富景農業

Fujing Holdings Co., Limited

富景中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2497

SHARE OFFER

Sole Sponsor

Grande Capital Limited
均富融資有限公司

Joint Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

民銀資本 CMBC CAPITAL HOLDINGS LIMITED

Grande Capital Limited
均富融資有限公司

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

信達國際 CINDA INTERNATIONAL

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

富景農業

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(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Total Number of Offer Shares	:	100,000,000 Shares (subject to the Over-allotment Option)
Number of Placing Shares	:	90,000,000 Shares (subject to reallocation and the Over-allotment Option)
Number of Public Offer Shares	:	10,000,000 Shares (subject to reallocation)
Offer Price	:	Not more than HK$1.28 per Offer Share and not less than HK$1.08 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US$0.01 per Share
Stock code	:	2497

Sole Sponsor

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Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

信達國際 CINDA INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

交銀國際 BOCOM International

農銀國際 ABC INTERNATIONAL

建银国际 CCB International

ICBC 工银国际

海通國際 HAITONG

ZTSC 中泰國際

中國銀河國際 CHINA GALAXY INTERNATIONAL

EDDID FINANCIAL

瑞邦證券

Alliance Capital Partners Limited 同人融資有限公司

財通國際證券有限公司 CAITONG INTERNATIONAL SECURITIES COMPANY LIMITED

Joint Lead Managers

VICTORY SECURITIES 勝利證券

PATRONS SECURITIES 百惠證券

FOSUN INTERNATIONAL SECURITIES 复星国际证券

軟庫中華 SBI China Capital

盛源 SHENG YUAN

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Tuesday, 26 March 2024. The Offer Price will be not more than HK$1.28 per Offer Share and will be not less than HK$1.08 per Offer Share. Investors applying for the Public Offer Shares may be required to pay, on application (subject to application channels), the maximum offer price of HK$1.28 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% subject to refund if the Offer Price is lower than HK$1.28 per Offer Share.

If (i) there is any change to the offer size due to the changes in (a) the number of Offer Shares initially offered in the Share Offer (other than described in this prospectus) or (b) the Offer Price outside the indicative Offer Price range as stated in this prospectus; and/or (ii) if our Company becomes aware of any material adverse change after the issue of this prospectus and before the commencement of dealing in our Shares on the Stock Exchange as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Share Offer and relaunch the offer with a supplemental prospectus or a new prospectus giving investors at least 3 business days to consider the new information.

If, for any reason, the Offer Price is not agreed between the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Tuesday, 26 March 2024, the Share Offer will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Public Offer Shares should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Public Offer Shares, are subject to termination by the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

ATTENTION

We have adopted a fully electronic application process for the Public Offer. We will not provide printed copies of this prospectus to the public in relation to the Public Offer.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of our Company at http://fujingnongye.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

20 March 2024

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Public Offer. We will not provide printed copies of this prospectus to the public in relation to the Public Offer.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at http://fujingnongye.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Public Offer Shares, you may:

(1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at www.hkeipo.hk;

(2) apply online via HKSCC EIPO Channel:
Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction.

If you have any question about the application online via the **HK eIPO White Form** Service for the Public Offer Shares, you may call the enquiry hotline of our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at (852) 3907 7333 on the following dates:

Wednesday, 20 March 2024	**—**	**9:00 a.m. to 6:00 p.m.**
Thursday, 21 March 2024	**—**	**9:00 a.m. to 6:00 p.m.**
Friday, 22 March 2024	**—**	**9:00 a.m. to 6:00 p.m.**
Monday, 25 March 2024	**—**	**9:00 a.m. to 12:00 noon**

We will not provide any physical channels to accept any application for the Public Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Public Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Public Offer Shares electronically.

Your application must be for a minimum of 2,000 Public Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select. You must pay the respective maximum amount payable on application in full upon application for Public Offer Shares. If you are applying through the HKSCC EIPO channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

Maximum Offer Price per share: HK$1.28

No. of Public Offer Shares applied for	**Amount payable on application** *HK$*	**No. of Public Offer Shares applied for**	**Amount payable on application** *HK$*
2,000	2,585.81	200,000	258,581.75
4,000	5,171.64	300,000	387,872.65
6,000	7,757.45	400,000	517,163.52
8,000	10,343.28	500,000	646,454.40
10,000	12,929.09	600,000	775,745.28
12,000	15,514.90	700,000	905,036.15
14,000	18,100.72	800,000	1,034,327.05
16,000	20,686.54	900,000	1,163,617.92
18,000	23,272.35	1,000,000	1,292,908.80
20,000	25,858.18	1,500,000	1,939,363.20
30,000	38,787.27	2,000,000	2,585,817.60
40,000	51,716.35	2,500,000	3,232,272.00
50,000	64,645.45	3,000,000	3,878,726.40
60,000	77,574.53	3,500,000	4,525,180.80
70,000	90,503.61	4,000,000	5,171,635.20
80,000	103,432.70	4,500,000	5,818,089.60
90,000	116,361.79	5,000,000*	6,464,544.00
100,000	129,290.88		

* *Maximum number of Public Offer Shares you may apply for.*

No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement on the respective websites of our Company at **http://fujingnongye.com** and the Stock Exchange at **www.hkexnews.com.hk**.

Public Offer commences . . . . 9:00 a.m. on Wednesday, 20 March 2024

Latest time to complete electronic applications under **HK eIPO White Form** service through (Note 2)
(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
(2) the designated website at **www.hkeipo.hk** . . . . 11:30 a.m. on Monday, 25 March 2024

Application lists open (Note 3) . . . . 11:45 a.m. on Monday, 25 March 2024

Latest time for giving **electronic application instructions** to HKSCC (Note 4) . . . . 12:00 noon on Monday, 25 March 2024

Latest time to complete payments for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . . 12:00 noon on Monday, 25 March 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Public Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Public Offer close (Note 3) . . . . 12:00 noon on Monday, 25 March 2024

Expected Price Determination Date (Note 5) . . . . Tuesday, 26 March 2024

Announcement of the final Offer Price, the indications of the level of interest in the Placing, the level of applications in respect of the Public Offer and the basis of allocation of the Public Offer Shares under the Public Offer to be published at the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **http://fujingnongye.com** on or before (Note 6) . . . . Wednesday, 27 March 2024

Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Public Offer Shares" in this prospectus from . . . . Wednesday, 27 March 2024

Results of allocations in the Public Offer will be available at **www.tricor.com.hk/ipo/result** (alternatively: **www.hkeipo.hk/IPOResult**) or available at "IPO Results" function in the **IPO App**	Wednesday, 27 March 2024
Despatch of Share certificates/Deposit of shares certificate into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before *(Notes 7 & 8)*	Wednesday, 27 March 2024
Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before *(Notes 9 & 10)*	Thursday, 28 March 2024
Dealings in Shares on the Main Board of the Stock Exchange to commence at	9:00 a.m. on Thursday, 28 March 2024

Notes:

(1) All times refer to Hong Kong local time. Details of the structure and conditions of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of our Company at **http://fujingnongye.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** or the **IPO App** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website or the **IPO App** prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above or "Extreme Conditions" in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 25 March 2024, the application lists will not open and close on that day. Further information is set out in the paragraph headed "How to Apply for Public Offer Shares — E. Severe Weather Arrangements" in this prospectus. If the application lists do not open and close on Monday, 25 March 2024, the dates mentioned in this section of the prospectus may be affected. A press announcement will be made by us in such event.

(4) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Public Offer Shares — A. Application for Public Offer Shares — 2. Application Channels" in this prospectus for details.

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or before Tuesday, 26 March 2024. If, for any reason, the Offer Price is not agreed between the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Tuesday, 26 March 2024, the Share Offer will not proceed and will lapse immediately.

(6) None of the website or any information contained on that website forms part of this prospectus.

(7) Applicants who apply through the **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares and have provided all information required in their application that they may collect Share certificates (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 28 March 2024 or any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Applicants who have applied through the **HKSCC EIPO** channel may not collect their Share certificates, which will be deposited into CCASS for the credit of their designated HKSCC Participant's stock accounts, as appropriate. Uncollected Share certificates will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant application. For further information, applicants should refer to the paragraph headed "How to Apply for Public Offer Shares — D. Despatch/Collection of Share certificates and refund of application monies" in this prospectus.

(8) Share certificates for the Public Offer Shares will become valid evidence of title at 8:00 a.m. on Thursday, 28 March 2024, provided that (i) the Public Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid do so entirely at their own risk.

(9) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

(10) Applicants who apply for Public Offer Shares via **HK eIPO White Form** should refer to the paragraph headed "How to Apply for Public Offer Shares — D. Despatch/Collection of Share certificates and Refund of Application Monies" in this prospectus.

