	14,477	15,106
Investment properties	16	7,532	7,015	6,498	6,239
Right-of-use assets	17	140	–	–	–
Investments in associates	18	–	–	–	–
Deferred income tax assets	19	3,806	4,336	4,965	5,717
Deposits	21	5,410	3,154	4,809	6,536
		<u>31,705</u>	<u>30,246</u>	<u>30,749</u>	<u>33,598</u>
<b>Current assets</b>					
Trade and other receivables and prepayments	21	156,650	190,240	228,923	252,146
Financial assets at fair value through profit or loss	22	–	–	–	–
Restricted bank deposits	23	–	5,388	1,780	1,453
Cash and cash equivalents	23	67,437	52,191	54,722	49,858
		<u>224,087</u>	<u>247,819</u>	<u>285,425</u>	<u>303,457</u>
<b>Total assets</b>		<u><u>255,792</u></u>	<u><u>278,065</u></u>	<u><u>316,174</u></u>	<u><u>337,055</u></u>
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	24	–	–	–	–
Reserves	25	<u>141,435</u>	<u>142,643</u>	<u>177,032</u>	<u>192,340</u>
<b>Total equity</b>		<u><u>141,435</u></u>	<u><u>142,643</u></u>	<u><u>177,032</u></u>	<u><u>192,340</u></u>

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	<i>Notes</i>	<b>As at 31 December</b>			<b>As at</b>
		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>30 June</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Lease liabilities	17	<u>6,998</u>	<u>6,771</u>	<u>6,524</u>	<u>6,394</u>
<b>Current liabilities</b>					
Trade and other payables	26	89,392	98,735	111,755	117,963
Current income tax payable		17,252	19,238	20,187	19,674
Bank borrowings	27	–	10,010	–	–
Lease liabilities	17	<u>715</u>	<u>668</u>	<u>676</u>	<u>684</u>
		<u>107,359</u>	<u>128,651</u>	<u>132,618</u>	<u>138,321</u>
<b>Total liabilities</b>		<u><u>114,357</u></u>	<u><u>135,422</u></u>	<u><u>139,142</u></u>	<u><u>144,715</u></u>
<b>Total equity and liabilities</b>		<u><u>255,792</u></u>	<u><u>278,065</u></u>	<u><u>316,174</u></u>	<u><u>337,055</u></u>

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**STATEMENTS OF FINANCIAL POSITION OF THE COMPANY**

		As at 31 December 2021	As at 31 December 2022	As at 30 June 2023
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investments in subsidiaries	31(a)	<u>108,881</u>	<u>108,881</u>	<u>108,881</u>
<b>Current assets</b>				
Prepayment	31(b)	<u>1,254</u>	<u>3,609</u>	<u>4,755</u>
<b>Total assets</b>		<u><u>110,135</u></u>	<u><u>112,490</u></u>	<u><u>113,636</u></u>
<b>EQUITY</b>				
Share capital	24	–	–	–
Reserves	31(d)	<u>100,752</u>	<u>94,541</u>	<u>90,644</u>
<b>Total equity</b>		----- 100,752	----- 94,541	----- 90,644
<b>Current liabilities</b>				
Other payables	31(c)	<u>9,383</u>	<u>17,949</u>	<u>22,992</u>
<b>Total liabilities</b>		----- 9,383	----- 17,949	----- 22,992
<b>Total equity and liabilities</b>		<u><u>110,135</u></u>	<u><u>112,490</u></u>	<u><u>113,636</u></u>



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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<b>Attributable to owners of the Company</b>		
	<b>Share capital</b>	<b>Reserves</b>	<b>Total</b>
	<i>(Note 24)</i> <i>RMB'000</i>	<i>(Note 25)</i> <i>RMB'000</i>	<i>RMB'000</i>
<b>At 1 January 2020</b>	–	107,973	107,973
<b>Comprehensive income</b>			
Profit for the year	–	31,312	31,312
<b>Total comprehensive income for the year</b>	–	31,312	31,312
<b>Transaction with owners in their capacity as owners:</b>			
Deemed contribution from Controlling Shareholders	–	2,150	2,150
<b>Total transactions with owners</b>	–	2,150	2,150
<b>Balance at 31 December 2020</b>	–	141,435	141,435
<b>At 1 January 2021</b>	–	141,435	141,435
<b>Comprehensive income</b>			
Profit for the year	–	39,921	39,921
<b>Total comprehensive income for the year</b>	–	39,921	39,921
<b>Transaction with owners in their capacity as owners:</b>			
Capital contribution from a shareholder <i>(Note 1.2(i))</i>	–	247	247
Capital reduction of a subsidiary <i>(Note 1.2(ii))</i>	–	(12,320)	(12,320)
Issuance of shares <i>(Note 1.2(iv))</i>	–	4,000	4,000
Deemed distribution to Controlling Shareholders <i>(Note 1.2(vii))</i>	–	(2,460)	(2,460)
Dividend paid to Controlling Shareholders <i>(Note 13)</i>	–	(28,180)	(28,180)
<b>Total transactions with owners</b>	–	(38,713)	(38,713)
<b>Balance at 31 December 2021</b>	–	142,643	142,643

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	<b>Attributable to owners of the Company</b>		
	<b>Share capital</b>	<b>Reserves</b>	<b>Total</b>
	<i>(Note 24)</i> <i>RMB'000</i>	<i>(Note 25)</i> <i>RMB'000</i>	<i>RMB'000</i>
<b>At 1 January 2022</b>	–	142,643	142,643
<b>Comprehensive income</b>			
Profit for the year	–	34,389	34,389
<b>Total comprehensive income for the year</b>	–	34,389	34,389
<b>Balance at 31 December 2022</b>	–	177,032	177,032
<b>At 1 January 2022</b>	–	142,643	142,643
<b>Comprehensive income</b>			
Profit for the period	–	15,392	15,392
<b>Total comprehensive income for the period</b>	–	15,392	15,392
<b>Balance at 30 June 2022 (Unaudited)</b>	–	158,035	158,035
<b>At 1 January 2023</b>	–	177,032	177,032
<b>Comprehensive income</b>			
Profit for the period	–	15,308	15,308
<b>Total comprehensive income for the period</b>	–	15,308	15,308
<b>Balance at 30 June 2023</b>	–	192,340	192,340

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Six month ended	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
<b>Cash flows from operating activities</b>						
Cash generated from/(used in) operations	28(a)	28,364	19,101	10,938	(23,214)	(1,179)
Income tax paid		(6,337)	(4,175)	(5,159)	(3,419)	(3,384)
Net cash generated from/(used in) operating activities		22,027	14,926	5,779	(26,633)	(4,563)
<b>Cash flows from investing activities</b>						
Bank interest income received		134	92	153	109	72
Dividend income received		84	–	–	–	–
Purchases of property, plant and equipment		(4,331)	(4,073)	(1,938)	(1,088)	(2,253)
Acquisition of investments in financial assets at fair value through profit or loss		(142,802)	–	–	–	–
Disposal of financial assets at fair value through profit or loss		139,818	–	–	–	–
Decrease/(increase) in restricted bank deposits		376	(5,388)	3,608	4,058	327
Advances to related company/parties		(726)	(88)	–	–	–
Repayment from Mr. Li		1,337	2,034	–	–	–
Payments for investments in associates		(220)	–	–	–	–
[REDACTED] from disposal of associates		905	–	–	–	–
Net cash (used in)/generated from investing activities		(5,425)	(7,423)	1,823	3,079	(1,854)

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	Note	Year ended 31 December			Six month ended	
		2020	2021	2022	30 June	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
<b>Cash flows from financing activities</b>						
[REDACTED] from bank and other borrowings		39,383	10,010	–	–	–
Repayments of bank and other borrowings		(44,383)	–	(10,010)	(10,010)	–
Bank and other borrowings interest paid		(848)	(55)	(148)	(121)	(53)
[REDACTED] expenses paid		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Disposal of Excluded Entities		2,100	–	–	–	–
Interest payments of lease liabilities		(458)	(441)	(427)	(224)	(216)
Principal repayments of lease liabilities		(489)	(274)	(239)	(105)	(122)
Dividend paid to Controlling Shareholders	13	–	(28,180)	–	–	–
Capital reduction of a subsidiary and return of capital to Controlling Shareholders	1.2 (ii)	–	(12,320)	–	–	–
Capital contribution from a shareholder	1.2 (i)	–	247	–	–	–
Issuance of shares	1.2 (iv)	–	4,000	–	–	–
Repayment to related companies		(23)	(62)	–	–	–
Advances from Controlling Shareholders		180	5,039	7,491	4,967	2,310
Net cash (used in)/generated from financing activities		(5,215)	(22,749)	(5,071)	(6,529)	1,553
<b>Net increase/(decrease) in cash and cash equivalents</b>		11,387	(15,246)	2,531	(30,083)	(4,864)
<b>Cash and cash equivalents at beginning of the year/period</b>		56,050	67,437	52,191	52,191	54,722
<b>Cash and cash equivalents at end of the year/period</b>		67,437	52,191	54,722	22,108	49,858

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### II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

##### 1.1 General information

The Company was incorporated in the Cayman Islands on 4 January 2021 as an exempted company with limited liability under the Companies Act (Cap. 22, Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is at the office of [REDACTED], Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively the “Group”) are principally engaged in the provision of cleaning and maintenance services in the People’s Republic of China (the “PRC”) (the “[REDACTED] Business”). Pursuant to the deed of controlling shareholders’ confirmation dated 16 March 2021 entered into between Mr. Li Chenghua (“Mr. Li”) and Mr. Chen Liming (“Mr. Chen”), they have reaffirmed that they have been a group of the controlling shareholders (the “Controlling Shareholders”) since the establishment of the companies now comprising the Group. They are acting in concert with each other and manage the [REDACTED] Business collectively throughout the Track Record Period and will continue to act as such upon [REDACTED].

##### 1.2 History and reorganisation of the Group

Prior to the incorporation of the Company and the completion of the reorganisation as described below, the [REDACTED] Business was operated through Guangzhou Shenghui Cleanness Services Co., Limited (“Guangzhou Shenghui”) and its subsidiaries in the PRC during the Track Record Period.

Prior to the Reorganisation (as defined below), Guangzhou Shenghui and its subsidiaries were owned by the Controlling Shareholders and are engaged in the provision of cleaning and maintenance services and the provision of sports facilities. The sports facilities were provided by Guangzhou Pengsheng Sports Development Co., Ltd. (“Guangzhou Pengsheng”), Guangzhou Shengfeng Agricultural Technology Co., Ltd. (“Guangzhou Shengfeng”) and Guangzhou Mingyou Education Technology Co., Ltd. (“Guangzhou Mingyou”) which were inactive and had not commenced business prior to the Reorganisation. Guangzhou Pengsheng, Guangzhou Shengfeng and Guangzhou Mingyou are not considering as part of the [REDACTED] Business and collectively referred to as the “Excluded Entities”. All Excluded Entities were disposed or deregistered during the year ended [REDACTED] 2020, hence, they became the then related companies of the Group from 1 January 2021 onwards.

