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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Shenghui Cleanness Group Holdings Limited (the “**Company**”) is pleased to present the audited annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2024 together with comparative figures for the corresponding period in 2023 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Revenue	4	673,558	630,172
Cost of services		<u>(572,858)</u>	<u>(536,727)</u>
Gross profit		100,700	93,445
Other income, gains and losses	5	2,433	6,389
Fair value gain on financial assets at fair value through profit or loss		37,258	–
Impairment losses on financial assets under expected credit loss model, net		(10,521)	(731)
Selling and marketing expenses		(4,023)	(5,148)
Administrative and other expenses		(68,067)	(61,099)
Finance income (expenses), net	6	<u>1,451</u>	<u>(466)</u>
Profit before income tax		59,231	32,390
Income tax expenses	7	<u>(10,005)</u>	<u>(4,501)</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u>49,226</u>	<u>27,889</u>
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
–Basis and diluted	9	<u>3.02</u>	<u>2.18</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	<i>Notes</i>	2024 RMB'000	2023 <i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment		36,200	15,645
Investment properties		905	5,981
Right-of-use assets		17,908	–
Financial assets at fair value through profit or loss	<i>10</i>	101,160	–
Deferred tax assets		6,653	5,075
Deposits and prepayments	<i>11</i>	26,996	13,786
		<u>189,822</u>	<u>40,487</u>
Current assets			
Trade and other receivables and prepayments	<i>11</i>	287,969	249,476
Restricted bank deposits		1,423	1,817
Cash and cash equivalents		91,109	148,573
		<u>380,501</u>	<u>399,866</u>
Total assets		<u>570,323</u>	<u>440,353</u>
Equity			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	15,953	14,726
Reserves		368,949	284,092
Total equity		<u>384,902</u>	<u>298,818</u>
Liabilities			
Non-current liabilities			
Lease liabilities		14,280	6,234
Deferred tax liabilities		6,538	–
		<u>20,818</u>	<u>6,234</u>
Current liabilities			
Trade and other payables	<i>13</i>	102,869	113,699
Tax payables		16,265	20,901
Bank borrowings		39,714	–
Lease liabilities		5,755	701
		<u>164,603</u>	<u>135,301</u>
Total liabilities		<u>185,421</u>	<u>141,535</u>
Total equity and liabilities		<u>570,323</u>	<u>440,353</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL 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 the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is 15th Floor, YF Lite Centre, No. 25 Jaffe Road and No. 38 Gloucester Road, Wanchai, Hong Kong.

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 controlling shareholders of the Company are Mr. Li Chenghua (“**Mr. Li**”) and Mr. Chen Liming (“**Mr. Chen**”) (the “**Controlling Shareholdings**”). The 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 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature – Dependent Electricity ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ³
Amendments to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3 BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Companies Ordinance Cap. 622. The consolidated financial statements of the Group have been prepared under the historical cost convention.

4 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.

During the years ended 31 December 2024 and 2023, 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 years ended 31 December 2024 and 2023 are as follows:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers recognised over time		
Cleaning and maintenance services income	<u>673,558</u>	<u>630,172</u>

5 OTHER INCOME, GAINS AND LOSSES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Rental income (<i>Note</i>)	2,451	3,201
Value-added tax refund	–	1,402
Government grant	60	136
Exchange loss, net	(1,851)	–
Others	1,773	1,650
	<u>2,433</u>	<u>6,389</u>

Notes: 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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Finance income		
Interest income	2,456	131
Finance expenses		
Interest expense on bank borrowings	(488)	(185)
Interest expense on lease liabilities	(517)	(412)
Finance income (expenses), net	<u>1,451</u>	<u>(466)</u>

7 INCOME TAX EXPENSES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current tax	5,045	4,611
Deferred tax	4,960	(110)
	<u>10,005</u>	<u>4,501</u>

8 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 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.