Particulars of the structure and conditions of the Share Offer, including the conditions thereto, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. Details relating to how to apply for the Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares offered by this prospectus pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Overall Coordinators and the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Share Offer. Information contained on our website, located at ***http://fujingnongye.com****, does not form part of this prospectus.*

Page

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares.

OVERVIEW

We are the largest producer of potted vegetable produce in Shandong province, with a market share of 14.8% in terms of sales revenue in Shandong province in 2022. With a sales revenue of RMB126.7 million, our Group accounted for approximately 3.1% of total sales revenue of potted vegetable producers and less than 0.01% of total sales revenue of vegetable producers in China in 2022.

In 2022, Shandong province, the largest potted vegetable producing province in the PRC contributed approximately 20.3% and 19.0% in terms of the total sales volume and the total sales revenue of potted vegetable produce of the PRC, respectively. China's vegetable produce market and potted vegetable produce market are both highly fragmented with around one million to two million vegetable producers and thousands of potted vegetable producers, respectively. Potted vegetable produce is a small segment of the vegetable market as a whole which is predominantly cultivated under traditional in-ground method. Total sales revenue of potted vegetable produce accounted for less than 0.1% of total sales revenue of vegetable produce in China in 2022.

Major benefits of using in-pot cultivation over traditional in-ground cultivation and hydroponic cultivation method are set out below:

Cultivation method	**Traditional in-ground cultivation**	**Hydroponic cultivation**	**In-pot cultivation**
Output rate per year	Two yields to six yields due to the negative effects of continous cropping	Six yields to ten yields due to the negative effects of continous cropping	Ten yields to 14 yields as not affected by continous cropping
Product freshness	Fresh for 3-5 days	Fresh for 3-5 days	Alive and fresh for 10-14 days

With the use of greenhouses, single-use substrates and not being affected by the negative effects of continuous cropping (e.g. the reduction of micronutrients and minerals, distortion of soil microenvironment and the accumulation of pathogenic substances in the soil), vegetable producers using the in-pot cultivation method will generally achieve high productivity. For further details, please refer to the paragraph headed "Industry Overview — Different kinds of vegetable produce in China and Shandong Province" and the section headed "Business" of this prospectus.

We sold our products primarily in Shandong province since 2012. In view of the growing business opportunities, we extended our geographical coverage to Xi'an, Shaanxi province and Dalian, Liaoning province in 2019. As at the Latest Practicable Date, we had three cultivation facilities in operation for cultivating our potted vegetable produce, namely, (i) Laixi Facility; (ii) Xi'an Facility; and (iii) Dalian Facility which, in aggregate, covers a land area of approximately 431,605 sq.m. and we had 140 greenhouses operating in our cultivation facilities with a total gross floor area of 155,401 sq.m. For ensuring the quality and to meet the relevant safety requirements, all of our potted vegetable produce are grown in greenhouses in our cultivation facilities. We had been accredited with Certificate of Pollution-free Agricultural Products* (無公害農產品證書) issued by Qingdao Agricultural Rural Bureau* (青島市農業農村局) in respect of the potted vegetable produce cultivated at our Laixi Facility.

During the Track Record Period, our products were marketed under our brand "富景农业" which included 29 potted vegetable produce species. Among them, crown daisy, rapeseed, Frisée, Indian lettuce, pak choi, lettuce, Chinese celery and tatsoi were our principal products offered in the market during the Track Record Period. In line with the industry practice, we engage subcontractors to handle simple labour work under our management and supervision at our cultivation facilities and sell our potted vegetable produce primarily through a network of distributors in the PRC which then on-sell our products to over 1,000 end-user customers in Shandong, Liaoning and Shaanxi provinces in the PRC. Our Group is responsible for maintaining our cultivation facilities, performing quality control, monitoring vegetable's growth progress, monitoring and/or adjusting environment parameters, and developing and formulating the organic substrates that best suit our potted vegetable produce.

Our revenue grew by approximately 4% from FY2020 to FY2022 and underperformed the market as the revenue growth of potted vegetable produce in Shandong province was approximately 14% during the same period. Notwithstanding the increase in our revenue by approximately 28% between FY2020 and FY2021, our business was materially affected in FY2022 by the temporary suspension of business activities of our Laixi Facility as a result of the resurgence of COVID-19 cases in Shandong province between March 2022 to April 2022, leading to decline of revenue by approximately 18.2% between FY2021 and FY2022. The impact caused by COVID-19 in Qingdao area where our Laixi Facility situated, is more severe than other areas in Shandong province, such as Shouguang and Qingzhou where most of our peers are located, thus we underperformed the potted vegetable produce market in China and Shandong province in terms of the revenue growth.

During the Track Record Period, our average selling price per pot of our potted vegetable produce remained unchanged at RMB15.1, as we decided to stabilise the selling price of our products during the Track Record Period after considering the uncertainties to the vegetable sales market and the business environment in the PRC brought by the COVID-19 epidemic from 2020 to 2022.

Revenue

The following table sets forth a breakdown of our revenue, sales volume and average selling price by our geographical location and cultivation facilities during the Track Record Period:

	Year ended 31 December												Nine months ended 30 September							
	2020				2021				2022				2022				2023			
	Revenue	*% of total revenue*	Sales volume	Average selling price	Revenue	*% of total revenue*	Sales volume	Average selling price	Revenue	*% of total revenue*	Sales volume	Average selling price	Revenue	*% of total revenue*	Sales volume	Average selling price	Revenue	*% of total revenue*	Sales volume	Average selling price
	RMB'000		*('000 pots)*	*(RMB)* *(Note)*	*RMB'000*		*('000 pots)*	*(RMB)* *(Note)*	*RMB'000*		*('000 pots)*	*(RMB)* *(Note)*	*RMB'000* (unaudited)		*('000 pots)* (unaudited)	*(RMB)* *(Note)*	*RMB'000*		*('000 pots)*	*(RMB)* *(Note)*
Shandong province																				
Laixi Facility	105,737	87.1	7,045	15.0	141,291	91.2	9,419	15.0	114,468	90.3	7,631	15.0	80,127	90.4	5,342	15.0	111,058	91.6	7,404	15.0
Shaanxi province																				
Xi'an Facility	8,704	7.2	543	16.0	6,206	4.0	388	16.0	5,316	4.2	332	16.0	3,932	4.4	246	16.0	4,517	3.7	282	16.0
Liaoning province																				
Dalian Facility	6,964	5.7	434	16.0	7,449	4.8	466	16.0	6,910	5.5	432	16.0	4,567	5.2	285	16.0	5,719	4.7	358	16.0
Total/overall	121,405	100.0	8,022	15.1	154,946	100.0	10,273	15.1	126,694	100.0	8,395	15.1	88,626	100.0	5,873	15.1	121,294	100.0	8,044	15.1

Note: Average selling price represents total revenue divided by sales volume for the respective period.

Cost of sales

The following table sets forth a breakdown of our major cost of sales for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*% of cost of sales*	*RMB'000*	*% of cost of sales*	*RMB'000*	*% of cost of sales*	*RMB'000* (unaudited)	*% of cost of sales*	*RMB'000*	*% of cost of sales*
Raw materials	33,366	49.1	42,718	47.9	34,986	47.2	24,545	46.0	33,080	47.7
Subcontracting labour cost	28,285	41.6	37,168	41.7	30,315	40.9	21,238	39.9	28,999	41.8
Cultivation overheads	4,177	6.2	6,113	6.8	5,503	7.4	4,137	7.8	4,706	6.8
Biological assets fair value adjustments	2,119	3.1	3,174	3.6	3,351	4.5	3,351	6.3	2,532	3.7
Total	67,947	100.0	89,173	100.0	74,155	100.0	53,271	100.0	69,317	100.0

COMPETITIVE STRENGTHS

We believe our market position are derived from the following key competitive strengths: (i) with our brand recognition and product quality, we are in a leading position in the potted vegetable produce industry in Shandong province; (ii) we have a well-established distribution network across Shandong province; (iii) we have an experienced management team with a proven track record to lead our development; (iv) our potted vegetable cultivation method ensures high productivity as compared with traditional in-ground cultivation method; and (v) the higher requirements and upfront investment costs in cultivation of potted vegetable produce in greenhouses differentiate us from traditional players in the vegetable produce industry. For details, please refer to the paragraph headed "Business — Our competitive strengths".