##### *Reorganisation*

In preparation for the initial [REDACTED] of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, the Company and other companies now comprising the Group have undergone a reorganisation (the “Reorganisation”) pursuant to which the Company has become the holding company of the other companies now comprising the Group. The major steps which have been undertaken to effect the Reorganisation were as follows:

- (i) *Capital contribution made by an independent pre-[REDACTED] third party (“[REDACTED] Investor”)*

Pursuant to a capital contribution agreement dated 28 January 2021, the [REDACTED] Investor acquired 3% of the enlarged equity interest of Guangzhou Xinhui Technology Property Co., Ltd. (“Guangzhou Xinhui”), a then subsidiary of Guangzhou Shenghui, at a consideration of RMB247,423. Upon the completion of the aforesaid transaction, the registered capital of Guangzhou Xinhui was increased from RMB8,000,000 to RMB8,247,423. Guangzhou Xinhui was converted into a Sino-foreign equity joint venture, which is owned as to 97% by Guangzhou Shenghui and [REDACTED]% by the [REDACTED] Investor.

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*(ii) Reduction of registered capital of Guangzhou Shenghui*

On 24 February 2021, Guangzhou Shenghui reduced its registered capital from RMB20,020,000 to RMB500,000 by a way of capital reduction in the aggregate amount of RMB19,520,000 of its registered capital. Immediately after the reduction of registered capital, Guangzhou Shenghui was owned as to 50% by Mr. Li and 50% by Mr. Chen. The Group paid a total of RMB12,320,000 to Controlling Shareholders as result of its capital reduction on 24 February 2021.

*(iii) Incorporation of the Company*

On 4 January 2021, the Company was incorporated in the Cayman Islands with an authorised share capital of Hong Kong Dollar (“HKD”) 380,000 divided into 38,000,000 ordinary shares of HKD0.01 each. Upon its incorporation, one nil-paid ordinary share was issued to the initial subscriber at par and was transferred to Prosperity Cleanness Investment Holdings Limited (“Prosperity Cleanness”), a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Li, on the same day. Also, one nil-paid ordinary share was allotted and issued to Sunrise Cleanness Investment Holdings Limited (“Sunrise Cleanness”), a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Chen, on the same day. Upon completion of such transfer and allotment, the Company become owned as to 50% by Prosperity Cleanness and as to 50% by Sunrise Cleanness.

*(iv) Allotment and issuance of the Company’s shares to shareholders*

Pursuant to a subscription agreement dated 9 February 2021 and entered into, among others, the Company, Prosperity Cleanness, Sunrise Cleanness and Dash Dazzling Investment Holdings Limited (“Dash Dazzling”), a company incorporated in the BVI with limited liabilities and is wholly-owned by the [REDACTED] Investor, in consideration of HKD5, HKD5 and RMB4,000,000 (equivalent to approximately HKD4,800,000) paid by Prosperity Cleanness, Sunrise Cleanness and Dash Dazzling, respectively, the Company (a) allotted and issued 484 shares, 484 shares and 30 shares to Prosperity Cleanness, Sunrise Cleanness and Dash Dazzling, respectively; and (b) credited as fully paid the nil-paid ordinary share held by Prosperity Cleanness, and the nil-paid ordinary share held by Sunrise Cleanness. The consideration was settled in cash as at 10 February 2021. Upon completion of the above allotments of shares, the Company was owned as to 48.5% by Prosperity Cleanness, 48.5% by Sunrise Cleanness and 3% by Dash Dazzling.

*(v) Acquisition of the entire equity interest in Guangzhou Xinhui by Shenghui Cleanness (HK) Limited (“Shenghui Cleanness (HK)”)*

On 9 February 2021, each of Guangzhou Shenghui and the [REDACTED] Investor entered into an equity transfer agreement with Shenghui Cleanness (HK), pursuant to which each of Guangzhou Shenghui and the [REDACTED] Investor transferred its/his entire equity interest in Guangzhou Xinhui to Shenghui Cleanness (HK) at a respective nominal consideration of RMB1. Upon completion of the aforesaid transfers, Guangzhou Xinhui is wholly-owned by Shenghui Cleanness (HK).

*(vi) Increasing the registered capital of Guangzhou Shenghui*

On 2 March 2021, Guangzhou Shenghui increased its registered capital from RMB500,000 to RMB25,000,000 by way of capital contribution from Guangzhou Xinhui. Upon completion of the said increase of registered capital, Guangzhou Shenghui was owned by Mr. Li, Mr. Chen and Guangzhou Xinhui as to 1%, 1% and 98%, respectively.

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(vii) Acquisition of the equity interest in Guangzhou Shenghui from Mr. Li and Mr. Chen

On 12 March 2021, Guangzhou Xinhui acquired the entire interest in Guangzhou Shenghui held by Mr. Li and Mr. Chen at the consideration of RMB1,230,000 and RMB1,230,000, respectively. Upon completion of the said transfer, Guangzhou Shenghui became a wholly-owned subsidiary of Guangzhou Xinhui.

Upon completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group. The controlling shareholders remain as Mr. Li and Mr. Chen.

As at 31 December 2020, 2021 and 2022 and 30 June 2023 and the date of this report, the Company had direct or indirect interests in the following principal subsidiaries:

Company name	Date of incorporation/ establishment	Country/ place of incorporation/ establishment	Registered/ issued capital	Attribution equity interest of the Group				As at the date of this report	Principal activities/Place of operations
				As at 31 December 2020	2021	2022	30 June 2023		
Directly held by the Company:									
Shenghui Cleanness (BVI) Limited (升輝清潔(英屬維爾京群島)有限公司) (notes 1,6)	18 January 2021	BVI	USD1	N/A	100%	100%	100%	100%	Investment holding in BVI
Indirectly held by the Company:									
Shenghui Cleanness (HK) Limited (升輝清潔(香港)有限公司) (notes 1,7)	27 January 2021	HK	HKD1	N/A	100%	100%	100%	100%	Investment holding in Hong Kong
Guangzhou Shenghui Cleanness Service Co., Ltd. (廣州市升輝清潔服務有限公司) (notes 1,2,5)	4 August 2000	PRC	RMB25,000,000	100%	100%	100%	100%	100%	Provision of cleaning and maintenance services in the PRC
Guangxi Shenghui Cleanness Service Co., Ltd. (廣西升輝清潔服務有限公司) (notes 1,2,3)	7 June 2016	PRC	RMB2,000,000	100%	100%	100%	100%	100%	Provision of cleaning and maintenance services in the PRC
Guangzhou Xinhui Technology & Property Co., Ltd. (廣州市昕輝科技物業有限公司) (notes 1,2,4)	14 November 2002	PRC	RMB8,000,000	100%	100%	100%	100%	100%	Provision of cleaning and maintenance services in the PRC
Shenghui Cleanness (Beijing) Limited (升輝清潔北京有限公司) (notes 1, 2)	20 July 2023	PRC	RMB5,000,000	N/A	N/A	N/A	N/A	100%	Provision of cleaning and maintenance services in the PRC

Notes:

- (1) All subsidiaries are limited liability companies.
- (2) The English names of the subsidiaries represent the best efforts made by the management of the Company in translating their Chinese names when they do not have official English names.

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- (3) No audited financial statements have been issued for this company for the years ended 31 December 2020, 2021 and 2022.
- (4) The statutory financial statements of this company for the years ended 31 December 2020, 2021 and 2022 were audited by 廣州中勤會計師事務所有限公司.
- (5) The statutory financial statements of this company for the years ended 31 December 2020, 2021 and 2022 were audited by 廣州正開會計師事務所有限公司.
- (6) No audited financial statements have been issued for these companies for the years ended 31 December 2021 and 2022.
- (7) The statutory financial statements of this company for the years ended 31 December 2021 and 2022 were audited by Fan Kwok Man Certified Public Accountant (Practising).

### 1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] Business is conducted through Guangzhou Shenghui and its subsidiaries and is controlled by the Controlling Shareholders. Pursuant to the Reorganisation, the [REDACTED] Business is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the [REDACTED] Business with no change in management of such business and the Controlling Shareholders of the [REDACTED] Business remain the same.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the [REDACTED] Business conducted through Guangzhou Shenghui and its subsidiaries. For the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the [REDACTED] Business, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the [REDACTED] Business for all periods presented.

The Historical Financial Information has not included the financial information of the Excluded Entities during the Track Record Period as it is not part of the [REDACTED] Business.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

## 2 BASIS OF PREPARATION

The Historical Financial Information have been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss which are measured at fair value.

The material accounting policies applied in preparation of the Historical Financial Information have been consistently applied by the Group to all the years or periods presented throughout the Track Record Period, unless otherwise stated.

Other than those material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 34.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the Historical Financial Information are disclosed in Note 4.



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### New and revised standards adopted

(a) *New and amended standards adopted by the Company*

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2023 consistently throughout the Track Record Period.

(b) *New or amended standards and interpretation to existing standards that have been issued but are not effective for the Track Record Period and have not been early adopted*

HKICPA has issued the following new or amended standards and interpretation to existing standards which are not yet effective and have not been early adopted by the Group:

		<b>Effective for the financial year beginning on or after</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contain a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined

The Group has already commenced an assessment of the impact of these new or amended standards and interpretation, certain of which are relevant to the Group’s operations. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: price risk, interest rate risk, credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group’s financial performance.

(i) *Price risk*

The Group is exposed to price risk in relation to its investments in financial assets at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments with difference risk and return profiles. All the investments in financial assets at fair value through profit or loss were disposed during the year ended 31 December 2020. The directors of the Company consider that the price risk is insignificant to the Group.

(ii) *Interest rate risk*

The Group’s interest rate risk arises primarily from bank borrowings which are at variable rates expose the Group to cash flow interest rate risk. The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits and bank balances. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

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If interest rate risk has been 30 basis points increased/decreased, with all other variables held constant, profit before tax for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 would have been RMB201,000, RMB143,000, RMB170,000, RMB20,000 and RMB77,000 higher/lower, respectively, resulting from the changes in interest income on restricted bank deposits and bank balances and finance expenses of bank borrowings.

### *(iii) Credit risk*

The Group is exposed to credit risk in relation to its trade and other receivables including deposits, restricted bank deposits and cash and cash equivalents. The carrying amounts of trade and other receivables including deposits, restricted bank deposits and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with restricted bank deposits and cash and cash equivalents since they are substantially deposited at state-owned banks and other medium or large-sized listed banks, which the credit rating of these banks is high. Management does not expect that there will be any significant losses from non-performance by these counterparties.

For trade receivables from customers, the Group has large number of customers and there was no significant concentration of credit risk during Track Record Period. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

Other receivables mainly included deposits, amounts due from Controlling Shareholders and related companies/parties, advances to third parties and receivables from the provision of construction labor service. The Group has assessed those receivables using 12 months expected losses method depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, the impairment is measured as lifetime expected credit loss.

