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Shenghui Cleanness Group Holdings Limited

升輝清潔集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2521)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Shenghui Cleanness Group Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2024 together with comparative figures for the corresponding period in 2023 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	<i>Notes</i>	For the six months ended 30 June	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
Revenue		325,779	298,251
Cost of services		(293,741)	(251,074)
Gross profit		32,038	47,177
Selling and marketing expenses		(3,537)	(2,730)
General and administrative expenses		(18,257)	(24,042)
Impairment losses on financial assets		–	(5,016)
Other income, net	5	1,207	2,235
Operating profit		11,451	17,624
Finance expenses, net	6	(183)	(197)
Profit before income tax		11,268	17,427
Income tax expenses	7	(1,113)	(2,119)
Profit and total comprehensive income for the period attributable to owners of the Company		10,155	15,308
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
– Basis and diluted	9	0.62	1.22

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

		30 June	31 December
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
Assets			
Non-current assets			
Property, plant and equipment	<i>10</i>	18,521	15,645
Investment properties		5,724	5,981
Deferred income tax assets		5,045	5,075
Deposits		6,536	6,536
Prepayment for acquisition of plant and equipment		7,250	7,250
		<u>43,076</u>	<u>40,487</u>
Current assets			
Inventories		3,410	–
Trade and other receivables and prepayments		305,043	249,476
Restricted bank deposits	<i>11</i>	1,817	1,817
Cash and cash equivalents		99,236	148,573
		<u>409,506</u>	<u>399,866</u>
Total assets		<u>452,582</u>	<u>440,353</u>
Equity			
Equity attributable to owners of the Company			
Share capital	<i>13</i>	14,726	14,726
Reserves		294,247	284,092
Total equity		<u>308,973</u>	<u>298,818</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
AS AT 30 JUNE 2024

		30 June	31 December
		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
Liabilities			
Non-current liabilities			
Lease liabilities		<u>6,102</u>	<u>6,234</u>
Current liabilities			
Trade and other payables	<i>14</i>	107,030	113,699
Current income tax payables		17,988	20,901
Bank borrowing	<i>12</i>	11,790	–
Lease liabilities		<u>699</u>	<u>701</u>
		<u>137,507</u>	<u>135,301</u>
Total liabilities		<u>143,609</u>	<u>141,535</u>
Total equity and liabilities		<u>452,582</u>	<u>440,353</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Shenghui Cleanness Group Holdings Limited (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 Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 5 December 2023. The address of the Company’s registered office is at 11th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong.

The Company is an investment holding company, together with 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 controlling shareholders of the Company are Mr. Li Chenghua (“**Mr. Li**”) and Mr. Chen Liming (“**Mr. Chen**”) (the “**Controlling Shareholdings**”). The condensed consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand of RMB (“**RMB’000**”) except when otherwise indicated.

2 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements under the Listing Rules.

The accounting policies and the method of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2023 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning on 1 January 2024. The unaudited condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2023.

During the interim period, the Group has adopted all the new and amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) which are first effective for the reporting period and relevant to the Group. The adoption of these new and amended HKFRSs did not result in material changes to the Group’s accounting policies and unaudited condensed consolidated interim financial information.

Amended HKFRSs that are effective for annual periods beginning or after 1 January 2024

The condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2023, except for the adoption of the following amended HKFRSs which are effective as of 1 January 2024.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendment to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

None of the new and amended HKFRSs is expected to have a material impact on the Group's condensed consolidated interim financial statements.

3 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker ("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.

For the period ended 30 June 2024, 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 for the period ended 30 June 2024 is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Revenue from contracts with customers recognised over time		
Cleaning and maintenance services income	<u>325,779</u>	<u>298,251</u>

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 for the period ended 30 June 2024. None of the individual customer of the Group contributed 10% or more of the Group's revenue for the period ended 30 June 2024.

As at 30 June 2024, 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 reporting period ended 30 June 2024, there were no significant contract assets recognised.

(b) Contract liabilities

As at the end of the reporting period ended 30 June 2024, 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

For the period ended 30 June 2024 and 2023, 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.

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 contact, 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.

4 EXPENSES BY NATURE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Employee benefit expenses including director's remuneration		
– Salaries, wages and bonus	169,899	158,123
– Social insurance and housing provident fund contribution	7,559	7,405
– Other employee benefits	499	457
Subcontracting labor costs	99,733	85,939
Cost of cleaning materials consumed	8,137	8,545
Depreciation	1,757	1,883
Short-term lease expenses	1,234	1,379
	<u>1,234</u>	<u>1,379</u>

5 OTHER INCOME, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Rental income (<i>Note i</i>)	1,324	1,687
Value-added tax refund	751	643
Donation	(900)	(70)
Others	32	(25)
	<u>1,207</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.