BUSINESS STRATEGIES

We intend to achieve sustainable growth in sales and profit and further strengthen our leading position in the potted vegetable produce industry in the PRC by implementing the following strategies: (i) to expand our cultivation capacity; (ii) to establish a new cultivation facility in new geographical market; (iii) to set up a designated organic substrates preparation facility; and (iv) to strengthen our operational efficiency through upgrade of our information technology system. For details, please refer to the paragraph headed "Business — Our business strategies".

OUR CUSTOMERS, DISTRIBUTION AND SALES NETWORK

We sell our potted vegetable produce primarily through a network of distributors in the PRC in line with industry practice. Our distributors then on-sell our products to over 1,000 end-user customers in Shandong, Liaoning and Shaanxi provinces in the PRC during the Track Record Period, the majority of which are hotels and restaurants. These hotels and restaurants end-user customers sell both traditional vegetable produce and potted vegetable produce. However, majority of the potted vegetable produce sold by them was supplied by us.

In FY2020, FY2021, FY2022 and 9M2023, sales to our five largest customers in each year/period accounted for approximately 56.1%, 66.3%, 67.3% and 68.1%, respectively, of our total revenue while sales to our largest customer in each year/period accounted for approximately 15.3%, 16.3%, 16.5% and 16.7%, of our total revenue, respectively. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, we had 12 distributors. In FY2020, FY2021, FY2022 and 9M2023, sales to our distributors (which were all based in the PRC) amounted to RMB121.0 million, RMB154.9 million, RMB126.7 million and RMB121.3 million, respectively, representing approximately 99.7%, 100.0%, 100.0% and 100.0% of our revenue during the same periods, respectively.

For details, please refer to the paragraph headed "Business — Distribution and sales network".

OUR CULTIVATION PROCESS

We cultivate our vegetable produce in pots which contain our specially formulated organic substrates. Such organic substrates are made primarily from raw materials such as cow manure, fungi residue and peanut shells that are proportioned, mixed and processed through high-temperature fermentation. Compared to vegetable produce grown in open fields, using such organic substrates enables our potted vegetable produce to be cultivated with ideal nutrients for healthy growth, and prevents the risks of contamination and pollution. We apply an industrial cultivation method to produce our potted vegetable produce. Such cultivation method requires the use of enclosed greenhouses together with the application of our horticultural know-how and equipment in connection with pest control, heat preservation, ventilation and/or shading of sunlight in order to create an appropriate and ideal microclimate environment for the growth of our potted vegetable produce. The entire cultivation process of potted vegetable produce commencing from procurement of raw materials to delivery of our products takes approximately 40 days to 50 days, depending on the species of vegetable produce cultivated and the season of cultivation. For details, please refer to the paragraph headed "Business — Cultivation of our potted vegetable produce — Cultivation process".

RAW MATERIALS, SUPPLIERS AND SUBCONTRACTORS

Raw materials

Our raw materials primarily include (i) components of organic substrates such as cow manure, fungi residue and peanut shells; (ii) seeds; and (iii) fertilisers (such as foliar fertilisers) and biopesticides (such as matrine). We typically enter into purchase agreement frameworks with our suppliers on an annual basis to facilitate our continuous procurement of raw materials.

In such purchase agreement frameworks, we generally set forth basic terms including type, specifications, minimum quantity, unit price and quality requirements of the raw materials, delivery arrangement, payment method, credit terms and remedies upon breach.

Our purchasing strategies also helped us keep our raw material cost stable at a reasonable level in spite of the increasing price trend of raw materials in general. We made more purchases and kept more inventories since FY2021 and have continued to do so in 9M2023 also to reduce the risk of supply interruption after years of the pandemic from 2020 to 2022, with intermittent lockdowns in various regions.

Our suppliers

In FY2020, FY2021, FY2022 and 9M2023, purchases from our largest supplier and our five largest suppliers in each year/period accounted for approximately 70.3%, 62.9%, 50.8% and 40.6%, and approximately 94.3%, 99.7%, 99.7% and 98.7% respectively, of our total purchases. Our purchase from our five largest suppliers increased by approximately RMB9.4 million (or 26.6%) from approximately RMB35.3 million in FY2020 to approximately RMB44.7 million in FY2021. Such increase was mainly due to the increase in our cultivation capacity and actual cultivation output in the corresponding period. Our purchase from our five largest suppliers decreased by approximately RMB4.9 million (or 11.0%) from approximately RMB44.7 million in FY2021 to approximately RMB39.8 million in FY2022. Such decrease was mainly due to the adverse impact of the COVID-19 epidemic which lowered our cultivation output during FY2022 as further discussed on page 17 to page 18 of this prospectus. Our purchases from our five largest suppliers increased by approximately RMB3.2 million (or 10.8%) from approximately RMB29.6 million in 9M2022 to approximately RMB32.8 million in 9M2023. This was mainly due to the increase in our actual cultivation output in the corresponding period. For details, please refer to the paragraph headed "Business — Raw materials, suppliers and subcontractors — Suppliers".

Our subcontractors

We engage Independent Third Parties subcontractors by entering into standard labour subcontracting agreements for performing simple labour work such as watering, sowing and transporting in the cultivation process under our management and supervision at our cultivation facilities. Our Directors believe that adopting such arrangement would provide us with more flexibility in management, reduce our administrative workload and allow us to manage effectively our cultivation process and meet our demand for workforce in a timely manner to cope with our recent expansion. It also allows our experienced staff to focus on the quality control procedures to uphold the quality of our products and conduct testing for the refinement of our current cultivation methods and techniques which are our core competitive advantages, and focus less on performing simple labour work. In FY2020, FY2021, FY2022 and 9M2023, we have engaged seven, five, five and four subcontractors and our subcontracting labour cost amounted to approximately RMB28.3 million, RMB37.2 million, RMB30.3 million and RMB29.0 million, which represents approximately 41.6%, 41.7%, 40.9% and 41.8% of our total cost of sales for the same period, respectively. For details, please refer to the paragraph headed "Business — Raw materials, suppliers and subcontractors — Subcontractors".

SHAREHOLDERS' INFORMATION

Our controlling shareholders

Immediately following completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued and allotted upon the exercise of any options and/or awards granted under the Share Scheme), Wider International will own approximately 53.4% of the entire issued share capital of our Company. Mr. Zhang, being the sole beneficial owner of the entire issued share capital of Wider International, is indirectly holding approximately 53.4% of the entire issued share capital of our Company. Accordingly, Mr. Zhang and Wider International will be our Controlling Shareholders upon Listing. For details regarding our Controlling Shareholders, please refer to the section headed "Substantial Shareholders" in this prospectus.

Pre-IPO investments

	Ms. Geng Qi	Mr. Li Changbai	Mr. Cui Wei	Mr. Xie Xing
Approximate percentage of shareholding in our Company upon Listing *(Note)*	15.0%	3.6%	2.0%	0.8%

Note: Without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any option and/or award which may be granted under the Share Scheme.

For details of the said pre-IPO investments, please refer to the paragraphs headed "History, Reorganisation and Corporate Structure — Reorganisation — 4. Pre-IPO investments by Ms. Geng Qi, Mr. Li Changbai and Mr. Cui Wei" and "History, Reorganisation and Corporate Structure — Reorganisation — 6. Pre-IPO investment by Mr. Xie Xing and conversion of Fujing Agriculture into a sino-foreign equity joint venture enterprise" in this prospectus.

RISK FACTORS

Our business is subject to a number of risks and potential investors are advised to read the entire section headed "Risk Factors" before making any investment decision in the Offer Shares. Some of the major risk we face include, among others, (i) we derive a significant portion of our revenue from our five largest customers. Any change in our relationships with them may adversely affect our business, financial conditions and results of operations; (ii) we may encounter difficulties in expanding our distribution and sales network into new regions, which may limit our growth prospects; and (iii) our operations are principally based in Shandong province, and we are susceptible to the development in the economic conditions and business environment in this region.

KEY OPERATIONAL AND FINANCIAL DATA

The tables below are summaries of our consolidated results for the Track Record Period which were extracted from the Accountants' Report as set out in Appendix I to this prospectus.

Summary of consolidated statements of profit or loss

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	121,405	154,946	126,694	88,626	121,294
Cost of sales	(67,947)	(89,173)	(74,155)	(53,271)	(69,317)
Gross profit	53,458	65,773	52,539	35,355	51,977
Profit from operation	44,961	48,200	32,712	20,389	41,779
Finance costs	(1,183)	(897)	(900)	(688)	(662)
Profit before tax	43,778	47,303	31,812	19,701	41,117
Income tax expense	—	—	—	—	—
Profit for the year/period	43,778	47,303	31,812	19,701	41,117

Our revenue has grown from approximately RMB121.4 million in FY2020 to approximately RMB154.9 million in FY2021 due to our increase in cultivation capacity. Our revenue dropped from approximately RMB154.9 million in FY2021 to RMB126.7 million in FY2022 mainly due to the effect of COVID-19 as further discussed on page 17 to page 18 of this prospectus. Operation of Laixi Facility, our largest cultivation base, was suspended for more than one month between March and April 2022. Our revenue increased from approximately RMB88.6 million in 9M2022 to approximately RMB121.3 million in 9M2023 as our business operation was no longer affected by COVID-19 epidemic in 9M2023.