	2024	2023
Profit attributable to owners of the Company (<i>RMB'000</i>)	49,226	27,889
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,631,818</u>	<u>1,278,897</u>
Basic earnings per share (<i>RMB cents</i>)	<u>3.02</u>	<u>2.18</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 years ended 31 December 2024 and 2023.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Listed equity shares on National Equities Exchange and Quotations (<i>Note</i>)	<u>101,160</u>	<u>–</u>

Movement of the investment is as below:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
At beginning of the year	–	–
Addition for the year	63,902	–
Changes in fair value for the year	<u>37,258</u>	<u>–</u>
At end of the year	<u>101,160</u>	<u>–</u>

Note: The investment represents equity interest in an entity whose shares are listed on National Equities Exchange and Quotations (“NEEQ”), which is stated at fair value. The fair value of listed equity security is determined based on quoted market bid price available from NEEQ. During the year ended 31 December 2024, a fair value gain of RMB37,258,000 (2023: nil) has been recognised in profit or loss. The Group held 19.5% of the total issued shares in the entity as at 31 December 2024.

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	292,599	241,856
Less: allowance for impairment	<u>(24,525)</u>	<u>(14,004)</u>
	268,074	227,852
Deposits		
Deposit for acquisition of subsidiaries	21,696	–
Rental deposits	1,608	–
Other deposits	<u>11,554</u>	<u>15,013</u>
	34,858	15,013
Less: allowance for impairment	<u>(4,214)</u>	<u>(4,214)</u>
	30,644	10,799
Less: deposits – non-current portion	<u>(26,996)</u>	<u>(6,536)</u>
Deposits – current portion	<u>3,648</u>	<u>4,263</u>
Notes receivables	<u>–</u>	<u>4,447</u>
Other receivables		
– Tendering deposits	3,666	4,391
– Other receivables	5,304	5,457
Less: allowance for impairment	<u>(179)</u>	<u>(179)</u>
	8,791	9,669
Prepayments on		
– Utilities expenses	1,421	1,502
– Insurance expenses	2,077	1,743
– Prepayments to suppliers	3,958	–
– Prepayment for acquisition of property, plant and equipment	<u>–</u>	<u>7,250</u>
	7,456	10,495
Less: Prepayments – non-current portion	<u>–</u>	<u>(7,250)</u>
Prepayments – current portion	<u>7,456</u>	<u>3,245</u>
Trade and other receivables and prepayment, net	<u>314,965</u>	<u>263,262</u>

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0–60 days	174,987	163,825
61–180 days	46,371	40,790
181–365 days	32,880	21,779
Over 1 year	38,361	15,462
	<u>292,599</u>	<u>241,856</u>

12 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 2023	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, 1 January 2024 and 31 December 2024	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>90,593,500</u>
Issued and fully paid			
At 1 January 2023	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 1 January 2024	<u>1,625,000,000</u>	<u>16,250,000</u>	<u>14,725,741</u>
Issue of shares, net of transaction costs (<i>Note iii</i>)	<u>130,980,000</u>	<u>1,309,800</u>	<u>1,226,864</u>
At 31 December 2024	<u>1,755,980,000</u>	<u>17,559,800</u>	<u>15,952,605</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).

- (iii) On 13 December 2024, an aggregate of 130,980,000 shares have been placed to not less than six places at the placing price of HK\$0.305 per placing shares in accordance with the terms of the placing agreement (the “**Placing**”). The gross and net proceeds (after deducting the placing commission and other related expenses from the Placing) amounted to approximately RMB37,419,000 (equivalent to approximately HK\$39,950,000) and RMB36,858,000 (equivalent to approximately HK\$39,350,000), respectively.

13 TRADE AND OTHER PAYABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade payables	<u>19,991</u>	<u>31,193</u>
Other payables		
– Utility	1,005	1,012
– Listing expenses	–	3,252
– Amount due to Mr. Chen	1,125	1,125
– Amount due to Mr. Li	21,025	16,411
– Payroll, bonus and social insurance payables	49,181	52,430
– Other tax payable	8,030	8,276
– Other payables	<u>2,512</u>	<u>–</u>
	<u>82,878</u>	<u>82,506</u>
Trade and other payables	<u><u>102,869</u></u>	<u><u>113,699</u></u>

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0–60 days	8,096	21,148
61–180 days	2,632	3,313
181–365 days	1,575	1,867
More than 1 year	<u>7,688</u>	<u>4,865</u>
	<u><u>19,991</u></u>	<u><u>31,193</u></u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 5 December 2023 (the “**Listing**”).