6 FINANCE INCOME/(EXPENSES), NET

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Finance income		
Bank interest income	80	72
Finance expenses		
Interest expense on bank borrowings	(59)	(53)
Interest expense on lease liabilities	<u>(204)</u>	<u>(216)</u>
Finance expenses, net	<u>(183)</u>	<u>(197)</u>

7 INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Current income tax	1,083	2,871
Deferred income tax	<u>30</u>	<u>(752)</u>
	<u>1,113</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, 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 obtained the renewal of the High and New Technology Enterprise Certificate on 28 December 2023 which is valid for 3 years to 28 December 2026.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the period ended 30 June 2024 and 2023.

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 Council of the PRC, enterprises engaged in research and development activities are entitled to claim an additional tax deduction amounting to maximum 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 for the period ended 30 June 2024 and 2023.

As at 30 June 2024 and 31 December 2023, the Group did not recognise deferred income tax assets in respect of tax losses 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.

8 DIVIDEND

No dividend has been paid or declared by the Company for the period ended 30 June 2024 and 2023.

9 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. The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the issue of shares in connection with the capitalisation issue of 1,251,249,000 shares which took place on 5 December 2023.

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Profit attributable to owners of the Company (<i>RMB'000</i>)	10,155	15,308
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,625,000</u>	<u>1,251,250</u>
Basic earnings per share (<i>RMB cents</i>)	<u>0.62</u>	<u>1.22</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 for the period ended 30 June 2024 and 2023.

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment of RMB4,633,000 (2023: RMB2,253,000) mainly for the plant and machinery.

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade receivables	285,948	241,856
Less: allowance for impairment	<u>(14,004)</u>	<u>(14,004)</u>
	271,944	<u>227,852</u>
Deposits	14,056	15,013
Less: allowance for impairment	<u>(4,214)</u>	<u>(4,214)</u>
	9,842	<u>10,799</u>
Less: deposits – non-current portion	<u>(6,536)</u>	<u>(6,536)</u>
Deposits – current portion	<u>3,306</u>	<u>4,263</u>
Notes receivables	<u>3,000</u>	<u>4,447</u>
Other receivables	<u>10,830</u>	<u>9,669</u>
Prepayments	<u>15,963</u>	<u>3,245</u>
Trade and other receivables and prepayment, net	<u>305,043</u>	<u>249,476</u>

Notes:

- (a) The carrying amounts of trade and other receivables are all denominated in RMB and approximate their fair values.

(b) The aging analysis of the trade receivables based on invoice date was as follows:

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
0 – 60 days	126,152	163,825
61 – 180 days	106,512	40,790
181 – 365 days	25,395	21,779
1 – 2 years	15,403	8,009
2 – 3 years	8,098	4,229
3 – 4 years	4,388	3,224
	<u>285,948</u>	<u>241,856</u>

12 BANK BORROWING

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Bank loans	<u>11,790</u>	<u>–</u>
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	<u>11,790</u>	<u>–</u>
Classified as:		
Non-current liabilities	–	–
Current liabilities	<u>11,790</u>	<u>–</u>
	<u>11,790</u>	<u>–</u>

13 SHARE CAPITAL

	Number of ordinary shares	Nominal value of shares <i>HK\$</i>	Equivalent nominal value of shares <i>RMB</i>
Authorised			
At 1 January 2022	38,000,000	380,000	317,900
Increase in authorised share capital (<i>Note i</i>)	<u>9,962,000,000</u>	<u>99,620,000</u>	<u>90,275,600</u>
At 31 December 2023 and 30 June 2024	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>90,593,500</u>
Issued and fully paid			
At 1 January 2022	1,000	10	8
Issuance of shares (<i>Note ii</i>)	<u>1,624,999,000</u>	<u>16,249,990</u>	<u>14,725,733</u>
At 31 December 2023 and 30 June 2024	<u>1,625,000,000</u>	<u>16,250,000</u>	<u>14,725,741</u>

Notes:

- (i) The Company was incorporated in the Cayman Islands on 4 January 2021. At the date of incorporation, the authorised share capital is HK\$380,000 comprising 38,000,000 ordinary shares of HK\$0.01 each. Upon the completion of public offering and the placing on 5 December 2023, the authorised share capital was increased to HK\$100,000,000 comprising 10,000,000,000 ordinary shares.
- (ii) Based upon a shareholders' resolution dated 14 November 2023 and successful offering of the Company's shares, the Company issued additional 1,251,249,000 new shares (including 40,625,000 to be offered by Controlling Shareholders for sale at HK\$0.32 under the placing), credited as fully paid, to the then shareholder of the Company on 14 November 2023 (the "Capitalisation Issue"). On 5 December 2023, the Company was listed on the Stock Exchange with a public offering in Hong Kong of 373,750,000 shares at a price of HK\$0.32 per share (the "Share Offer"), with a total amount of HK\$119,600,000 (equivalents at approximately RMB108,382,000).