Our gross profit increased from approximately RMB53.5 million in FY2020 to approximately RMB65.8 million in FY2021, primarily attributable to the increase in the sales volume of our potted vegetable produce. Our gross profit decreased from approximately RMB65.8 million in FY2021 to approximately RMB52.5 million in FY2022, mainly due to the effect of COVID-19 as further discussed on page 17 to page 18 of this prospectus. Our gross profit increased from approximately RMB35.4 million in 9M2022 to approximately RMB52.0 million in 9M2023, which was in line with the increase in sales volume of our potted vegetable produce.

We incurred Listing expenses of approximately RMB4.1 million, RMB7.6 million, RMB5.7 million and RMB6.0 million for FY2020, FY2021, FY2022 and 9M2023, respectively.

Our net profit increased from approximately RMB43.8 million in FY2020 to approximately RMB47.3 million in FY2021, which was primarily due to the increase of our revenue as a result of our increase in cultivation capacity during the corresponding period. As a result of the resurgence of the COVID-19 epidemic in March 2022 and the temporary suspension of our cultivation facilities as further discussed on page 17 to page 18 of this prospectus, our net profit decreased from approximately RMB47.3 million in FY2021 to approximately RMB31.8 million in FY2022. We recorded a net profit of approximately RMB41.1 million in 9M2023, compared to a net profit of approximately RMB19.7 million in 9M2022, which was primarily due to the increase in our revenue as a result of our increase in the volume of our actual cultivation output during the corresponding period as our business operation was no longer affected by COVID-19 epidemic in 9M2023.

For more details, please refer to the paragraph headed "Financial Information — Description of selected statements of profit or loss items — Gross profit" and "Financial Information — Description of selected statements of profit or loss items — Profit for the year" in this prospectus.

Summary of consolidated statements of financial position

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	197,875	201,476	190,894	205,309
Current Assets	50,576	88,617	140,712	164,888
Current liabilities	32,771	27,423	37,453	35,163
Net current assets	17,805	61,194	103,259	129,725
Non-current liabilities	4,367	4,053	3,727	3,497
Net assets	211,313	258,617	290,426	331,537

Our net current assets increased from approximately RMB17.8 million as at 31 December 2020 to approximately RMB61.2 million as at 31 December 2021, which was primarily attributable to (i) the increase in our trade receivables by approximately RMB15.5 million; (ii) the increase in our bank and cash balances by approximately

RMB16.0 million; and (iii) the increase in our prepayments and other receivables by approximately RMB6.0 million in the corresponding period. Our net current assets further increased to approximately RMB103.3 million as at 31 December 2022, which was primarily attributable to the increase in our bank and cash balances by approximately RMB48.1 million in the corresponding period. Our net current assets further increased to approximately RMB129.7 million as at 30 September 2023, which was primarily attributable to the increase in our bank and cash balances by approximately RMB18.5 million in the corresponding period.

Our net assets increased from approximately RMB211.3 million as at 31 December 2020 to approximately RMB258.6 million as at 31 December 2021, which was primarily attributable to the addition of our profit and total comprehensive income of approximately RMB47.3 million in FY2021. Our net assets further increased to approximately RMB290.4 million as at 31 December 2022, which was primarily attributable to the addition of our profit and total comprehensive income of approximately RMB31.8 million generated in FY2022. Our net assets further increased to approximately RMB331.5 million as at 30 September 2023, which was primarily attributable to the addition of our profit and total comprehensive income of approximately RMB41.1 million generated in 9M2023.

For more details, please refer to the paragraph headed "Financial Information — Current assets and current liabilities" in this prospectus and the section headed "Consolidated statements of changes in equity" in the Accountants' Report as set out in Appendix I to this prospectus.

Summary of consolidated statements of cash flows

	Year ended 31 December			**Nine months ended 30 September**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from operating activities	51,612	33,818	50,235	42,959	42,200
Net cash used in investing activities	(55,222)	(16,812)	(1,091)	(1,091)	(22,965)
Net cash generated from/(used in) financing activities	5,495	(1,012)	(1,025)	(770)	(719)
Cash and cash equivalents at end of year/period	6,968	22,963	71,079	64,058	89,595

Our net cash generated from operating activities remained positive during the Track Record Period. We recorded a net cash generated from operating activities of approximately RMB51.6 million in FY2020 mainly because we shortened the credit terms offered to our major distributors in FY2019 and FY2020. We recorded a net cash generated from operating activities of approximately RMB33.8 million in FY2021 mainly because of our operating profit before working capital changes of approximately RMB59.0 million as partially offset by the increase in trade receivables of approximately RMB15.6 million. We recorded a net cash generated from operating activities of approximately RMB50.2 million in FY2022, mainly because of our operating profit before working capital changes of approximately RMB49.9 million and the increase in trade payables of approximately RMB10.2 million and partially offset by the increase in trade receivables of approximately RMB7.0 million. We recorded a net cash generated from operating activities of approximately RMB42.2 million in 9M2023, mainly because of our operating profit before working capital changes of approximately RMB49.5 million as partially offset by the increase in trade receivables of approximately RMB4.9 million.

Our net cash used in investing activities decreased from approximately RMB55.2 million in FY2020 to approximately RMB16.8 million in FY2021, which was primarily due to the renovation of the office premises and other maintenance and improvement works in our Laixi Facility. Our net cash used in investing activities decreased to approximately RMB1.1 million in FY2022, which was primarily due to the fact that we have completed most of the renovation, maintenance and improvement works in our Laixi Facility before FY2022. Our net cash used in investing activities increased to approximately RMB23.0 million in 9M2023, which was primarily due to payments of approximately RMB12.2 million for the renovation of our Laixi Land and Buildings for Investment Purpose conducted during the same period.

For more details, please refer to the paragraph headed "Financial Information — Liquidity and capital resources — Cash flow" in this prospectus.

Financial ratios

	As at/For the year ended 31 December			As at/For the nine months ended 30 September
	2020	**2021**	**2022**	**2023**
Profitability Ratios				
Gross profit margin *(Note 1)*	44.0%	42.4%	41.5%	42.9%
Net profit margin *(Note 2)*	36.1%	30.5%	25.1%	33.9%
Return on assets *(Notes 3&4)*	17.6%	16.3%	9.6%	11.1% *(Note 4)*
Return on equity *(Notes 4&5)*	20.7%	18.3%	11.0%	12.4% *(Note 4)*
Liquidity Ratios				
Current ratio *(Note 6)*	1.5 times	3.2 times	3.8 times	4.7 times
Quick ratio *(Note 7)*	1.5 times	3.2 times	3.7 times	4.7 times
Solvency Ratios				
Interest coverage ratio *(Note 8)*	38.0 times	53.7 times	36.3 times	63.1 times
Gearing Ratio *(Note 9)*	9.8%	8.0%	7.1%	6.2%

Notes:

1. The gross profit margin represents the gross profit divided by the revenue for the respective year/period multiplied by 100%. For details, please refer to the paragraphs headed "Financial Information — Description of selected statements of profit or loss items — Gross profit" and "Financial Information — Key Financial Ratios — Gross profit margin" in this prospectus.

2. The net profit margin represents the net profit divided by the revenue for the respective year/period multiplied by 100%.
3. Return on assets represents net profit divided by total assets as at the respective year end and multiplied by 100%.
4. Return on equity and return on assets are calculated on a full year basis except for 9M2023.
5. Return on equity represents net profit divided by total equity as at the respective year end and multiplied by 100%.
6. Current ratio represents total current assets divided by total current liabilities as at the respective year/period end.
7. Quick ratio represents total current assets less inventories divided by total current liabilities as at the respective year/period end.
8. Interest coverage ratio represents profit before income tax and interest expenses divided by interest expenses for the respective year/period end.
9. Gearing ratio represents the total interest-bearing debt including borrowings and lease liabilities divided by total equity as at the respective year/period end multiplied by 100%.