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the individual customers and customers' ability to meet its obligations
- actual or expected significant changes in the operating results of individual customers

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A summary of the assumptions underpinning the Group’s expected credit loss model on financial assets other than trade receivables is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1)
Underperforming	Receivables for which there is a significant increase in credit risk, as significant increase in credit risk is presumed if interest and/or principal repayments are past due over 180 days	Lifetime expected losses (stage 2)
Non-performing	Interest and/or principal repayments are over 365 days past due	Lifetime expected losses (stage 3)
Write-off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery	Asset is written off

The tables below detail the credit risk exposures of the Group’s financial assets at amortised cost other than trade receivables, which are subject to ECL assessments.

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount			
			As at 31 December			As at
			2020	2021	2022	30 June
			RMB’000	RMB’000	RMB’000	RMB’000
Restricted bank deposits	Performing	12-month ECL	–	5,388	1,780	1,453
Cash and cash equivalents	Performing	12-month ECL	67,437	52,191	54,722	49,858
Other receivables except for amount due from a related company/then related company	Performing	12-month ECL	25,599	27,745	25,102	23,410
Amount due from a related company/then related company	Non-performing	Lifetime ECL	7,136	111	–	–

- (i) For restricted bank deposits and cash and cash equivalents, the Group determines the expected credit losses by referring to external credit rating of the related banks.
- (ii) For other receivables including amount due from a related company/then related company, for the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

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(a) Trade receivables

The Group has applied the simplified approach in HKFRS 9 to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables have been assessed for impairment on a collective group basis. In calculating the expected credit loss rates of trade receivables, the Group considers historical loss rates based on customer’s historical default rates, past collection information and aging profiles of trade receivables by using a provision matrix and adjusts for forward looking macroeconomic data with the consideration on the current economy and industry outlook.

The loss allowance provision for the trade receivable with shared credit risk characteristics was determined as follows:

	As at 31 December 2020						Total
	Current	Less than 60 days	61 to 180 days	181 to 365 days	1 to 2 years	2 to 3 years	
Expected loss rate	0.5%	0.8%	1.1%	20.7%	60.6%	63.0%	
Gross carrying amount (RMB’000)	100,346	28,132	5,008	2,346	2,137	646	138,615
Loss allowance provision (RMB’000)	501	225	55	486	1,295	407	2,969
	As at 31 December 2021						Total
	Current	Less than 60 days	61–180 days	181 to 365 days	1 to 2 years	2 to 3 years	
Expected loss rate	0.4%	1.4%	2.0%	11.5%	38.7%	43.6%	
Gross carrying amount (RMB’000)	103,584	32,246	21,246	9,016	4,294	188	170,575
Loss allowance provision (RMB’000)	414	452	425	1,037	1,662	82	4,072
	As at 31 December 2022						Total
	Current	Less than 60 days	61–180 days	181 to 365 days	1 to 2 years	2 to 3 years	
Expected loss rate	0.6%	1.8%	2.6%	14.5%	31.1%	31.7%	
Gross carrying amount (RMB’000)	127,226	40,411	26,140	11,473	5,203	3,633	214,086
Loss allowance provision (RMB’000)	763	727	680	1,664	1,618	1,133	6,585
	As at 30 June 2023						Total
	Current	Less than 60 days	61–180 days	181 to 365 days	1 to 2 years	2 to 3 years	
Expected loss rate	0.8%	2.0%	2.8%	14.4%	30.7%	32.9%	
Gross carrying amount (RMB’000)	131,544	47,199	36,223	15,290	6,720	6,065	243,041
Loss allowance provision (RMB’000)	1,052	944	1,014	2,202	2,063	1,995	9,270

The higher expected loss rates for the time bands of 1 to 2 years and 2 to 3 years as at 31 December 2020 was mainly due to the late settlement of certain customers which caused the increase in historical loss rates. The COVID-19 outbreak during the year ended 31 December 2020 also impact the macroeconomic and therefore leading to the higher expected loss rates. During the year ended 31 December 2021, trade receivables were settled by the above-mentioned customers and therefore, the expected loss rates for the time bands of 1 to 2 years and 2 to 3 years as at 31 December 2021 were decreased accordingly. The further decrease in expected loss rates for the time bands of 1 to 2 years and 2 to 3 years as at 31 December 2022 was primarily due to the stabilisation of real estate industry in the PRC and hence relatively more positive forward looking macroeconomic data was applied in determining the expected loss rates. There is no significant increase or decrease in expected loss rates for the time bands of 1 to 2 years and 2 to 3 years as at 30 June 2023.

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As at 31 December 2020, the loss allowance of individually impaired trade receivables is determined as follows:

<b>Individual</b>	<b>Trade receivables</b> <i>RMB'000</i>	<b>Expected credit loss rate</b>	<b>Loss allowance</b> <i>RMB'000</i>	<b>Reason</b>
Trade receivables	<u>3,743</u>	<u>100%</u>	<u>3,743</u>	The likelihood of recovery

As at 31 December 2021, the loss allowance of individually impaired trade receivables is determined as follows:

<b>Individual</b>	<b>Trade receivables</b> <i>RMB'000</i>	<b>Expected credit loss rate</b>	<b>Loss allowance</b> <i>RMB'000</i>	<b>Reason</b>
Trade receivables	<u>5,016</u>	<u>100%</u>	<u>5,016</u>	The likelihood of recovery

As at 31 December 2022, the loss allowance of individually impaired trade receivables is determined as follows:

<b>Individual</b>	<b>Trade receivables</b> <i>RMB'000</i>	<b>Expected credit loss rate</b>	<b>Loss allowance</b> <i>RMB'000</i>	<b>Reason</b>
Trade receivables	<u>6,688</u>	<u>100%</u>	<u>6,688</u>	The likelihood of recovery

As at 30 June 2023, the loss allowance of individually impaired trade receivables is determined as follows:

<b>Individual</b>	<b>Trade receivables</b> <i>RMB'000</i>	<b>Expected credit loss rate</b>	<b>Loss allowance</b> <i>RMB'000</i>	<b>Reason</b>
Trade receivables	<u>8,916</u>	<u>100%</u>	<u>8,916</u>	The likelihood of recovery

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The movements of loss allowances for trade receivables are as follows:

	Year ended 31 December			Six month ended
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	4,799	6,712	9,088	13,273
Provision for loss allowance recognised	1,913	2,376	4,185	4,913
At end of the year/period	<u>6,712</u>	<u>9,088</u>	<u>13,273</u>	<u>18,186</u>

(b) *Other receivables*

Other receivables mainly included deposits, amounts due from Controlling Shareholders and related companies/parties and receivables from the provision of construction labor service. As at 31 December 2020, 2021 and 2022 and 30 June 2023, there were neither significant increase of credit risk nor credit impaired for the balance of other receivables except for the deposits with internal credit rating of underperforming and the amount due from a related company/then related company with internal credit rating of non-performing. Management considered these receivables to be low credit risk since the counterparties have strong financial capacity to meet their contractual cash flow obligations in the near term. The expected credit losses on those other receivables are not significant.

For the deposits which are the amount paid to customers for the guarantee of performance of the provision of services, there were an increase of credit risk for the balance as at 31 December 2020 and 2021. Impairment loss of RMB985,000, RMB976,000 were recognised for the years ended 31 December 2020 and 2021 respectively. No impairment loss was recognised for the year ended 31 December 2022 and the six months ended 30 June 2022 and 2023.

The movements of loss allowances for deposits are as follows:

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	2,253	3,238	4,214	4,214
Provision for loss allowance recognised	985	976	–	–
At end of the year/period	<u>3,238</u>	<u>4,214</u>	<u>4,214</u>	<u>4,214</u>

For the amount due from a related company/then related company with internal credit rating of non-performing, a significant increase in its credit risk has occurred since initial recognition, the impairment is measured as lifetime expected credit loss. Impairment loss of the amount due from a related company/then related company of RMB1,682,000, nil, nil, nil and nil was recognised for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 respectively. Reversal of impairment loss of RMB1,198,000 was recognised for the year ended 31 December 2021. Details are set out in Note 7.

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The movements of loss allowances for amount due from a related company/then related company are as follows:

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	5,431	7,113	–	–
Provision for loss allowance	1,682	–	–	–
Reversal of impairment losses	–	(1,198)	–	–
Bad debts written off	–	(5,915)	–	–
At end of the year/period	<u>7,113</u>	<u>–</u>	<u>–</u>	<u>–</u>

As at 31 December 2021 and 30 June 2023, there was an increase of credit risk of tendering deposits. Impairment loss of RMB179,000 and RMB103,000 were recognised for the year ended 31 December 2021 and the six months ended 30 June 2023, respectively accordingly.

The movements of loss allowances for tendering deposits are as follows:

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	–	–	179	179
Provision for loss allowance	–	179	–	103
At end of the year/period	<u>–</u>	<u>179</u>	<u>179</u>	<u>282</u>

**(iv) Liquidity risk**

To manage the liquidity risk, the Group monitors and maintains an adequate level of cash and cash equivalents determined by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

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The tables below analyse the Group’s financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date.

	<b>On demand or less than 1 year RMB’000</b>	<b>Between 1 and 2 years RMB’000</b>	<b>Between 2 and 5 years RMB’000</b>	<b>Over 5 years RMB’000</b>	<b>Total undiscounted cashflow RMB’000</b>	<b>Carrying amount RMB’000</b>
<b>At 31 December 2020</b>						
Trade and other payables (excluding payroll, bonus and social insurance payables and other tax payables)	31,971	–	–	–	31,971	31,971
Lease liabilities	1,157	1,094	3,265	10,286	15,802	7,713
	<u>33,128</u>	<u>1,094</u>	<u>3,265</u>	<u>10,286</u>	<u>47,773</u>	<u>39,684</u>
<b>At 31 December 2021</b>						
Trade and other payables (excluding payroll, bonus and social insurance payables and other tax payables)	44,367	–	–	–	44,367	44,367
Lease liabilities	1,094	1,087	3,264	9,200	14,645	7,439
Bank borrowings	11,382	–	–	–	11,382	10,010
	<u>56,843</u>	<u>1,087</u>	<u>3,264</u>	<u>9,200</u>	<u>70,394</u>	<u>61,816</u>
<b>At 31 December 2022</b>						
Trade and other payables (excluding payroll, bonus and social insurance payables and other tax payables)	53,029	–	–	–	53,029	53,029
Lease liabilities	1,086	1,093	3,239	8,129	13,547	7,200
	<u>54,115</u>	<u>1,093</u>	<u>3,239</u>	<u>8,129</u>	<u>66,576</u>	<u>60,229</u>
<b>As 30 June 2023</b>						
Trade and other payables (excluding payroll, bonus and social insurance payables and other tax payables)	57,520	–	–	–	57,520	57,520
Lease liabilities	1,086	1,093	3,320	7,587	12,996	7,078
	<u>58,606</u>	<u>1,093</u>	<u>3,320</u>	<u>7,587</u>	<u>70,516</u>	<u>64,598</u>

**3.2 Fair value estimation**

The carrying amounts of the Group’s financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. Disclosure of financial assets at fair value through profit or loss and bank borrowings is set out in Notes 22 and 27 respectively.