The Group is a reputable cleaning and maintenance services provider in the People’s Republic of China (the “**PRC**”). With industry experience of over 20 years, we have steadily developed our business to offer a wide range of services to customers and extend the coverage of our operations to 14 provincial-level regions in the PRC.

Our service capabilities include the provision of basic cleaning and maintenance service, garbage collection and transportation service, waste collection and transportation service, water tank cleaning service and ancillary services. We also offer specialised cleaning services such as stone cleaning and restoration and high-altitude cleaning with mobile elevated platforms.

Our Group is committed to providing high quality service. We have a number of qualifications and adopt relevant quality control measures, which enable us to respond to the service requests and feedback of our customers in an efficient manner. Currently we hold, among others, the Guangzhou Sanitation Industry Operating Service Company Industry Grade Certificate – A Grade* (廣州環衛行業經營服務-企業資質等級證書), the Operational Cleaning, Collection and Transportation Services of Municipal Solid Waste Licence* (城市生活垃圾經營性清掃、收集、運輸服務許可證), the Stone & Floor Application Conservation Specialty Qualification Certificate – AAAAA Grade* (石材地坪應用護理專業資質證書-AAAAA級), Sewage, Septic Tank, Pipeline Unclogging Treatment Cleaning Service Enterprise Qualification Certificate – National Level 1* (污水、化糞池、管道疏通處理清洗服務企業資質證書-國家一級) and Secondary Water Supply Cleaning Service Enterprise Qualification Certificate* (二次供水清潔服務企業資質證書).

* *The English translation is for identification purpose only*

PROSPECTS

The Board considers that the Listing has impacted the perception of customers towards our Group and believes that the public listing status is a form of complementary advertising which will further enhance the corporate profile, assist in reinforcing the brand awareness and market reputation, promote the business opportunities and cooperation with the potential business partners and offer the Company a broader shareholder base which will provide liquidity in the trading of the shares of the Company (the “**Shares**”). In addition, in the event of future business expansion and long-term development needs and goals, the Listing will enable us to gain access to the capital market for future fund raising in the form of equity and/or debt, which would be in the interests of the Company and its shareholders.

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 business in recycling of waste materials for manufacturing of packaging materials, and design, manufacture and sale of environmentally friendly biodegradable materials. And 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

Our revenue was derived from property cleaning which includes commercial building, residential building, shopping mall and etc and public space cleaning which primarily consists of road sweeping and cityscape cleaning.

	Year ended 31 December			
	2024		2023	
	<i>RMB million</i>	<i>Approximate % of total revenue</i>	<i>RMB million</i>	<i>Approximate % of total revenue</i>
Property cleaning	644.6	95.7	606.7	96.3
Public space cleaning	29.0	4.3	23.5	3.7
Total	<u>673.6</u>	<u>100</u>	<u>630.2</u>	<u>100.0</u>

We recorded an increase in revenue from approximately RMB630.2 million for the year ended 31 December 2023 (the “**FY2023**”) to approximately RMB673.6 million for the year ended 31 December 2024 (the “**Reporting Period**”), representing an increase of approximately 6.9%. The increase in revenue was mainly due to the increase in number of projects during the Reporting Period in property cleaning service.

Cost of services

Our cost of services increased from approximately RMB536.7 million for FY2023 to approximately RMB572.9 million for the Reporting Period, representing an increase of approximately 6.7%. 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 RMB100.7 million for the Reporting Period as compared to approximately RMB93.4 million for FY2023. During the Reporting Period, our Group’s gross profit margins remained stable at approximately 14.9% as compared to approximately 14.8% for FY2023.

Other income, gains and losses

Other income, gains and losses decreased from approximately RMB6.4 million for FY2023 to approximately RMB2.4 million for the Reporting Period, representing a decrease of approximately 62.5%. The decrease in other income, gains and losses was primarily due to decrease in rental income and net exchange loss recorded during the Reporting Period.