Our gross profit margin decreased from 44.0% in FY2020 to approximately 42.4% in FY2021 mainly because of the increase in cultivation overheads from approximately RMB4.2 million for FY2020 to RMB6.1 million for FY2021 which are predominantly depreciation charges. Our gross profit margin decreased from approximately 42.4% in FY2021 to approximately 41.5% in FY2022 mainly because our revenue decreased by approximately 18.2% due to the temporary suspension of our cultivation facilities in FY2022, yet our cultivation overheads remain at a similar level. Our gross profit margin increased from approximately 39.9% in 9M2022 to approximately 42.9% in 9M2023 mainly because of the increase in revenue from the sale of our potted vegetable produce.

Our net profit margin decreased from approximately 36.1% in FY2020 to approximately 30.5% in FY2021 primarily resulted from increase in our Listing expenses in the corresponding period. Our net profit margin decreased from approximately 30.5% in FY2021 to approximately 25.1% in FY2022 primarily due to the temporary adverse impact of the COVID-19 epidemic which seriously affected our Laixi Facility and Dalian Facility during FY2022. Our net profit margin increased from approximately 22.2% in 9M2022 to approximately 33.9% in 9M2023 as our business operation was no longer affected by COVID-19 epidemic in 9M2023.

For more details, please refer to the paragraph headed "Financial Information — Key financial ratios" in this prospectus.

Biological assets

Our biological assets consist of potted vegetable produce stated at fair value less estimated cost to sell. The fair value has been assessed by Savills, our independent qualified professional valuers. We recognise the fair value gain or loss of our potted vegetable produce in "changes in fair value of biological assets" at the end of each period. Cost approach is adopted for the newly planted potted vegetable produce, and market approach is adopted for mature potted vegetable produce since observable biological transformation has taken place. Please refer to the paragraph headed "Financial Information — Analysis of selected statement of financial position items — Biological assets" in this prospectus for details.

The following table sets forth the value of our biological assets as at the dates indicated:

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Value of biological assets				
At 1 January	6,724	9,395	9,781	8,371
Increase due to plantation	67,444	86,208	74,798	66,523
Decrease due to sales	(65,828)	(85,999)	(70,804)	(66,785)
Biological assets fair value adjustments	1,055	177	(5,404)	767
At 31 December/30 September	9,395	9,781	8,371	8,876

According to our Group's accounting policies, (i) a biological asset shall be measured at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably; and (ii) agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. The resultant changes in the fair value between each reporting period are charged to "biological assets fair value adjustments" as gain or loss. As the potted vegetable produce was sold in pots, the potted vegetable was sold while still fresh and living and has not been harvested upon sales, there is no need to revalue potted vegetable produce upon sales. While the Group's biological asset at the end of each reporting period is measured at its fair value less costs to sell, there is no changes in fair value recognised for potted vegetables that are planted and sold within the same financial period.

In FY2022, the biological assets fair value adjustments includes unsold vegetable produce of approximately RMB4.6 million as a result of the temporary suspension of our facilities due to the outbreak of COVID-19 epidemic.

Taxation

According to Article 27 of the EIT Law and Article 86 of the Regulations of Enterprise Income Tax Law, enterprise income from agriculture, forestry, husbandry and fishery projects may be reduced or exempted from taxation. Pursuant to the abovementioned provisions and with the approval of Dianbu Branch of the State Taxation Bureau of Laixi City, Fujing Agriculture's enterprise income from agriculture has been exempted from taxation for the period from 1 May 2010 to 1 May 2050. Therefore, we did not have any income tax expense and our effective tax rate remained to be nil throughout the Track Record Period. For details of the relevant laws and regulations, please refer to the paragraph headed "Regulatory Overview — Laws and regulations relating to taxation" in this prospectus.

Dividends and dividend policy

No dividend had been declared or paid by the companies now comprising the Group during the Track Record Period. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. Our Company does not intend to adopt fixed dividend policy specifying a dividend payout ratio after Listing. The declaration, payment and amount of dividends will be subject to our discretion. Our historical dividends may not be indicative of the amount of our future dividends. For details, please refer to the paragraph headed "Financial Information — Dividend policy".

LISTING EXPENSES

Our total estimated Listing expenses primarily consist of our estimated underwriting commissions for the Share Offer in addition to our professional fees paid in relation to the Share Offer. Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.18, being the mid-point of our indicative price range for the Share Offering, our total Listing expenses is estimated to be approximately RMB54.8 million (equivalent to approximately HK$60.4 million), representing approximately 51.2% of the gross proceeds from the Share Offer. The Listing expenses comprise (i) underwriting-related expenses of approximately RMB6.4 million (equivalent to HK$7.1 million); (ii) non-underwriting-related expenses of RMB48.4 million (equivalent to HK$53.3 million), including (a) fees and expenses of legal advisers and reporting accountants of approximately RMB25.1 million (equivalent to HK$27.7 million); and (b) other non-underwriting-related fees and expenses of approximately RMB23.3 million (equivalent to HK$25.6 million). Our Listing expenses of approximately RMB14.3 million (equivalent to approximately HK$15.8 million) is directly attributable to the issue of the Offer Shares in the Share Offer which was and is expected to be accounted for as a deduction from equity in accordance with relevant accounting standards. Our remaining Listing expenses of approximately RMB40.5 million (equivalent to approximately HK$44.6 million) were or are expected to be charged as expenses to our consolidated statements of profit or loss and other comprehensive income, of which approximately RMB5.3 million (equivalent to approximately HK$5.8 million), approximately RMB4.1 million (equivalent to approximately HK$4.4 million), approximately RMB7.6 million (equivalent to approximately HK$8.4 million), approximately RMB5.7 million (equivalent to approximately HK$6.3 million) and approximately RMB6.0 million (equivalent to approximately HK$6.6 million) was charged for before the Track Record Period, FY2020, FY2021, FY2022 and 9M2023 respectively, while the balance of approximately RMB11.8 million (equivalent to approximately HK$13.1 million) is expected to be charged in the remaining months in the year ended 31 December 2023 and year ending 31 December 2024. Our above total estimated Listing expenses are the latest practicable estimates for reference only. The final amount to be recognised may differ from these estimates.

UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2023

The unaudited preliminary financial information as of and for the year ended 31 December 2023 as set out in Appendix III to this prospectus has been agreed with the Reporting Accountants following their work under Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants. For details, see Appendix III to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised at all, based on the Offer Price of HK$1.18 per Offer Share, being the mid-point of the proposed Offer Price range of HK$1.28 to HK$1.08 per Offer Share, the net proceeds of the Share Offer, after deduction of underwriting fees and other expenses payable by our Company in relation to the Share Offer, are estimated to be HK$57.6 million (equivalent to approximately RMB52.3 million). Our Company currently intends to use the net proceeds from the Share Offer as follows:

	For the period from the Latest Practicable Date to 31 December 2024	For the period from 1 January 2025 to 31 December 2025	For the period from 1 January 2026 to 31 December 2026	Total	Approximate % of the total net proceeds
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*	
Expansion of our cultivation capacity					
— Improvement and expansion of cultivation facilities at existing geographical markets	17.5	10.1	1.5	29.1	55.7
— Establishing new cultivation facilities in new geographical markets	9.1	2.3	—	11.4	21.8
Setting up a dedicated organic substrates production facility	7.4	—	—	7.4	14.1
Strengthening our operating efficiency through upgrade of information technology system	4.4	—	—	4.4	8.4
Total	38.4	12.4	1.5	52.3	100.0

For details of how we intend to implement the proceeds raised from Listing, please refer to the section headed "Future Plans and Use of Proceeds" and the paragraph headed "Business — Our business strategies" in this prospectus.

SHARE OFFER STATISTICS

	Based on the Offer Price of HK$1.08 per Share	Based on the Offer Price of HK$1.28 per Share
Market capitalisation of our Shares *(Note 1)*	HK$540 million	HK$640 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company per Share *(Note 2)*	HK$0.89	HK$0.93

Notes:

1. The calculation of market capitalisation is based on 500,000,000 Shares expected to be in issue immediately after completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Scheme.
2. The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of our Company per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the proposed Share Offer assuming the proposed Share Offer had been completed on 30 September 2023 and no exercise of the Over-allotment Option or any options and/or awards may be granted under the Share Scheme and no Shares may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix VI to this prospectus or otherwise.

IMPACT OF THE OUTBREAK OF COVID-19 EPIDEMIC

China was hit by the outbreak of COVID-19 epidemic since January 2020 until the end of 2022. The outbreak of the COVID-19 disease had prompted the PRC government to place many provinces into lockdown at various time during this period, stipulate measures aiming at reducing mobilities and close non-essential businesses which affected our business to different extent. In early 2020, government policies were issued to require that during the prevention and control of outbreak of COVID-19, normal supply of agricultural production materials shall be ensured.