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### 3.3 Capital risk management

The Group’s objectives when managing capital is to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and enhance shareholder value in the long term. The capital structure consists of total equity and borrowings as shown in the consolidated statements of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to owner, or issue new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including bank borrowings and amounts due to Controlling Shareholders and related companies under other payables as shown in the consolidated statements of financial position) less cash and cash equivalents. Total equity represents the sum of share capital and reserves, as disclosed in the consolidated statements of financial position.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group has a net cash position and hence the gearing ratio has not been presented.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year or period are addressed below.

### 4.1 Expected credit losses on receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s debtors’ credit history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimates, such differences will impact the carrying amounts of trade and other receivables and the related loss allowances in the period in which such estimates are changed. The details of the expected credit losses on receivables are set out in Note 3.1 (iii).

### 4.2 Current taxation and deferred taxation

The Group is subject to corporate income taxes in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

## 5 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

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During the Track Record Period, the Group is principally engaged in the provision of cleaning and maintenance services in the PRC. CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM regards that there is only one identified segment, under the requirement of HKFRS 8 “Operating Segments”, which is used to make strategic decisions. No geographical segment is disclosed.

Revenue recognised during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Revenue from contracts with customers recognised over time</b>					
Cleaning and maintenance services income	465,664	563,541	594,204	289,173	298,251

The Group offers comprehensive cleaning and maintenance services for office buildings, shopping malls, airport and commercial and residential premises.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group’s revenue were derived in the PRC during the Track Record Period. None of the individual customer of the Group contributed 10% or more of the Group’s revenue for the Track Record Period.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, all of the Group’s non-current assets were located in the PRC or arisen from transactions as conducted in the PRC.

**(a) Contract assets**

As at the end of each of the Track Record Period, there were no significant contract assets recognised.

**(b) Contract liabilities**

As at the end of each of the Track Record Periods, there were no significant contract liabilities recognised as no advance payments were made by customers.

**(c) Unsatisfied performance obligations**

For the provision of cleaning and maintenance services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group’s performance to date, on a regular basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these contracts.

**(d) Assets recognised from incremental costs to obtain and fulfill a contract**

During the Track Record Period, there were no significant incremental costs incurred to obtain and fulfill a contract.

**(e) Accounting policies for revenue recognition**

Revenue is recognised when control over a service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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The revenue of the Group is arisen from the provision of cleaning and maintenance services. Depending on the terms of the contract, control of the service may be transferred over time or at a point in time. Control of the service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the service.

When either party to a contract has performed, the Group presents the contract in the consolidated statements of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets under "contract assets" and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the services are provided to the customer, the Group presents the amount as a contract liability when the payment is received or a receivable is recorded (whichever is earlier).

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

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6 EXPENSES BY NATURE

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Employee benefit expenses (Note 9)	232,098	284,804	324,061	157,017	165,985
Subcontracting labor costs	149,939	188,882	172,910	84,363	85,939
Cost of cleaning materials consumed	14,112	19,407	20,028	9,959	8,545
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Insurance expenses	4,594	2,261	3,664	1,958	961
Depreciation	3,358	3,803	3,719	1,849	1,883
Taxes and surcharges	1,846	2,235	2,390	1,041	1,205
Uniform expenses	969	1,702	1,808	644	834
Marketing and entertainment expenses	1,862	2,635	3,434	1,855	2,113
Motor vehicle expenses	981	1,702	1,640	752	812
Maintenance and utilities expenses	2,531	1,653	2,113	1,049	1,008
Office and communication expenses	1,851	1,958	2,118	922	1,136
Travelling expenses	694	1,174	1,706	1,284	976
Tendering expenses	611	433	549	111	617
Short-term lease expenses	769	967	2,643	1,264	1,379
Professional services fees	353	113	100	50	158
Other expenses	2,079	2,899	4,096	1,480	1,062
<b>Total cost of services, selling and marketing expenses and general and administrative expenses</b>	<b>422,539</b>	<b>522,405</b>	<b>554,838</b>	<b>272,026</b>	<b>277,846</b>

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**7 OTHER INCOME, NET**

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Rental income ( <i>Note i</i> )	1,345	848	2,917	1,194	1,687
Penalty on late payment of rental income ( <i>Note ii</i> )	1,241	–	–	–	–
Value-added tax refund	2,425	2,107	2,193	1,093	643
Government grant	172	37	777	768	–
Net income/(losses) from the provision of construction labor services	2,656	4,328	(822)	330	–
Dividend income from financial assets at fair value through profit or loss	84	–	–	–	–
Donation	(130)	–	(50)	(50)	(70)
Others	445	(165)	94	102	(25)
	<u>8,238</u>	<u>7,155</u>	<u>5,109</u>	<u>3,437</u>	<u>2,235</u>

*Notes:*

- (i) Rental income arising from the investment properties and the leased shops is recognised on a straight-line basis over the terms of the lease agreements. The rental income arising from the leased car park is recognised over the lease period.
- (ii) The penalty arising from the late payment of rental income represented an interest of 0.1% charged on the outstanding rental income receivable from Guangzhou Pengsheng, one of the Excluded Entities. In February 2021, the Group reached a commercial settlement with Guangzhou Pengsheng to settle the total rental receivables at approximately RMB1,198,000 and all remaining of rental receivables and penalty on late payment of rental income previously charged, with a total of RMB5,915,000 were waived and were written off as bad debts during the year ended 31 December 2021.

**8 OTHER LOSS**

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Fair value loss on financial assets at fair value through profit or loss (“FVTPL”)	(7,114)	–	–	–	–
Loss on disposal of investments in associates, net	(174)	–	–	–	–
Loss on disposal of property, plant and equipment, net	(57)	(3)	–	–	–
	<u>(7,345)</u>	<u>(3)</u>	<u>–</u>	<u>–</u>	<u>–</u>

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**9 EMPLOYEE BENEFIT EXPENSES**

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	222,339	269,636	308,245	149,489	158,123
Social insurance and housing provident fund contribution	9,264	14,143	14,670	7,266	7,405
Other employee benefits	495	1,025	1,146	262	457
	<u>232,098</u>	<u>284,804</u>	<u>324,061</u>	<u>157,017</u>	<u>165,985</u>

All employees of the Group participate in employee social insurance plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the governmental authorities. Except for the contributions made to these social insurance plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social insurance plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are expensed as incurred.

The Group received a partial exemption of the payment of social security and provident fund from February to June 2020 as part of the social insurance relief policy rolled out by the local municipal governments during the COVID-19 outbreak.

During the Track Record Period, no forfeited contributions were utilised by the Group to reduce its contributions to the above-mentioned social insurance plans for the Track Record Period.

**10 DIRECTORS’ EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS’ EMOLUMENTS**

**(a) Directors’ emoluments**

(i) The remuneration of each director for the year ended 31 December 2020 is set out below:

	Salary and bonuses	Other welfare	Social insurance and housing provident fund contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Li	265	–	35	300
Mr. Chen	106	–	16	122
	<u>371</u>	<u>–</u>	<u>51</u>	<u>422</u>

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(ii) The remuneration of each director for the year ended 31 December 2021 is set out below:

	<b>Salary and bonuses</b>	<b>Other welfare</b>	<b>Social insurance and housing provident fund contribution</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Li	294	–	56	350
Mr. Chen	157	–	28	185
	<u>451</u>	<u>–</u>	<u>84</u>	<u>535</u>

(iii) The remuneration of each director for the year ended 31 December 2022 is set out below:

	<b>Salary and bonuses</b>	<b>Other welfare</b>	<b>Social insurance and housing provident fund contribution</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Li	333	–	67	400
Mr. Chen	187	–	33	220
	<u>520</u>	<u>–</u>	<u>100</u>	<u>620</u>

(iv) The remuneration of each director for the six months ended 30 June 2022 (unaudited) is set out below:

	<b>Salary and bonuses</b>	<b>Other welfare</b>	<b>Social insurance and housing provident fund contribution</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Li	135	–	34	169
Mr. Chen	64	–	17	81
	<u>199</u>	<u>–</u>	<u>51</u>	<u>250</u>

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(v) The remuneration of each director for the six months ended 30 June 2023 is set out below:

	Salary and bonuses <i>RMB'000</i>	Other welfare <i>RMB'000</i>	Social insurance and housing provident fund contribution <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:				
Mr. Li	170	–	35	205
Mr. Chen	94	–	17	111
	<u>264</u>	<u>–</u>	<u>52</u>	<u>316</u>

The remuneration shown above represents remuneration received by the directors in their capacity as employee to the subsidiaries of the Group.

*Notes:*

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023:

- (1) No emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.
- (2) No emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.
- (3) Save as disclosed in Note 30 to the Historical Financial Information, there are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities.
- (4) Save as disclosed in Note 30 to the Historical Financial Information, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the respective year/period or at any time during the respective year/period.
- (5) None of the directors of the Company waived any emoluments.

Mr. Li and Mr. Chen were appointed as the Company's executive directors on 4 January 2021 and 16 March 2021 respectively.

Ms. Chong Sze Pui Joanne, MH, Ms. Cheung Bo Man and Ms. Yau Yin Hung were appointed as the Company's independent non-executive directors on 14 November 2023. During the Track Record Period, the independent non-executive directors have neither been appointed nor received any directors' remuneration with the capacity as directors.



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**(b) Five highest paid individuals’ emoluments**

None of the directors is one of the five individuals whose emoluments were the highest in the Group during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023. The emoluments payable to the five highest paid individuals for the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Employees				(Unaudited)	
– Basic salaries and other allowances	1,729	1,749	1,830	910	935
– Discretionary bonuses	25	300	280	150	140
– Contribution to pension scheme	318	348	398	197	210
	<u>2,072</u>	<u>2,397</u>	<u>2,508</u>	<u>1,257</u>	<u>1,285</u>

The emoluments fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>(Number of individuals)</i>			<i>(Unaudited)</i>	
Nil–HKD1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

**11 FINANCE INCOME/(EXPENSES), NET**

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Finance income</b>				(Unaudited)	
Bank interest income	134	92	153	109	72
<b>Finance expenses</b>					
Interest expense on bank and other borrowings	(848)	(55)	(148)	(121)	(53)
Interest expense on lease liabilities	(458)	(441)	(427)	(224)	(216)
Finance expenses, net	<u>(1,172)</u>	<u>(404)</u>	<u>(422)</u>	<u>(236)</u>	<u>(197)</u>

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12 INCOME TAX EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax	6,618	6,160	6,108	3,337	2,871
Deferred income tax ( <i>Note 19</i> )	572	(530)	(629)	(286)	(752)
	<u>7,190</u>	<u>5,630</u>	<u>5,479</u>	<u>3,051</u>	<u>2,119</u>

(a) Corporate income tax

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate 25% on the estimated assessable profits for the respective years/periods, based on the existing legislation, interpretations and practices in respect thereof except for a subsidiary of the Group in the PRC which are granted with tax concession and hence are taxed at preferential tax rates.