14 TRADE AND OTHER PAYABLES

	Six months ended 30 June	
	2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (audited)
Trade payables	28,810	31,193
Other payables	<u>78,220</u>	<u>82,506</u>
Trade and other payables	<u>107,030</u>	<u>113,699</u>

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

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
0 – 60 days	23,036	21,148
61 – 180 days	3,472	3,313
181 – 365 days	1,089	1,867
More than 1 year	1,213	4,865
	<u>28,810</u>	<u>31,193</u>

The amounts due to Mr. Li and Mr. Chen 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.

15 COMMITMENTS

As at 30 June 2024, the Group has capital commitments to be incurred amounted to approximately RMB9.1 million (31 December 2023: RMB9.1 million).

16 RELATED PARTY TRANSACTIONS

Apart from the related parties transactions disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties/companies:

(a) Transactions with related parties/companies

Related party transactions:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Controlling Shareholders		
– Funds advance from Controlling Shareholders during the year	<u>–</u>	<u>2,310</u>

(b) **Balances due to Controlling Shareholders**

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Controlling Shareholders		
Non-trade in nature and included in:		
– Amount due to Mr. Li	16,411	16,411
– Amount due to Mr. Chen	1,125	1,125
	<u>16,411</u>	<u>16,411</u>

Note: The balances with Controlling Shareholders which are non-trade in nature and are unsecured, denominated in RMB, interest-free and repayable on demand.

(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:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Salaries, wages and bonuses	1,103	1,076
Social insurance and housing provident fund contribution	226	210
	<u>1,329</u>	<u>1,286</u>

17 SUBSEQUENT EVENTS

The Group does not have any material events after the period ended 30 June 2024 which may require adjustments or additional disclosure to these consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a cleaning and maintenance service provider in the Guangdong province of PRC. For the six months ended 30 June 2024, the total revenue of the Group was approximately RMB 325.8 million, while profit for the six month ended was approximately RMB10.2 million.

We generated gross profit of approximately RMB32.0 million for the six months ended 30 June 2024 as compared to approximately RMB47.2 million for the six months ended 30 June 2023. The Group's gross profit margins decreased from 15.8% for the six months ended 30 June 2023 to 9.8% for the six months ended 30 June 2024. The decrease is mainly due to the increase in employee benefit expenses.

OUTLOOK

Since our Group's establishment in 2000 and foothold in Guangzhou, we have built a strong position in Guangdong province. In view of the PRC's continuous growth in the economy and urbanisation, as well as the expected increase in the number of new properties, apart from growing the business through organic growth initiatives, we plan to leverage on our extensive experience in cleaning and maintenance services and expand our presence in both existing and new markets. We intend to replicate our model to other regions in the PRC with a strong demand for property cleaning services. Our Group also explore and pursue opportunities to expand the customer base and bolster the geographic presence in other provinces by potential acquisition and/or investment in cleaning and maintenance service provider(s) in the Greater Bay Area to enable us to expand the geographic reach and tender for cleaning services provision in major infrastructures to be completed in the near future.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, we derived our revenue primarily from (i) property cleaning services for various type of commercial building, residential building, transportation hub, shopping mall, public utilities and industrial park; and (ii) public space cleaning services primarily for road sweeping and cityscape cleaning. We recorded revenue of approximately RMB325.8 million for the six months ended 30 June 2024, respectively. For the six months ended 30 June 2024, our revenue mainly generated from property cleaning services and public space cleaning services, accounted for 96.0% and 4.0%, respectively, of our total revenue.

We recorded an increase in revenue from approximately RMB298.3 million for the six months ended 30 June 2023 to approximately RMB325.8 million for the six months ended 30 June 2024, representing an increase of approximately 9.2%. The increase in revenue was mainly due to the increase in number of projects in property cleaning service.

Cost of services

Our cost of services increased from approximately RMB251.1 million for the six months ended 30 June 2023 to approximately RMB293.7 million for the six months ended 30 June 2024, representing an increase of approximately 17.0%. The increase in cost of services was due to the increase in employee benefit expenses and the increase in subcontracting labour costs which was in line with the increase in the number of workers employed over the corresponding period in order to meet the manpower requirement of increased number of projects. The increase in cost of services was in line with the revenue growth for the same period.