During the Track Record Period, outbreaks of COVID-19 epidemic affected the operation of our cultivation facilities. The following table sets forth the several outbreaks of COVID-19 epidemic which affected the operation of our cultivation facilities during the Track Record Period:

	Affected period and duration:	**Facilities and markets being affected by the COVID-19 epidemic:**	**Direct loss of potted vegetable produce and the estimated loss of potential sales revenue during the lockdown:**
1.	February 2020 to March 2020 (approximately one month)	Laixi Facility and Shandong province market	N/A *(Note 1)*
2.	22 December 2020 to 15 January 2021 (approximately 24 days)	Dalian Facility and Liaoning province market	Direct loss of unsold vegetable produce: approximately 15,000 pots Estimated direct loss of potential sales revenue: approximately RMB0.2 million *(Note 2)*
3.	23 December 2021 to 24 January 2022 (approximately one month)	Xi'an Facility and Shaanxi province market	Direct loss of unsold vegetable produce: approximately 9,000 pots Estimated direct loss of potential sales revenue: approximately RMB0.1 million *(Note 3)*
4.	5 March 2022 to 10 April 2022 (approximately one month)	Laixi Facility and Shandong province market	Direct loss of unsold vegetable produce: approximately 549,000 pots Estimated direct loss of potential sales revenue: approximately RMB8.2 million *(Note 4)*
5.	14 March 2022 to 10 April 2022 (approximately one month)	Dalian Facility and Liaoning province market	Direct loss of unsold vegetable produce: approximately 8,000 pots Estimated direct loss of potential sales revenue: approximately RMB0.1 million *(Note 2)*

Notes:

1. The lockdown and travel restrictions were mainly imposed in the Qingdao city. Our Laixi Facility, which is located in suburban area was still in operation. Our distributors sold our potted vegetable produce to residents in local residential estates through property management companies, thus there was no direct loss of potted vegetable produce and sales revenue.
2. The estimated loss of potential sales revenue is calculated based on the average selling price of our potted vegetable produce in Liaoning province of approximately RMB16.0 per pot in FY2020, FY2021 and FY2022.
3. The estimated loss of potential sales revenue is calculated based on the average selling price of our potted vegetable produce in Shaanxi province of approximately RMB16.0 per pot in FY2021 and FY2022.
4. The estimated loss of potential sales revenue is calculated based on the average selling price of our potted vegetable produce in Shandong province of approximately RMB15.0 per pot in FY2022.

In particular, the series of lockdown measures in Dalian and various areas in Shandong province due to the COVID-19 epidemic in 2022 has temporary adverse impact on our business in FY2022. Our revenue derived from Laixi Facility and the Dalian Facility has dropped by approximately RMB26.8 million and RMB0.5 million, or 19.0% and 7.2% between FY2021 and FY2022 respectively. Such lockdowns have more serious impact on our business and financial performance than lockdown in prior years as (i) the lockdown affected our Laixi Facility and Shandong province market which accounts for most of our revenue, (ii) distributors were not allowed to pick up potted vegetable produce from us and no sales took place during the lockdown resulting in direct loss of approximately 557,000 pots of unsold vegetable produce and estimated direct loss of potential sales revenue of approximately RMB8.3 million, and (iii) the COVID-19 epidemic was particularly serious in Shandong province and it took several months for our overall sales to pickup and gradually resume to normal level due to the prolonged lockdown. For details of each of the outbreaks, please refer to the paragraph headed "Business — Impact of the outbreak of COVID-19 epidemic" in this prospectus.

The PRC government has substantially lifted its COVID-19 prevention and control policies since December 2022 and our business continued to recover in 2023 as our business operation was no longer affected by the epidemic. We recorded a revenue of approximately RMB121.3 million for the nine months ended 30 September 2023, which slightly exceeded the revenue of approximately RMB117.2 million for the nine months ended 30 September 2021. Our Directors are of the view that it is unlikely that the COVID-19 epidemic will have a material adverse impact on our business going forward. Our Directors confirmed that there was no material adverse impact on our operation, our sales to our customers, our suppliers and our subcontractors in relation to our business due to the epidemic during the Track Record Period and up to the Latest Practicable Date.

However, there is no assurance that there will not be any direct or indirect adverse impact on our business, financial condition and results of operations arising from any effect on the PRC economy or other parts of the world as a result of the continuance of the COVID-19 outbreak. For details, please refer to the paragraph headed "Risk Factors — Risks relating to our business — The outbreak of COVID-19 has caused, and may continue to cause, damage to the economy and as a result may adversely affect our business, financial condition and results of operations" in this prospectus.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, there had not been any material changes to our principal business. Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position since 30 September 2023 and there has been no event since 30 September 2023 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus. The PRC government has substantially lifted its COVID-19 prevention and control policies since December 2022, our business continued to recover from the impact of COVID-19 outbreak in 2023. The total number of potted vegetable produce sold by the Group increased from approximately 5.9 million pots for the nine months ended 30 September 2022, to approximately 8.0 million pots for the nine months ended 30 September 2023. This increase indicates a strong recovery by the Group from the adverse impact of the COVID-19 epidemic outbreak in 2022. Furthermore, it demonstrates a robust market demand for the Group's potted vegetable produce, surpassing even the performance of 2021 when approximately 1.9 million pots were sold during the same period. In addition, for the 9M2023, the utilisation rate of our Laixi Facility, Xi'an Facility and Dalian Facility was approximately 91.3%, 68.8% and 58.5%, respectively, while the overall utilisation rate of our three cultivation facilities is approximately 88.1%, which has returned to the FY2020 and FY2021 level.

OTHER INFORMATION

Regulatory Developments on Overseas Listing

On 17 February 2023, the CSRC formally released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies《境內企業境外發行證券和上市管理試行辦法》(the "**Trial Overseas Listing Measures**") and five filing guidelines, which became effective on 31 March 2023. Where an issuer submits an application for initial public offering for overseas offering or listing directly or indirectly, such issuer must file with the CSRC within three business days after such application is submitted.

We had completed the filing procedures with the CSRC for the Listing on 23 October 2023. Please refer to the paragraph headed "Regulatory Overview — Regulations relating to overseas listing" for further details.

NEEQ listing and delisting

In November 2015, the shares in Fujing Agriculture were first listed on the NEEQ. On 21 January 2019, Fujing Agriculture's shareholders resolved to voluntarily delist Fujing Agriculture's shares from NEEQ (the "**NEEQ Delisting**"). On 15 May 2019, Fujing Agriculture received regulatory approval for the NEEQ Delisting. On 22 May 2019, the shares in Fujing Agriculture ceased to be quoted on the NEEQ. The NEEQ Delisting was a commercial and strategic decision made by Fujing Agriculture's directors, based on the desire to attain greater access to international investors and markets by listing on the Stock Exchange. Please refer to the section headed "History, Reorganisation and Corporate Structure" for further details.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"affiliate(s)"	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Agricultural Adviser"	Professor Cui Dejie (崔德杰), a professor of Qingdao Agricultural University, who is the agricultural adviser of our Company
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on 11 March 2024, which will become effective upon Listing, a summary of which is contained in Appendix V to this prospectus, as amended from time to time
"associate(s)"	has the meaning as described thereto under the Listing Rules
"Beauty Sources"	Beauty Sources Holdings Limited (美源控股有限公司), a company incorporated in the BVI on 24 May 2019 as a BVI business company which is wholly-owned by Ms. Geng Qi (耿琦)
"BMI Appraisals"	BMI Appraisals Limited, the property valuer
"Board"	our board of Directors
"Business Day(s)"	any day(s) (other than Saturday(s), Sunday(s) or public holiday(s)) in Hong Kong on which banks in Hong Kong are open generally for normal banking business to the public
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 399,858,586 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "A. Further information about our Company and our subsidiaries — 4. Written Resolutions of our Shareholders passed on 16 November 2023 and 11 March 2024" in Appendix VI to this prospectus