Guangzhou Shenghui has been qualified as a High and New Technology Enterprise and enjoyed a preferential income tax rate of 15% since 2020, which is subject to review and renewal once every three years. The High and New Technology Enterprise Certificate was obtained and be remained valid for 3 years from December 2020 to December 2023. Guangzhou Shenghui has submitted an application for the renewal of the High and New Technology Enterprise Certificate subsequently after 30 June 2023.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong during the Track Record Period.

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

According to the policy promulgated by the State Bureau of the PRC, enterprises engaged in research and development activities are entitled to claim an additional tax deduction amounting to maximin 75% of the qualified research and development expenses incurred in determining its tax assessable profits for that year and the additional tax deduction rate has been increased to 100% since year 2023 (the “Super Deduction”). Guangzhou Shenghui is qualified to enjoy the Super Deduction during the Track Record Period. The research and development expenditure of RMB14,260,000, RMB19,913,000 and RMB18,367,000, RMB8,694,000 and RMB8,497,000 were recognised under general and administrative expenses for the years ended 31 December 2020, 2021 and 2022 and the six months ended 2022 and 2023 respectively.

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(b) The income tax expense for the Track Record Period can be reconciled to the profit before income tax as follows:

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Profit before income tax	38,502	45,551	39,868	18,443	17,427
Tax calculated at applicable corporate income tax rate of 25%	9,626	11,388	9,967	4,611	4,357
Additional allowance under the Super Deduction	(2,674)	(3,734)	(3,736)	(1,630)	(2,124)
Preferential income tax rate applicable to a subsidiary	(2,312)	(3,697)	(3,635)	(2,033)	(1,451)
Effects of share of post-tax results of associates	(59)	–	–	–	–
Tax losses not recognised	28	29	29	13	24
Expenses not deductible for taxation purposes	2,581	1,644	2,854	2,090	1,313
	<u>7,190</u>	<u>5,630</u>	<u>5,479</u>	<u>3,051</u>	<u>2,119</u>

As at 31 December 2020, 2021, 2022 and 30 June 2023, the Group did not recognise deferred income tax assets in respect of tax losses of approximately RMB520,000, RMB634,000, RMB749,000 and RMB845,000, respectively, that can be carried forward against future taxable income. Tax losses of group companies operated in the PRC could only be carried forward for a maximum for five years from the year of incurrence.

13 DIVIDEND

On 6 January 2021, a dividend of RMB28,180,000 was declared and paid to the Controlling Shareholders by Guangzhou Shenghui.

Saved as the abovementioned, no other dividend has been paid or declared by the companies now comprising the Group to the equity holders of these companies during the Track Record Period.

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**14 EARNINGS PER SHARE**

**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years/periods. In determining the weighted average number of shares in issue during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the 1,000 shares issued during the year ended 31 December 2021 were deemed to have been issued on 1 January 2020 as if the Company had been incorporated by then.

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
				(Unaudited)	
Profit attributable to owners of the Company ( <i>RMB'000</i> )	31,312	39,921	34,389	15,392	15,308
Weighted average number of ordinary shares in issue	1,000	1,000	1,000	1,000	1,000
Basic earnings per share ( <i>RMB'000</i> )	<u>31.3</u>	<u>39.9</u>	<u>34.4</u>	<u>15.4</u>	<u>15.3</u>

**(b) Diluted earnings per share**

Diluted earnings per share were the same as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding during the Track Record Period.

**15 PROPERTY, PLANT AND EQUIPMENT**

	Building <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixtures, and office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>					
At 1 January 2020	7,340	11,066	7,007	1,551	26,964
Additions	–	3,651	504	176	4,331
Disposal	–	(1,151)	(1,153)	–	(2,304)
At 31 December 2020	7,340	13,566	6,358	1,727	28,991
Additions	156	3,117	753	47	4,073
Disposal	–	–	–	(58)	(58)
At 31 December 2021	7,496	16,683	7,111	1,716	33,006
Additions	–	1,713	225	–	1,938
At 31 December 2022	7,496	18,396	7,336	1,716	34,944
Additions	–	1,542	676	35	2,253
At 30 June 2023	<u>7,496</u>	<u>19,938</u>	<u>8,012</u>	<u>1,751</u>	<u>37,197</u>

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	<b>Building</b> <i>RMB'000</i>	<b>Plant and machinery</b> <i>RMB'000</i>	<b>Motor vehicles</b> <i>RMB'000</i>	<b>Furniture, fixtures, and office equipment</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Accumulated depreciation</b>					
At 1 January 2020	308	6,284	6,136	1,147	13,875
Charge for the year	348	1,689	341	168	2,546
Disposal	–	(1,151)	(1,096)	–	(2,247)
At 31 December 2020	656	6,822	5,381	1,315	14,174
Charge for the year	349	2,164	442	191	3,146
Disposal	–	–	–	(55)	(55)
At 31 December 2021	1,005	8,986	5,823	1,451	17,265
Charge for the year	356	2,391	326	129	3,202
At 31 December 2022	1,361	11,377	6,149	1,580	20,467
Charge for the period	178	1,229	184	33	1,624
At 30 June 2023	<u>1,539</u>	<u>12,606</u>	<u>6,333</u>	<u>1,613</u>	<u>22,091</u>
<b>Net book amount</b>					
At 31 December 2020	<u>6,684</u>	<u>6,744</u>	<u>977</u>	<u>412</u>	<u>14,817</u>
At 31 December 2021	<u>6,491</u>	<u>7,697</u>	<u>1,288</u>	<u>265</u>	<u>15,741</u>
At 31 December 2022	<u>6,135</u>	<u>7,019</u>	<u>1,187</u>	<u>136</u>	<u>14,477</u>
At 30 June 2023	<u>5,957</u>	<u>7,332</u>	<u>1,679</u>	<u>138</u>	<u>15,106</u>

The Group had no property ownership certificates for the building with a net carrying amount of RMB6,389,000 as at 31 December 2020. The related property ownership certificates were obtained on 11 May 2021.

As at 31 December 2021, buildings with carrying amount of RMB6,220,000 were pledged to secure the bank borrowing of the Group and the pledge was released after the bank borrowing was fully settled in March 2022 (Note 27).

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building	20 years
Plant and machinery	3–10 years
Motor vehicles	4–5 years
Furniture, fixtures and office equipment	3 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. See Note 34.7 for the other accounting policies relevant to property, plant and equipment.

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The depreciation expense for property, plant and equipment is charged to the consolidated statements of comprehensive income as below:

	Year ended 31 December			Six months ended	
	2020	2021	2022	30 June	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of services	1,914	2,463	2,572	1,267	1,336
General and administrative expenses	632	683	630	323	288
	<u>2,546</u>	<u>3,146</u>	<u>3,202</u>	<u>1,590</u>	<u>1,624</u>

**16 INVESTMENT PROPERTIES**

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
<b>Cost:</b>				RMB'000
At beginning and end of the year/period	<u>9,587</u>	<u>9,587</u>	<u>9,587</u>	<u>9,587</u>
<b>Accumulated depreciation:</b>				
At beginning of the year/period	1,538	2,055	2,572	3,089
Charge for the year/period	<u>517</u>	<u>517</u>	<u>517</u>	<u>259</u>
At end of the year/period	<u>2,055</u>	<u>2,572</u>	<u>3,089</u>	<u>3,348</u>
<b>Net book value</b>				
At end of the year/period	<u>7,532</u>	<u>7,015</u>	<u>6,498</u>	<u>6,239</u>

The Group’s self-owned investment properties include land use rights and buildings which are situated in the PRC with carrying amounts of RMB1,351,000, RMB1,240,000, RMB1,129,000 and RMB1,072,000 as at 31 December 2020, 2021 and 2022 and 30 June 2023 respectively. The fair value of the self-owned investment properties is approximately RMB2,810,000, RMB3,050,000, RMB3,030,000 and RMB3,050,000 as at 31 December 2020, 2021 and 2022 and 30 June 2023 respectively.

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One of the investment properties was leased from an independent third party for 20 years and was sub-leased to the related company/then related company of the Group for 8 years under operating leases with rentals payable on a monthly basis. Details of the above-mentioned investment property and the related lease liabilities are as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
Carrying value	6,181	5,775	5,369	5,167
Fair value*	120	330	430	520
Lease liabilities arose from the leasing arrangement	7,641	7,439	7,200	7,078

The fair value of the investment properties as at 31 December 2020, 2021 and 2022 and 30 June 2023 was determined by reference to a valuation as carried out by Roma Appraisals Limited. Roma Appraisals Limited is an independent firm of professional valuer not connected to the Group, who has appropriate qualifications and experience in the valuation of investment properties in the relevant locations.

The fair value of the self-owned investment properties of the Group was derived by using direct comparison approach. Direct comparison approach is based on assuming sales of the properties in its existing state by making reference to comparable market transactions as available in the relevant market. Comparable properties with similar sizes, characters and locations are analysed and weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

\* The fair value of the leased investment property of the Group was derived by using income approach. It is referred to the difference between the lease rent determined by the market and the rent agreed upon by the lessor and the lessee in the lease period and arrived at the investment value for reference purpose. It is expected the investment property will generate net rental income or cash inflows and therefore has no impairment indicator.

The fair value of the investment properties was in Level 3 of the fair value hierarchy as at 31 December 2020, 2021 and 2022 and 30 June 2023. There were no changes to the valuation technique during the Track Record Period.

Depreciation of investment properties is calculated using the straight-line method to allocate their costs over their estimated useful lives of ranging from 13 years to 20 years. See Note 34.8 for the other accounting policies relevant to investment properties.

Except for the depreciation of investment properties, no other direct operating expenses arising from investment properties generating rental income are recognised for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

Depreciation of investment properties was charged to the “General and administrative expenses” in the consolidated statements of comprehensive income.

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**17 LEASES**

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
<b>(a) Right-of-use assets</b>				
– Leased building	37	–	–	–
– Leased machinery	103	–	–	–
	<u>140</u>	<u>–</u>	<u>–</u>	<u>–</u>

Rental contracts are typically made for periods ranging from less than 12 months to 60 months. Payments associated with short-term leases with a lease term of 12 months or less are recognised on a straight-line basis as an expense in the consolidated statements of comprehensive income. There were no additions to right-of-use assets during the Track Record Period.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The total cash outflow of the lease contracts, including short term leases, are RMB1,716,000, RMB1,682,000, RMB3,309,000, RMB1,593,000 and RMB1,717,000 for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

**(b) Lease liabilities**

The Group’s lease liabilities are primarily arisen from the lease-in of the properties for sub-lease purpose as mentioned in Note 16.