Gross profit and gross profit margin

We generated gross profit of approximately RMB32.0 million for the six months ended 30 June 2024 as compared to approximately RMB47.2 million for six months ended 30 June 2023. The Group's gross profit margins decreased from 15.8% for the six months ended 30 June 2023 to 9.8% for the six months ended 30 June 2024. The decrease is mainly due to the increase in employee benefit expenses.

Other income, net

Our other income decreased from approximately RMB2.2 million for six months ended 30 June 2023 to approximately RMB1.2 million for the six months ended 30 June 2024, representing a decrease of approximately 45.5%. The decrease in other income was primarily due to the increase in donation.

Selling and marketing expenses

We recorded an increase in the selling and marketing expenses from approximately RMB2.7 million for six months ended 30 June 2023 to approximately RMB3.5 million for six months ended 30 June 2024, representing an increase of approximately 29.6%. Such increase was due to the increase in marketing and entertainment expenses as well as tendering expenses, which was in line with the expansion of our operations.

General and administrative expenses

Our general and administrative expenses decreased from approximately RMB24.0 million for six months ended 30 June 2023 to approximately RMB18.3 million for six months ended 30 June 2024, representing a decrease of 24.1% which was primarily due to decrease in listing expenses recognized.

Finance expenses, net

Our net finance expenses of approximately RMB183,000 for six months ended 30 June 2024 remained stable, as compared to a net finance expenses amounted to approximately RMB197,000 for the six months ended 30 June 2023.

Use of proceeds from the global offering

On 27 November 2023, the Company offered 414,375,000 Shares for subscription in the global offering. The offer price per Share was determined at HK\$0.32 and the Shares were successfully listed on the Main Board of the Stock Exchange on 5 December 2023. The net proceeds (after deduction of underwriting fees and commissions and other listing expenses) from the Listing were approximately HK\$73.5 million. The estimated net proceeds under the section headed “Future plans and use of proceeds” to the prospectus of the Company dated 27 November 2023 (the “**Prospectus**”) was HK\$87.4 million. The difference of approximately HK\$13.9 million has been adjusted in the same proportion to the use of proceeds as disclosed in the Prospectus.

The below table sets out the planned application of the net proceeds:

Intended application of the net proceeds	Approximate percentage of total net proceeds	Adjusted planned allocation <i>HK\$ million</i>	Utilised amount as at 30 June 2024 <i>HK\$ million</i>	Unutilised	Expected timetable for full utilisation <i>(Note)</i>
				amount as at 30 June 2024 <i>HK\$ million</i>	
Establishment of new branch offices	48.9%	36.0	–	36.0	December 2026
Acquisition or investment in cleaning and maintenance service provider(s)	21.4%	15.7	–	15.7	December 2026
Enhancing service capabilities in the public space cleaning sector	19.4%	14.3	–	14.3	December 2026
Adopting technological advances and upgrading information technology system	7.6%	5.6	2.1	3.5	December 2026
Expanding marketing department	2.5%	1.8	0.1	1.7	December 2026
General working capital	0.2%	0.1	0.1	–	
Total	100.0%	73.5	2.3	71.2	

CORPORATE GOVERNANCE

During the six months ended 30 June 2024, the Company complied with the code provisions as set out in Part 2 of Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except for the following deviation:

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Chenghua currently holds the positions of the chairman of the Board (the “**Chairman**”) and chief executive officer (the “**CEO**”) of the Company. Throughout the history of the Group, Mr. Li, the Chairman, the CEO, executive Director and controlling shareholder of the Company, has held key leadership position of the Group and has been responsible for overseeing all aspects of the operations of the Group including strategic planning, management, operation and business development. The Directors (including the independent non-executive Directors) consider that Mr. Li is the best candidate for both positions and the present structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions efficiently, and thus is in the best interests of the Group and the shareholders of the Company as a whole.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares of the Company) during the six months ended 30 June 2024.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's unaudited condensed financial results for the six months ended 30 June 2024 and discussed with the management of the Company on the accounting principles and practices adopted by the Group including a review of the unaudited condensed consolidated financial statements and the interim report of the Company for the six months ended 30 June 2024 with no disagreement by the audit committee of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.gzshqj.com. The interim report of the Company for the six months ended 30 June 2024 will be despatched to the shareholders of the Company and made available on the above websites in due course.

By Order of the Board
Shenghui Cleanness Group Holdings Limited
Li Chenghua
Chairman and Executive Director

Hong Kong, 30 August 2024

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Li Chenghua and Mr. Chen Liming; and three independent non-executive Directors, namely Ms. Cheung Bo Man, Ms. Yau Yin Hung and Dr. Wang Hui.