Selling and marketing expenses

We recorded a decrease in the selling and marketing expenses from approximately RMB5.1 million for FY2023 to approximately RMB4.0 million for the Reporting Period, representing a decrease of approximately 21.6%. Such decrease was due to the decrease in marketing and entertainment expenses as well as tendering expenses.

Administrative and other expenses

Our administrative and other expenses increased from approximately RMB61.1 million for FY2023 to approximately RMB68.1 million for the Reporting Period, representing an increase of 11.5% which was primarily due to increase in staff costs during the Reporting.

Finance income (expenses), net

Our net finance income amounted to approximately RMB1.5 million for the Reporting Period as compared to a net finance expenses of approximately RMB0.5 million for FY2023.

Income tax expenses

Our income tax expenses increased from approximately RMB4.5 million for FY2023 to approximately RMB10.0 million for the Reporting Period due to deferred tax effect arise from the fair value gain on financial assets at fair value through profit or loss.

Net profit and net profit margin

As a result of the foregoing, our Group recorded an increase in the net profit from approximately RMB27.9 million for FY2023 to approximately RMB49.2 million during the Reporting Period, whilst our net profit margin increase from 4.4% for FY2023 to 7.3% for the Reporting Period. The increase in net profit is due to the recognition of fair value gain on financial assets at fair value through profit or loss and offset by the increase in impairment losses on financial assets under expected credit loss model.

Liquidity and financial resources

For the Reporting Period, our Group mainly financed the operations with our own working capital and bank borrowings. As at 31 December 2024, our Group's net asset amounted to approximately RMB384.9 million (31 December 2023: RMB298.8 million). The increase was mainly due to recognition of fair value gain on financial assets at fair value through profit or loss and receipt from placing of new shares.

We had cash, bank balances and restricted bank deposits amounted to approximately RMB92.5 million as at 31 December 2024 (31 December 2023: RMB150.4 million). The total borrowings consisting of lease liabilities and bank borrowings amounted to approximately RMB59.8 million (31 December 2023: RMB6.9 million).

	As at 31 December	
	2024	2023
Current ratio (<i>times</i>) ¹	2.3	3.0
Gearing ratio (%) ²	15.5	2.3
Net debt to equity ratio (%) ³	<u>Net cash</u>	<u>Net cash</u>

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective financial year.
2. Gearing ratio is calculated based on the total borrowings and lease liabilities divided by total equity as at the end of the respective financial year and multiplied by 100.0%.
3. Net debt to equity ratio is calculated based on the net debts (total debts net of cash and cash equivalents) divided by total equity as at the end of the respective year and multiplied by 100.0%.

Capital expenditure and commitments

Our capital expenditure for the Reporting Period amounted to approximately RMB18.7 million (FY2023: RMB11.7 million), comprising mainly expenditures for the purchase of property, plant and equipment.

As at 31 December 2024, our Group has lease commitments of approximately RMB0.6 million (31 December 2023: RMB0.5 million) and no capital commitments to be incurred as at 31 December 2024 (31 December 2023: RMB9.1 million).

Pledge of assets

As at 31 December 2024, we did not pledge any assets (31 December 2023: nil) as securities for any facilities granted to our Group.

Contingent liabilities

Our Group did not have material contingent liabilities as at 31 December 2024 and 2023.

Treasury policies

We adopt prudent treasury policies. The Group's management closely monitors our liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Foreign exchange exposure

Substantially all of our Group's financial assets and liabilities are primarily denominated RMB. As at 31 December 2024, our foreign exchange risk on financial assets and liabilities denominated in foreign currencies was insignificant to the Group. The Group currently does not undertake any foreign currency hedging and does not use any financial instrument for hedging purposes. However, our management will closely monitor the foreign exchange exposure of the Group and will consider hedging the foreign exchange exposure if it becomes significant to our Group.

Furthermore, the conversion of RMB into foreign currencies is subject to rules and regulations of exchange control enforced by the government.