A maturity analysis of lease liabilities is shown in the table below:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
The present value of the maturity of lease liabilities:				
Within 1 year	715	668	676	684
Later than 1 year but not later than 2 years	628	636	659	667
Later than 2 years but not later than 5 years	1,737	1,787	1,823	1,846
Over 5 years	4,633	4,348	4,042	3,881
	<u>7,713</u>	<u>7,439</u>	<u>7,200</u>	<u>7,078</u>



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Amounts recognised in the consolidated statements of comprehensive income:

	Year ended 31 December			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets (included in cost of services and general and administrative expenses)					
– Leased building	75	37	–	–	–
– Leased machinery	220	103	–	–	–
Interest expenses (included in finance cost)	458	441	427	224	216
Expenses relating to short-term leases (included in cost of services and general and administrative expenses)					
	769	967	2,643	1,264	1,379

Interest expenses on lease liabilities is determined and recognised on the basis of the Group’s incremental borrowing rate ranging from 5.8% to 6.3% per annum at initial recognition during the Track Record Period. The Directors considered the Group’s incremental borrowing rate to be appropriate in view of the market environment and economic conditions under which each leases operate. The carrying balances of the lease liabilities are amortised to nil on the expiry dates of the leases.

**18 INVESTMENTS IN ASSOCIATES**

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
At beginning of the year/period (Note)	1,222	–	–	–
Acquisition of associates	220	–	–	–
Share of net profit	236	–	–	–
Disposal of associates	(1,678)	–	–	–
At end of the year/period	–	–	–	–

Note: The investment in associates as at 1 January 2020 comprised of the Group’s investments in the equity interests in Guangzhou Pinwaipin Food Trading Co., Ltd. (廣州品外品食品貿易有限公司), Jinan Shenghui Cleanness Service Co., Ltd. (濟南升輝清潔服務有限公司), Shaanxi Shenghui Cleanness Service Co., Ltd. (陝西升輝清潔服務有限公司) and Shandong Shenghui Cleanness Service Co., Ltd. (山東升輝清潔服務有限公司) as to 40%, 40%, 25% and 40%, respectively.

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All investments in associates were disposed during the year ended 31 December 2020 and hence, they became the then related companies of the Group from 1 January 2021 onwards. Other than the disposal of Guangzhou Pinwaipin Food Trading Co., Ltd. (廣州品外品食品貿易有限公司) to Mr. Li at the consideration of RMB500,000 with a minimal gain of approximately RMB1,000, the other associates were disposed to the independent third parties with a loss in total of RMB175,000. The net loss on disposal of investments in associates amounted to RMB174,000 was recognised in “other loss” in the consolidated statements of comprehensive income for the year ended 31 December 2020.

**19 DEFERRED INCOME TAX ASSETS**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The net amounts are as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Deferred income tax assets	4,754	5,202	5,771	6,492
Deferred income tax liabilities	(948)	(866)	(806)	(775)
	<u>3,806</u>	<u>4,336</u>	<u>4,965</u>	<u>5,717</u>

The movements in deferred income tax assets during the Track Record Period were as follows:

	Allowance for impairment of receivables	Accrued expenses	Lease	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	1,763	2,615	1,053	5,431
Charged to profit or loss	(271)	(301)	(105)	(677)
At 31 December 2020	1,492	2,314	948	4,754
Credited/(charged) to profit or loss	530	–	(82)	448
At 31 December 2021	2,022	2,314	866	5,202
Credited/(charged) to profit or loss	629	–	(60)	569
At 31 December 2022	2,651	2,314	806	5,771
Credited/(charged) to profit or loss	752	–	(31)	721
At 30 June 2023	<u>3,403</u>	<u>2,314</u>	<u>775</u>	<u>6,492</u>

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The movements in deferred income tax liabilities during the Track Record Period were as follows:

	<b>Lease</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
At 1 January 2020	1,053	1,053
Credited to profit or loss	<u>(105)</u>	<u>(105)</u>
At 31 December 2020	948	948
Credited to profit or loss	<u>(82)</u>	<u>(82)</u>
At 31 December 2021	866	866
Credited to profit or loss	<u>(60)</u>	<u>(60)</u>
At 31 December 2022	806	806
Credited to profit or loss	<u>(31)</u>	<u>(31)</u>
At 30 June 2023	<u><u>775</u></u>	<u><u>775</u></u>

Under the income tax laws in the PRC, withholding tax is imposed on dividend declared in respect of profit earned by the PRC subsidiaries. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the retained earnings of the Group’s PRC subsidiaries not yet remitted to holding companies incorporated outside PRC, for which no deferred income tax liability had been provided, were approximately RMB113,883,000, RMB125,624,000, RMB160,013,000 and RMB175,321,000, respectively. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management’s estimation of overseas funding requirements.

### 20 FINANCIAL INSTRUMENTS BY CATEGORY

	<b>As at 31 December</b>			<b>As at</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>30 June</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Financial assets</b>				
<b>Financial assets at amortised cost:</b>				
Trade and other receivables, excluding prepayments	158,030	189,966	228,210	252,685
Restricted bank deposits	–	5,388	1,780	1,453
Cash and cash equivalents	<u>67,437</u>	<u>52,191</u>	<u>54,722</u>	<u>49,858</u>
	<u><u>225,467</u></u>	<u><u>247,545</u></u>	<u><u>284,712</u></u>	<u><u>303,996</u></u>
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost:</b>				
Trade and other payables, excluding payroll, bonus and social insurance payable and other tax payable	31,971	44,367	53,029	57,520
Lease liabilities	7,713	7,439	7,200	7,078
Bank borrowings	<u>–</u>	<u>10,010</u>	<u>–</u>	<u>–</u>
	<u><u>39,684</u></u>	<u><u>61,816</u></u>	<u><u>60,229</u></u>	<u><u>64,598</u></u>

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**21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS**

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Trade receivables	142,358	175,591	220,774	251,957
Less: allowance for impairment	(6,712)	(9,088)	(13,273)	(18,186)
	<u>135,646</u>	<u>166,503</u>	<u>207,501</u>	<u>233,771</u>
Deposits	14,760	16,089	14,971	13,489
Less: allowance for impairment	(3,238)	(4,214)	(4,214)	(4,214)
	<u>11,522</u>	<u>11,875</u>	<u>10,757</u>	<u>9,275</u>
Less: deposits – non-current portion	(5,410)	(3,154)	(4,809)	(6,536)
Deposits – current portion	<u>6,112</u>	<u>8,721</u>	<u>5,948</u>	<u>2,739</u>
Other receivables				
– Tendering deposits	5,044	2,051	3,174	4,464
Less: allowance for impairment	–	(179)	(179)	(282)
	<u>5,044</u>	<u>1,872</u>	<u>2,995</u>	<u>4,182</u>
– Amounts due from related companies/then related companies (Note 30(b))	7,136	111	–	–
Less: allowance for impairment	(7,113)	–	–	–
	<u>23</u>	<u>111</u>	<u>–</u>	<u>–</u>
– Amounts due from Mr. Li (Note 30(b))	2,034	–	–	–
– Receivables from the provision of construction labor service (note a)	<u>3,761</u>	<u>9,605</u>	<u>6,957</u>	<u>5,457</u>
	<u>10,862</u>	<u>11,588</u>	<u>9,952</u>	<u>9,639</u>
Prepayments on				
– Utilities expenses	760	619	743	732
– Insurance expenses	2,071	1,555	1,170	510
– Deferred [REDACTED] expenses (note b)	<u>1,199</u>	<u>1,254</u>	<u>3,609</u>	<u>4,755</u>
	<u>4,030</u>	<u>3,428</u>	<u>5,522</u>	<u>5,997</u>
Trade and other receivables and prepayment, net	<u><u>156,650</u></u>	<u><u>190,240</u></u>	<u><u>228,923</u></u>	<u><u>252,146</u></u>

Notes:

- (a) Balance represented the amounts receivable arising from the provision of construction labor service and the related income was recognised as other income (Note 7).

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- (b) Deferred [REDACTED] expenses will be deducted from equity upon the issuance of new shares at the [REDACTED] of the Company.
- (c) The carrying amounts of trade and other receivables are all denominated in RMB and approximate their fair values.
- (d) The aging analysis of the trade receivables based on invoice date was as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
0–60 days	104,346	134,254	154,862	163,734
61–180 days	25,132	24,591	28,698	36,031
181–365 days	4,008	9,616	26,245	35,763
1–2 years	4,986	3,084	7,289	10,123
2–3 years	2,079	3,118	2,149	3,420
3–4 years	1,807	928	1,531	2,886
	<u>142,358</u>	<u>175,591</u>	<u>220,774</u>	<u>251,957</u>

- (e) Impairment loss of the amount due from a related company/then related company of RMB1,682,000 were recognised during the year ended 31 December 2020. No further provision was made for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2022 and 2023. A reversal of impairment loss of RMB1,198,000 was made for the year ended 31 December 2021. The reversal and the impairment losses of financial assets for trade and other receivables of RMB3,531,000, were netted off and reflected as a net impairment losses of RMB2,333,000 for the year ended 31 December 2021. The Group provided expected credit losses prescribed by HKFRS 9. Further details are set out in Notes 3.1(iii) and 7(ii).

**22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The Group did have certain investments in fund and wealth management products as of 1 January 2020 and movements in these investments are as below:

	Year ended 31 December			Six months
	2020	2021	2022	ended
	RMB'000	RMB'000	RMB'000	30 June
At beginning of the year/period	4,130	–	–	–
Addition for the year/period	142,802	–	–	–
Changes in fair value for the year/period	(7,114)	–	–	–
Disposal for the year/period	(139,818)	–	–	–
At end of the year/period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The different levels of fair value measurement have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

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- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The investments in fund as at 1 January 2020 of RMB1,130,000 were financial instruments traded in active markets and the fair value of which was determined based on quoted market prices. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for this investment held by the Group was the current bid price. The instrument was included in Level 1 of the fair value hierarchy. The investments were disposed during the year ended 31 December 2020.

As at 1 January 2020, the Group had also invested in a wealth management product as issued by bank in the PRC with a fair value of RMB3,000,000 which expected investment income rates were ranging from 2% to 3% per annum. The principals and returns on these wealth management product were not guaranteed, and therefore the Group designated them as financial assets at fair value through profit or loss. The fair value was determined based on cash flows discounted using the expected interest rate ranging from 2% to 3% per annum and was within Level 3 of the fair value hierarchy which the estimation is based on unobservable inputs. The investment was disposed during the year ended 31 December 2020.

During the year ended 31 December 2020, the Group acquired the investments in listed securities, exchange-traded funds and open-ended funds which were traded in active markets. The fair value of the investments was determined based on quoted market prices. The quoted market price used for these investments held by the Group is the current bid price. The instrument is included in Level 1 of the fair value hierarchy. Part of the investments was financing by other borrowings of RMB25,833,000 at the interest rate of 8.35% per annum. The other borrowings were settled and the investments were disposed during the year ended 31 December 2020.

Realised and unrealised changes in fair value of these financial assets and disposal gain or loss are recognised in “other loss” in the consolidated statements of comprehensive income (Note 8).

**23 RESTRICTED BANK DEPOSITS AND CASH AND BANK BALANCES**

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Restricted bank deposits	–	5,388	1,780	1,453
<b>Cash and cash equivalents</b>				
– Cash at banks and on hand	67,437	52,191	54,722	49,858

- (a) All restricted bank deposits and cash and cash equivalents are mainly denominated in RMB throughout the Track Record Period.
- (b) Conversion of RMB into foreign currencies is subject to the Foreign Exchange Control in the PRC throughout the Track Record Period.
- (c) All bank balances carrying interest at variables rates with interests rates ranging from 0.20% to 0.35% per annum throughout the Track Record Period.
- (d) As at 31 December 2021 and 2022 and 30 June 2023, the restricted bank deposits of RMB1,328,000, RMB1,780,000 and RMB1,453,000 respectively are held for the guarantee of the performance of the Group’s provision of cleaning and maintenance services to customers.

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- (e) As at 31 December 2021, the restricted bank deposits of RMB4,060,000 were pledged to secure the bank borrowing of the Group and the pledge was released after the related bank borrowings of RMB4,010,000 were fully settled in January 2022 (Note 27).

**24 SHARE CAPITAL**

	Number of ordinary shares	Nominal value of shares HK\$	Equivalent nominal value of shares RMB
<b>Authorised</b>			
At 4 January 2021 (date of incorporation) and 31 December 2021 and 2022 and 30 June 2023	38,000,000	380,000	317,900
<b>Issued and fully paid</b>			
2 share allotted and issued on the date of incorporation	2	–	–
998 shares allotted and issued in connection with the Reorganisation (Note 1.2)	998	10	8
At 31 December 2021 and 2022 and 30 June 2023	1,000	10	8

**25 RESERVES**

	Combined capital RMB'000	Share premium RMB'000	Capital reserves (note c) RMB'000	Retained earnings RMB'000	Statutory reserves (note d) RMB'000	Total RMB'000
At 1 January 2020	13,320	–	(2,150)	85,111	11,692	107,973
Profit for the year	–	–	–	31,312	–	31,312
Transfer from combined capital to capital reserves (note a)	(500)	–	500	–	–	–
Deemed contribution from Controlling Shareholders (note b)	–	–	2,150	–	–	2,150
Appropriation of statutory reserves	–	–	–	(2,540)	2,540	–
At 31 December 2020	12,820	–	500	113,883	14,232	141,435

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	Combined capital RMB’000	Share premium RMB’000	Capital reserves (note c) RMB’000	Retained earnings RMB’000	Statutory reserves (note d) RMB’000	Total RMB’000
At 1 January 2021	12,820	–	500	113,883	14,232	141,435
Profit for the year	–	–	–	39,921	–	39,921
Capital contribution from a shareholder (Note 1.2(i))	–	–	247	–	–	247
Capital reduction of a subsidiary (Note 1.2(ii))	(12,320)	–	–	–	–	(12,320)
Issuance of shares (Note 1.2(iv))	–	4,000	–	–	–	4,000
Transfer from combined capital to capital reserves	(500)	–	500	–	–	–
Deemed distribution to Controlling Shareholders (Note 1.2(vii))	–	–	(2,460)	–	–	(2,460)
Dividend paid to Controlling Shareholders (Note 13)	–	–	–	(28,180)	–	(28,180)
At 31 December 2021	<u>–</u>	<u>4,000</u>	<u>(1,213)</u>	<u>125,624</u>	<u>14,232</u>	<u>142,643</u>
At 1 January 2022	–	4,000	(1,213)	125,624	14,232	142,643
Profit for the year	–	–	–	34,389	–	34,389
At 31 December 2022	<u>–</u>	<u>4,000</u>	<u>(1,213)</u>	<u>160,013</u>	<u>14,232</u>	<u>177,032</u>
At 1 January 2022 (Unaudited)	–	4,000	(1,213)	125,624	14,232	142,643
Profit for the period	–	–	–	15,392	–	15,392
At 30 June 2022	<u>–</u>	<u>4,000</u>	<u>(1,213)</u>	<u>141,016</u>	<u>14,232</u>	<u>158,035</u>
At 1 January 2023	–	4,000	(1,213)	160,013	14,232	177,032
Profit for the period	–	–	–	15,308	–	15,308
At 30 June 2023	<u>–</u>	<u>4,000</u>	<u>(1,213)</u>	<u>175,321</u>	<u>14,232</u>	<u>192,340</u>

\* Combined capital as at 31 December 2020 represents the combined capital of the companies now comprising the Group after elimination of inter-company investments.

Notes:

- (a) On 10 August 2020, Guangzhou Shenghui acquired Guangzhou Xinhui from Controlling Shareholders with nil consideration. The share capital of Guangzhou Xinhui was transferred to capital reserves.



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- (b) As the Excluded Entities are not part of the [REDACTED] Business (Note 1.2), for the purpose of this Historical Financial Information, the surplus or shortfall of the proceed of the disposal of the investments in Excluded Entities over the investments in Excluded Entities are regarded as deemed contribution/distribution from/to the Controlling Shareholders.
- (c) The capital reserve represents the deemed contribution/distribution from/to Controlling Shareholders.
- (d) In accordance with the relevant laws and regulations of the PRC and the Articles of Association of the subsidiaries of the Group, when distributing the net profit of each year, the subsidiaries of the Group shall reserve appropriate 10% of its profit after taxation (based on the local statutory financial statements) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company’s registered capital). As at 31 December 2021 and 2022 and 30 June 2023, the statutory reserve balances of the PRC subsidiaries have already reached 50% of the registered capital of the respective PRC subsidiaries.

26 TRADE AND OTHER PAYABLES

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Trade payables	28,482	32,672	31,511	30,818
Other payables				
– Utility	182	388	388	533
– [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– Amount due to Mr. Chen <i>(Note 30(b))</i>	180	1,405	1,405	1,405
– Amount due to Mr. Li <i>(Note 30(b))</i>	–	6,274	13,765	16,075
– Amount due to related companies/then related companies <i>(Note 30(b))</i>	317	17	1	1
– Payroll, bonus and social insurance payables	53,779	49,755	52,006	52,912
– Other tax payable	3,642	4,613	6,720	7,531
	60,910	66,063	80,244	87,145
Trade and other payables	89,392	98,735	111,755	117,963

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The ageing analysis of trade payables based on the invoice date was as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
0–60 days	21,660	28,755	25,302	22,802
61–180 days	3,149	2,670	1,711	2,006
181–365 days	1,568	174	996	2,538
More than 1 year	2,105	1,073	3,502	3,472
	<u>28,482</u>	<u>32,672</u>	<u>31,511</u>	<u>30,818</u>

The amounts due to Mr. Li, Mr. Chen and related companies/then related companies are unsecured, interest-free and repayable on demand.

The carrying amounts of trade and other payables are denominated in RMB and are approximate their fair values.

**27 BANK BORROWINGS**

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
Secured short-term bank borrowings due within one year	<u>-</u>	<u>10,010</u>	<u>-</u>	<u>-</u>

The bank borrowings as at 31 December 2021 were all denominated in RMB and borne interests at the interest rates ranging from 4.0% to 5.0% per annum and secured by the personal guarantee by the Controlling Shareholders.

As at 31 December 2021, buildings with carrying amount of RMB6,220,000 and the restricted bank deposits of RMB4,060,000 were pledged to secure the bank borrowings of the Group.

The carrying amounts of the Group’s bank borrowings approximated their fair value as the impact of discounting is not significant.

The pledge of restricted bank deposits of RMB4,060,000 was released after the related bank borrowings of RMB4,010,000 were fully settled in January 2022. The pledge of buildings of RMB6,220,000 was also released after the related bank borrowings of RMB6,000,000 were settled in March 2022. The personal guarantee by Controlling Shareholders was released and no banking facilities were available to the Group as at 31 December 2022.

The Group has obtained banking facility of RMB20,000,000 which can be utilised by the Group during the period from 10 March 2023 to 9 March 2024. The banking facility has not been utilised as at 30 June 2023.

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**28 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(a) Cash generated from operations**

	Year ended 31 December			Six months ended	
	2020	2021	2022	30 June	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	38,502	45,551	39,868	18,443	17,427
<b>Adjustments for</b>					
– Bank interest income	(134)	(92)	(153)	(109)	(72)
– Dividend income	(84)	–	–	–	–
– Interest expenses	1,306	496	575	345	269
– Fair value losses on financial assets at fair value through profit or loss	7,114	–	–	–	–
– Depreciation of property, plant and equipment	2,546	3,146	3,202	1,590	1,624
– Depreciation of right-of-use assets	295	140	–	–	–
– Depreciation of investment properties	517	517	517	259	259
– Loss of disposal of property, plant and equipment	57	3	–	–	–
– Share of net profit of associates	(236)	–	–	–	–
– Loss on disposal of investments in associates	174	–	–	–	–
– Impairment losses on financial assets	4,580	3,531	4,185	1,905	5,016
– Reversal of impairment losses on financial assets	–	(1,198)	–	–	–
Changes in working capital					
– Trade and other receivables	(41,304)	(35,611)	(44,525)	(47,769)	(29,966)
– Trade and other payables	15,031	2,618	7,269	2,122	4,264
Cash generated from/ (used in) operations	<u>28,364</u>	<u>19,101</u>	<u>10,938</u>	<u>(23,214)</u>	<u>(1,179)</u>

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**(b) Reconciliation of liabilities from financing activities**

This section sets out the movements in liabilities from financing activities:

	<b>Balances with Controlling Shareholders</b>	<b>Balances with related companies</b>	<b>Bank borrowings</b>	<b>Lease liabilities</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 1 January 2020</b>	–	85	5,000	8,202	13,287
Cash flows	180	(23)	(5,000)	(947)	(5,790)
Interest expenses	–	–	–	458	458
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2020 and 1 January 2021</b>	180	62	–	7,713	7,955
Cash flows	5,039	(62)	10,010	(715)	14,272
Interest expenses	–	–	–	441	441
Deemed distribution to Controlling Shareholders ( <i>Note 1.2(vii)</i> )	2,460	–	–	–	2,460
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2021 and 1 January 2022</b>	7,679	–	10,010	7,439	25,128
Cash flows	7,491	–	(10,010)	(666)	(3,185)
Interest expenses	–	–	–	427	427
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2022 and 1 January 2023</b>	15,170	–	–	7,200	22,370
Cash flows	2,310	–	–	(338)	1,972
Interest expenses	–	–	–	216	216
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 30 June 2023</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**29 COMMITMENTS**

The Group did not have any material capital commitments as at 31 December 2020, 2021 and 2022 and 30 June 2023.