OTHER INFORMATION

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 during the Reporting Period <i>HK\$ million</i>	Unutilised amount as at 31 December 2024 <i>HK\$ million</i>	Expected timetable for full utilisation <i>(Note)</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	5.7	8.6	December 2026
Adopting technological advances and upgrading information technology system	7.6%	5.6	1.1	4.5	December 2026
Expanding marketing department	2.5%	1.8	0.7	1.1	December 2026
General working capital	0.2%	0.1	0.1	–	
Total	<u>100.0%</u>	<u>73.5</u>	<u>23.3</u>	<u>50.2</u>	

Note: The expected timeline for the usage of the remaining proceeds is made based on the best estimate of our Group’s future market conditions, which is subject to the current and future development of the market conditions.

As at 31 December 2024, the unutilised net proceeds have been placed in interest-bearing accounts with licensed banks in Hong Kong.

Significant investments held and material acquisitions and disposals

As of the date of this announcement, Shenghui Cleanness Group Holdings Limited holds a significant investment in BTI, also known as Best Technology (Shenzhen) Inc., a company that is listed on the National Equities Exchange and Quotations (NEEQ). Following the recent acquisition of 9,988,538 BTI Shares, the Company now owns a total of 15,563,138 shares, which represents approximately 19.5% of BTI's issued share capital. This investment aligns strategically with the Group's objectives to leverage BTI's recycling technology and enhance its operational capabilities in waste management and environmentally friendly initiatives.

During the reporting period from 12 November 2024 to 25 December 2024, the Company completed a material acquisition of 9,988,538 BTI Shares through an off-market block trade for a total consideration of approximately RMB 36.0 million. This acquisition was executed with independent third-party vendors and is aimed at consolidating the Group's position in the recycling sector. The Board believes that this acquisition is integral to the Company's growth strategy, as it enhances its capacity to utilize advanced recycling technologies and expand its business operations in the cleaning and maintenance services industry.

Save as disclosed above, the Group did not have other significant investments, material acquisitions and/or disposals of subsidiaries, associates or joint ventures.

During the Reporting Period, the Group did not have any significant investments, material acquisitions and/or disposals of subsidiaries, associates or joint ventures.

Future plans for material investments or capital assets

Save as disclosed in the Prospectus and this announcement, there was no specific plan for material investments or capital assets as at 31 December 2024.

Human resources

The total employee benefit expenses was RMB379.9 million during the Reporting Period (FY2023: RMB351.3 million). The number of staff was 8,160 as at 31 December 2024 (31 December 2023: 7,086). Each employee's remuneration was determined in accordance with the individual's responsibility, competence and skills, experience and performance, as well as market pay levels. All employees of the Group participate in employee social insurance plans established in the PRC, which cover pension, medical and other welfare benefits. Training programmes, including environmental protection, quality and occupational safety and health training, emergency response and rescue training, specialised cleaning skills training and management skills training, are regularly provided or arranged to our employees. We has also adopted a share option scheme to provide incentives or rewards to the staff.

Events after reporting period

Save as disclosed in this announcement, there were no other significant events that may affect our Group since the end of the Reporting Period.

CORPORATE GOVERNANCE

The Company complied with the code provisions set out in Part 2 of Corporate Governance Code (the “**CG Code**”) in Appendix C1 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange since the listing of the Shares on the Stock Exchange on 5 December 2023 (the “**Listing Date**”) to the date of this announcement with the exception of 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 chairman of the Board (the “**Chairman**”) and chief executive officer of the Company (the “**CEO**”). Throughout the history of the Group, Mr. Li, the Chairman, 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 interest of the Group and the shareholders of the Company as a whole.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules as its codes of conduct regarding securities transactions by the Directors and by relevant employees of the Group. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and its code of conduct regarding the Directors’ securities transactions throughout the period from the Listing Date to the date of this announcement.

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 since the Listing Date.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of any final dividend for the Reporting Period.

SCOPE OF WORK OF CL PARTNERS CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this preliminary announcement have been agreed by the Group’s auditor, CL Partners CPA Limited (“**CL Partners**”), to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by CL Partner in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by CL Partners on this preliminary announcement.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's audited financial results for the Reporting Period and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group with no disagreement by the audit committee of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This 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 annual report of the Company for the Reporting Period 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, 28 March 2025

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 Dr. Wang Hui, Ms. Cheung Bo Man and Ms. Yau Yin Hung.