The Group has future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties as follows:

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
No later than 1 year	891	848	848	2,288
Between 1 and 2 years	848	848	538	114
Between 2 and 3 years	848	538	–	–
More than 3 years	538	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	3,125	2,234	1,386	2,402
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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**30 RELATED PARTY TRANSACTIONS**

The following transactions were carried out with related parties/companies:

**(a) Transactions with related parties/companies**

Related party transactions:

	Notes	Year ended 31 December			Six months ended	
		2020	2021	2022	30 June	2023
		RMB'000	RMB'000	RMB'000	2022	2023
					RMB'000	RMB'000
					(Unaudited)	
<b>Entity jointly controlled by Controlling Shareholders</b>						
– Rental income*	7	1,154	–	–	–	–
– Late fee arising from rental income*	7	1,241	–	–	–	–
– Travelling expenses	6	32	20	–	–	–
<b>Entity controlled by Mr. Chen</b>						
– Short-term lease expenses	6	19	5	–	–	–
<b>Controlling Shareholders</b>						
– Interest expenses	11	–	16	–	–	–
– Funds advance/repayment to Controlling Shareholders		11,720	16,482	400	–	–
– Funds advance from Controlling Shareholders		13,237	23,555	7,891	4,967	2,310

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

\* *The related companies were disposed during the year ended 31 December 2020.*

**Leases**

During the Track Record Period, the Group entered into lease agreements for leasing in land use right and buildings with Guangzhou Pengsheng, the related company/then related company, which was controlled by Controlling Shareholders. The leasing term was from 1 July 2016 to 30 June 2024. The total contract amount was approximately RMB14,390,000. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying amount of the leased investment properties amounted to approximately RMB6,181,000, RMB5,775,000, RMB5,369,000 and RMB5,167,000 and the related lease liabilities amounted to approximately RMB7,641,000, RMB7,439,000, RMB7,200,000 and RMB7,078,000 respectively.

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(b) Balances due from/(to) related parties/companies

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
<b>Entity jointly controlled by Controlling Shareholders</b>				
Trade in nature and included in:				
– Amounts due to related companies	(5)	(16)	–	–
<b>Entity controlled by key management of the Group</b>				
Trade in nature and included in:				
– Amount due to related companies	(247)	–	–	–
<b>Key management of the Group</b>				
Non-trade in nature and included in:				
– Amounts due from/(to) Mr. Li	2,034	(6,274)	(13,765)	(16,075)
– Amounts due from related parties	7,136	–	–	–
Less: allowance for impairment	(7,113)	–	–	–
	<u>23</u>	<u>–</u>	<u>–</u>	<u>–</u>
– Amounts due to Mr. Chen	(180)	(1,405)	(1,405)	(1,405)
<b>Associates*</b>				
Trade in nature and included in:				
– Amounts due to related companies	(7)	(1)	(1)	(1)
Non-trade in nature and included in:				
– Amounts due to related companies	(58)	–	–	–

\* The related companies were disposed during the year ended 31 December 2020.

Note: The balances with related parties/companies which are trade in nature mainly represent the prepayment and trade payables for providing garbage collection and cleaning service to related companies.

The balances with related parties/companies which are non-trade in nature mainly represent the amount due from/(to) Mr. Li, the amount due to Mr. Chen and the amounts due from/(to) related parties/companies.

The above amounts due from/(to) related companies/parties are unsecured, denominated in RMB, interest-free and repayable on demand except for the funds advance to Mr. Li of RMB5,600,000 during the year ended 31 December 2020, which carried an interest of RMB12,600 and the funds advance from Mr. Li of RMB11,750,000 during the year ended 31 December 2021 which carried an interest rate of 0.36% per annum, which were both settled during the year ended 31 December 2021. All the above balances will be waived before [REDACTED].

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(c) Key management compensation

Key management includes directors and senior managements of the Group. The compensation paid or payable to key management is shown below:

	Year ended 31 December			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	1,315	1,694	1,480	1,007	1,076
Social insurance and housing provident fund contribution	245	273	273	191	210
	<u>1,560</u>	<u>1,967</u>	<u>1,753</u>	<u>1,198</u>	<u>1,286</u>

31 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Interests in subsidiaries

Interests in subsidiaries represents the deemed cost of investment in Guangzhou Xinhui amounting to RMB108,881,000 (Note 1.2).

(b) Prepayment

The amount represents the deferred [REDACTED] expenses to be deducted from equity upon the issuance of new shares at the [REDACTED] of the Company (Note 21(b)).

(c) Other payables

As at 31 December 2021 and 2022 and 30 June 2023, the amount mainly represents the [REDACTED] expense payable of approximately RMB3,611,000, RMB5,959,000 and RMB8,688,000 respectively, and the amounts due to the Controlling Shareholders of RMB4,100,000, RMB11,990,000 and RMB14,300,000, respectively, which are unsecured, interest-free, repayable on demand and will be waived before [REDACTED].

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**(d) Movement of reserves of the Company**

	<b>Share premium RMB’000</b>	<b>Other reserves (Note) RMB’000</b>	<b>Accumulated losses RMB’000</b>	<b>Total RMB’000</b>
At 4 January 2021 (date of incorporation)	–	–	–	–
Surplus arising on issue of share in connection with the Reorganisation	–	108,881	–	108,881
Deemed distribution to Controlling Shareholders (Note 1.2(vii))	–	(2,460)	–	(2,460)
Loss for the year	–	–	(9,669)	(9,669)
Issuance of shares (Note 1.2(iv))	4,000	–	–	4,000
At 31 December 2021	<u>4,000</u>	<u>106,421</u>	<u>(9,669)</u>	<u>100,752</u>
At 1 January 2022	4,000	106,421	(9,669)	100,752
Loss for the year	–	–	(6,211)	(6,211)
At 31 December 2022	<u>4,000</u>	<u>106,421</u>	<u>(15,880)</u>	<u>94,541</u>
At 1 January 2022 (Unaudited)	4,000	106,421	(9,669)	100,752
Loss for the period	–	–	(6,838)	(6,838)
At 30 June 2022	<u>4,000</u>	<u>106,421</u>	<u>(16,507)</u>	<u>93,914</u>
At 1 January 2023	4,000	106,421	(15,880)	94,541
Loss for the period	–	–	(3,897)	(3,897)
At 30 June 2023	<u>4,000</u>	<u>106,421</u>	<u>(19,777)</u>	<u>90,644</u>

*Note:* Other reserves of the Company represent the difference between the net asset value of the acquired subsidiaries acquired by the Company over the nominal value of the share capital of the Company issued in exchange thereof (Note 31(a)) and net off the deemed distribution to the Controlling Shareholders of RMB2,460,000.

**32 CONTINGENT LIABILITIES**

The Group has no material contingent liabilities outstanding as at 31 December 2020, 2021 and 2022 and 30 June 2023.

**33 SUBSEQUENT EVENTS**

The Group does not have any material events after the Track Record Period which may require adjustments or additional disclosure to this Historical Financial Information.



**34 SUMMARY OF OTHER ACCOUNTING POLICIES**

**34.1 Principles of consolidation and equity accounting**

*34.1.1 Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries, if any, are shown separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position respectively.

*34.1.2 Associates*

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

*34.1.3 Equity method*

Under the equity method of accounting, interests in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in associates equals or exceeds its interests in the associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the associates), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount adjacent to 'share of net profit of associates' in consolidated statements of comprehensive income.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

*34.1.4 Disposals of interest in subsidiaries and associates*

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

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### 34.2 Business combinations

#### *34.2.1 Non-common control business combinations*

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, if any, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

#### *34.2.2 Merger accounting for business combination involving businesses under common control*

The consolidated statements of comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the Historical Financial Information are presented as if the [REDACTED] Business had been consolidated at the beginning of the earliest reporting period or when they first came under common control, whichever is shorter. The Historical Financial Information includes the entities that were managed by management of the [REDACTED] Business during the years/periods presented. These activities were consolidated with all intra-group balances and transactions eliminated within the Group.

### 34.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year/period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

**34.4 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (“CODM”), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

**34.5 Foreign currencies**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Historical Financial Information is presented in RMB, which is the Group and the Company’s functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses, if any, are presented in the consolidated statements of comprehensive income within “General and administrative expenses”.

*(iii) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;
- (2) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### 34.6 Leases

#### *The Group as a lessee*

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated statements of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group's right-of-use assets consist of leases for building and machinery.

Right-of-use assets resulted from lease payments are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the assets and other direct related costs from the date when the respective rights were granted. Depreciation of lease payments is calculated on a straight-line basis over the lease terms as stated in the lease contracts and is charged to profit or loss.

#### *The Group as a lessor*

Lease income from operating leases where the Group acts as the lessor is recognised on a straight-line basis over the lease term. Initial direct costs incurred in obtaining the operating lease are added to the carrying amount of the underlying asset and recognised as expenses over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statements of financial position based on their nature.

### 34.7 Property, plant and equipment

Property, plant and equipment are stated in the Historical Financial Information at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

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Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 34.9).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'other loss' in the consolidated statements of comprehensive income.

### 34.8 Investment properties

Investment properties are interests in land and/or buildings in respect of which construction work and development have been completed and which are held for long-term rental yields and are not occupied by the Group. Investment properties are stated in the consolidated statements of financial position at cost less accumulated depreciation and accumulated impairment, if any.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the investment properties and is recognised in profit or loss.

### 34.9 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 34.10 Financial assets

#### (i) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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### *(ii) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### *(iii) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in “other income, net” using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in “other loss”. Interest income from these financial assets is included in “other income, net” using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in “other loss” in the period in which it arises. Dividend income from financial assets at fair value through profit or loss is recognised in “other income, net” when the rights to receive payment are established.

#### *Equity instruments*

The Group subsequently measures all equity investments at fair value through profit or loss. Dividends from such investments were recognised in “other income, net” when the Group’s right to receive payments is established.

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### *(iv) Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Further details are set out in Note 3.1 (iii).

### **34.11 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### **34.12 Trade and other receivables**

Trade receivables are amounts due from customer for services provided in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Further information about the Group's accounting for trade receivables and other receivables and a description of the Group's impairment policies is set out in Note 21 and Note 3.1 (iii) respectively.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

### **34.13 Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### **34.14 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **34.15 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### **34.16 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 34.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 34.18 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Historical Financial Information. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent asset is not recognised but is disclosed in the notes to the Historical Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### 34.19 Current and deferred income tax

The income tax expense or credit for the years is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (i) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the PRC where the Group and its associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.



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### *(ii) Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amount will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the companies are able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **34.20 Employee benefits**

#### *(a) Pension obligations*

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

#### *(b) Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurances. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

#### *(c) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**34.21 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognised as interest expense.

**34.22 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

**34.23 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in financial statements in the period when the dividends are approved by the Company's shareholders, where appropriate.

**34.24 Related parties**

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Company's parent.
  
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of the company of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### **34.25 Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

### **34.26 Income from the provision of construction labor service**

Income is recognised over time when the service is rendered to customers and stated net of the related expenses as incurred.

## **III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2023 and up to the date of this report. Save as disclosed in Note 13 of this report, no dividend distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2023.