"Capital Market Intermediary(ies)" or "CMIs"	the capital market intermediaries participating in the Share Offer, namely CMBC Securities, Grande Capital, Cinda International Capital Limited, BOCOM International Securities Limited, ABCI Capital Limited, ABCI Securities Company Limited, CCB International Capital Limited, ICBC International Securities Limited, Haitong International Securities Company Limited, Zhongtai International Securities Limited, China Galaxy International Securities (Hong Kong) Co., Limited, Eddid Securities and Futures Limited, Alliance Capital Partners Limited, Caitong International Securities Company Limited, Ruibang Securities Limited, Victory Securities Company Limited, Patrons Securities Limited, Fosun International Securities Limited, SBI China Capital Financial Services Limited and Sheng Yuan Securities Limited
"Caring Plentiful"	Caring Plentiful Holdings Limited (嘉沃控股有限公司), a company incorporated in the BVI on 24 May 2019 as a BVI business company which is wholly-owned by Mr. Cui Wei (崔偉)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Chengyang Facility"	our cultivation facility in Chengyang District, Qingdao, Shandong Province, the PRC, which our Group ceased to operate after 31 December 2019
"Circular 37"	the Notice of the SAFE on Relevant Issues concerning Foreign Exchange Administration relating to Domestic Residents Offshore Investment and Financing and Round-trip Investment through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知)
"China" or "PRC"	the People's Republic of China, excluding, except the context otherwise requires and for the purposes in this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CMBC Securities"	CMBC Securities Company Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO
"Companies Act"	the Companies Act (As Revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "us" or "we"	Fujing Holdings Co., Limited (富景中國控股有限公司, formerly known as "富景控股有限公司"), an exempted company incorporated in the Cayman Islands under the Companies Act with limited liability on 23 July 2019
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, collectively refers to Mr. Zhang and Wider International
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"COVID-19"	a newly identified coronavirus known to cause contagious respiratory illness
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Dalian Facility"	our cultivation facility in Jinzhou District, Dalian, Liaoning Province, the PRC, of approximately 20,000 sq.m.
"Deed of Indemnity"	the deed of indemnity dated 14 March 2024 entered into by our Controlling Shareholders in favour of our Company (on its own behalf and as the trustee of its subsidiaries), details of which are set out in the paragraph headed "E. Other information — 2. Tax and other indemnities" in Appendix VI to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 14 March 2024 entered into by our Controlling Shareholders in favour of our Company (on its own behalf and as the trustee of its subsidiaries), details of which are set out in the paragraph headed "Relationship with Controlling Shareholders — Deed of non-competition" in this prospectus
"Designated Bank"	HKSCC Participant's Designated Bank under FINI
"Director(s)" or "our Directors"	the director(s) of our Company or any one of them
"EIT"	enterprise income tax

"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) which came into effect on 1 January 2008, as amended, supplemented or otherwise modified from time to time
"Exchange Participant(s)"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FINI"	"Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Fujing Agriculture"	Qingdao Fujing Agriculture Development Company Limited* (青島富景農業開發有限公司), formerly known as Qingdao Fujing Agriculture Ecological Development Limited Liability Company* (青島富景農業生態開發有限公司), a limited liability company established in the PRC on 4 December 2006 and an indirect wholly-owned subsidiary of our Company
"Fujing Holdings (HK)"	Fujing Holdings (Hong Kong) Co., Limited (富景控股(香港)有限公司), a company limited by shares incorporated under the laws of Hong Kong on 9 October 2019 and an indirect wholly-owned subsidiary of our Company
"FY2019"	the financial year ended 31 December 2019
"FY2020"	the financial year ended 31 December 2020
"FY2021"	the financial year ended 31 December 2021
"FY2022"	the financial year ended 31 December 2022
"FY2023"	the financial year ended 31 December 2023
"F&S Report"	a market research report in respect of the vegetable and potted vegetable produce market in China issued by Frost & Sullivan and commissioned by our Group

"General Rules of HKSCC"	the terms and conditions regulating the use of HKSCC's services, as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
"Glory Team"	Glory Team International Group Limited (匯榮國際集團有限公司), a company incorporated in the BVI on 8 August 2019 as a BVI business company which is a direct wholly-owned subsidiary of our Company
"Grande Capital" or "Sole Sponsor"	Grande Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Sole Sponsor to the Listing
"Great Winner"	Great Winner Investment Holdings Limited (宏勝投資控股有限公司), a company incorporated in the BVI on 2 January 2020 as a BVI business company
"Group", "our Group", "us" or "we"	our Company, its subsidiaries or any of them, or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, our Company's current subsidiaries or the business operated by such subsidiaries or their predecessors (as the case may be)
"**HK eIPO White Form**"	the application of the Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk** or the **IPO App**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website at **www.hkeipo.hk** or the **IPO App**
"HKFRSs"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC EIPO"	the application for the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Public Offer Shares on your behalf

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
"Hong Kong dollars", "HK$" and "cents"	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
"Independent Third Party(ies)"	person(s) or company(ies) which, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, is/are not a connected person(s) (as defined in the Listing Rules) of our Company
"IPO App"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play Store or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Joint Bookrunners"	CMBC Securities, Grande Capital, Cinda International Capital Limited, BOCOM International Securities Limited, ABCI Capital Limited, CCB International Capital Limited, ICBC International Securities Limited, Haitong International Securities Company Limited, Zhongtai International Securities Limited, China Galaxy International Securities (Hong Kong) Co., Limited, Eddid Securities and Futures Limited, Alliance Capital Partners Limited, Caitong International Securities Company Limited and Ruibang Securities Limited

"Joint Lead Managers"	CMBC Securities, Grande Capital, Cinda International Capital Limited, BOCOM International Securities Limited, ABCI Securities Company Limited, CCB International Capital Limited, ICBC International Securities Limited, Haitong International Securities Company Limited, Zhongtai International Securities Limited, China Galaxy International Securities (Hong Kong) Co., Limited, Eddid Securities and Futures Limited, Alliance Capital Partners Limited, Caitong International Securities Company Limited, Ruibang Securities Limited, Victory Securities Company Limited, Patrons Securities Limited, Fosun International Securities Limited, SBI China Capital Financial Services Limited and Sheng Yuan Securities Limited
"Joint Global Coordinators"	CMBC Securities, Grande Capital and Cinda International Capital Limited
"Joint Overall Coordinators"	CMBC Securities and Grande Capital
"Laixi Facility"	our cultivation facility in Laixi, Qingdao, Shandong Province, the PRC, of approximately 398,272 sq.m.
"Laixi Land Parcel A"	the parcel of land with a site area of approximately 214,804 sq.m. located at Rizhuang Town, Laixi, Qingdao that we owned the land use rights certificate
"Laixi Land Parcel B"	the parcel of land with a site area of approximately 34,467 sq.m. located at Rizhuang Town, Laixi, Qingdao that we leased from the People's Government of Rizhuang Town of Laixi (萊西市日莊鎮人民政府)
"Laixi Land Parcel C"	the parcel of land with a site area of approximately 128,334 sq.m. located at Rizhuang Town, Laixi, Qingdao that we obtained the land use rights under the land reservation agreement we entered into with the People's Government of Rizhuang Town of Laixi (萊西市日莊鎮人民政府)
"Laixi Land Parcels D"	the four parcels of land with a total site area of approximately 76,667 sq.m. located at Rizhuang Town, Laixi, Qingdao that we leased from the People's Government of Rizhuang Town of Laixi (萊西市日莊鎮人民政府)
"Laixi Land Parcel E"	the parcel of land with a site area of approximately 10,667 sq.m. located at Maozhichang Village, Laixi, Qingdao that we leased from an Independent Third Party

"Land Reservation Agreement"	the land reservation agreement (土地預約協議) we entered into with the People's Government of Rizhuang Town of Laixi (萊西市日莊鎮人民政府) on 17 June 2006 for, among others, the reservation of a parcel of state-owned land located at Rizhuang Town, Laixi, Qingdao for the purpose of agricultural and ecological development for a period of 50 years
"Latest Practicable Date"	11 March 2024, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Thursday, 28 March 2024, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company conditionally adopted on 11 March 2024, which will become effective upon Listing, a summary of which is contained in Appendix V to this prospectus, as amended from time to time
"Mr. Zhang"	Mr. Zhang Yonggang (張永剛), our chairman, executive Director, chief executive officer and one of our Controlling Shareholders
"Ms. Zhang"	Ms. Zhang Chunyan (張春燕), sister of Mr. Zhang
"NEEQ"	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) of not more than HK$1.28 per Offer Share and not less than HK$1.08 per Offer Share at which the Offer Shares are to be offered under the Share Offer, to be determined in the manner as set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus

"Offer Share(s)"	collectively, the Placing Shares and the Public Offer Shares
"Over-allotment Option"	the option expected to be granted by our Company to the Placing Underwriters, exercisable by the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) subject to the terms and conditions of the Placing Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 15,000,000 additional Offer Shares (representing 15% of the initial number of the Offer Shares) to cover over-allocations in the Placing and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement, particulars of which are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing"	the conditional placing by the Placing Underwriter(s) on behalf of our Company of the Placing Shares for cash at the Offer Price, as further described under the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Shares"	the 90,000,000 Shares (subject to reallocation and the Over-allotment Option) being initially offered by our Company for subscription under the Placing, as described under the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Underwriter(s)"	the underwriter(s) which are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
"Placing Underwriting Agreement"	the underwriting agreement expected to be entered into on or around Tuesday, 26 March 2024 by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Placing Underwriter(s) relating to the Placing
"PRC Legal Advisers"	Hylands Law Firm (Jinan), the legal advisers of our Company as to the laws of the PRC
"Price Determination Agreement"	the agreement to be entered into between our Company, the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date to determine the Offer Price
"Price Determination Date"	the date expected to be on or before Tuesday, 26 March 2024, on which the Offer Price is fixed for the purpose of the Share Offer

"Prosperity Plentiful (BVI)"	Prosperity Plentiful Holdings Limited (瑞豐控股有限公司), a company incorporated in the BVI on 16 May 2019 as a BVI business company and a direct wholly-owned subsidiary of our Company
"Prosperity Plentiful (HK)"	Prosperity Plentiful Holdings (Hong Kong) Co., Limited (瑞豐控股(香港)有限公司), a company incorporated in Hong Kong with limited liability on 6 June 2019 and an indirect wholly-owned subsidiary of our Company
"Public Offer"	the issue and offer of the Public Offer Shares for subscription in Hong Kong at the Offer Price on and subject to the terms and conditions described in this prospectus
"Public Offer Shares"	the 10,000,000 Shares (subject to reallocation) initially offered by our Company for subscription in the Public Offer, as described under the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Public Offer Underwriters"	the underwriter(s) of the Public Offer, whose names are set out under the paragraph headed "Underwriting — Underwriters — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the underwriting agreement dated 18 March 2024 and entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Public Offer Underwriters relating to the Public Offer
"QF Vegetables"	Qingdao Fujing Vegetables and Fruits Company Limited* (青島富景蔬果有限公司), a company incorporated in the PRC with limited liability on 24 September 2011, which was a wholly-owned subsidiary of Fujing Agriculture and was duly deregistered on 20 December 2016
"Regulation S"	Regulation S under the US Securities Act
"Relevant Persons"	the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer

"Reorganisation"	the reorganisation arrangements undergone by our Group in preparation for Listing, details of which are set out in the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus
"Reporting Accountants"	Crowe (HK) CPA Limited and McMillan Woods (Hong Kong) CPA Limited, the reporting accountants of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Savills"	Savills Valuation and Professional Services (China) Limited, our biological assets valuer
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of US$0.01 each in the share capital of our Company
"Shareholder(s)" or "our Shareholders"	holder(s) of the Share(s)
"Share Offer"	the Public Offer and the Placing
"Share Scheme"	the share scheme conditionally adopted by our Company on 11 March 2024, the principal terms of which are summarised in the paragraph headed "D. Share Scheme" in Appendix VI to this prospectus
"Stabilising Manager"	CMBC Securities
"Stock Borrowing Agreement"	the stock borrowing agreement which may be entered into between the Stabilising Manager and Wider International pursuant to which the Stabilising Manager may borrow up to 15,000,000 Shares from Wider International for the purpose of covering any over-allocation under the Placing

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supplemental Agreement"	the supplemental agreement we entered into with the People's Government of Rizhuang Town of Laixi (萊西市日莊鎮人民政府) on 23 March 2020 which confirmed the use and occupation of a parcel of state-owned land by our Group in accordance to the Land Reservation Agreement
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the periods comprising FY2020, FY2021, FY2022 and 9M2023
"Underwriter(s)"	the Public Offer Underwriter(s) and the Placing Underwriter(s)
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"United States" or "US"	the United States of America
"US dollars", "USD" or "US$"	United States dollar(s), the lawful currency of the United States
"US Securities Act"	the United States Securities Act of 1933 (as amended from time to time)
"VAT"	the PRC value-added tax
"Vortex Festive"	Vortex Festive Holdings Limited (豐順控股有限公司), a company incorporated in the BVI on 24 May 2019 as a BVI business company which is wholly-owned by Mr. Li Changbai (李長柏)
"Well Resourced"	Well Resourced Holdings Limited (康源控股有限公司), a company incorporated in the BVI on 24 May 2019 as a BVI business company which is wholly-owned by Ms. Zhang
"WeMall"	WeMall (微商城), one of the largest e-commerce platform in China

"Wider International"	Wider International Group Limited (匯得國際集團有限公司), a company incorporated in the BVI on 24 May 2019 as a BVI business company which is wholly-owned by Mr. Zhang. Wider International is one of our Controlling Shareholders
"Xi'an Facility"	our cultivation facility in Gaoling District, Xi'an, Shaanxi Province, the PRC, of approximately 13,333 sq.m.
"Xinfujing"	Qingdao Xinfujing Technology Company Limited* (青島鑫富景科技有限公司), a company established in the PRC with limited liability on 6 May 2020 and is directly wholly-owned by Fujing Holdings (HK), and an indirect wholly-owned subsidiary of our Company
"Yuen Sang Tai"	Yuen Sang Tai Holdings Limited (源生態控股有限公司), a company incorporated in the BVI on 24 May 2019 as a BVI business company
"9M2022"	the nine months ended 30 September 2022
"9M2023"	the nine months ended 30 September 2023

Unless otherwise expressly stated or the context otherwise requires, in this prospectus,

- *the terms "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings ascribed to such terms in the Listing Rules;*
- *all data in this prospectus is as of the Latest Practicable Date;*
- *certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and*
- *if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with "*" and the Chinese translation of company or entity names in English which are marked with "*" are for identification purpose only.*

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"continuous cropping"	the repeated and intensive growing of the same or similar plants on the same land for extended periods of time, which has the disadvantages of reduction of soil fertility and productivity of the land
"GB"	Guobiao Standards (中華人民共和國國家標準), the Chinese national standard issued by the Standardisation Administration of China (國家標準化管理委員會) which constitute the basis for product testing which products must undergo during the China Compulsory Product Certification (中國強制性產品認證)
"kg"	kilogramme(s)
"kWh"	kilowatt hour
"ISO"	acronym for a series of quality management and quality assurance standards published by the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO9001"	a standard and guideline relating to quality management systems, and represents an international consensus on good quality management practices. ISO9001:2015 is the current version of ISO9001
"ISO14001"	a management system which addresses environmental management through the identification and control of environmental impact and constantly improvement of environmental performance. ISO14001:2015 is the current version of ISO14001
"m^3"	cubic meter
"mu"	an area unit used in China, equals to approximately 666.67 sq.m.
"sq.ft."	square feet
"sq.m." or "m^2"	square metre
"%"	per cent.

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management, as such they are by their nature subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the nature of, and potential for, future development of our business;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under these conditions;
- changes to regulatory environment and general outlook in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory qualifications required to operate our business;
- future developments, trends and conditions in the industry and markets in which we operate;
- our future debt levels and capital needs;
- our financial conditions and performance; and
- our future dividend.

The words "aim", "anticipate", "believe", "can", "could", "expect", "going forward", "intend", "may", "might", "plan", "project", "seek", "should", "will", "would" and the negative forms of these words with similar expressions, as they relate to us, are intended to identify a number of these forward looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in the section headed "Risk Factors" in this prospectus. One or more of these risks or uncertainties may materialise.

Subject to the requirements of the Listing Rules, our Company does not have any obligation and does not undertake to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statement set out in this section of the prospectus.

In this prospectus, statements of or references to the intentions of our Company or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

You should carefully consider all the information set forth in this prospectus, including the risks described below, before making any investment in our Shares. The occurrence of any of the following risks may have a material adverse effect on our business, financial conditions, results of operations and future prospects. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and our business and operations are conducted in the PRC and are governed by a legal and regulatory environment which in certain aspects differs from that prevailing in other jurisdictions. For details regarding the regulations of the PRC, please see the section headed "Regulatory Overview" in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, as well as additional risks and uncertainties not presently known to us, and you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS

We derive a significant portion of our revenue from our five largest customers and any decrease in or termination of our sales to any one of them may have a material adverse effect on our business and financial conditions

There was notable concentration in our customer base during the Track Record Period. In FY2020, FY2021, FY2022 and 9M2023, the total revenue from our five largest customers in each year/period amounted to approximately RMB68.1 million, RMB102.6 million, RMB85.1 million and RMB82.6 million, respectively, accounting for approximately 56.1%, 66.3%, 67.3% and 68.1% of our total revenue, respectively, while the total revenue from our largest customer in each year/period amounted to approximately RMB18.6 million, RMB25.3 million, RMB20.9 million and RMB20.2 million, respectively, accounting for approximately 15.3%, 16.3%, 16.5% and 16.7% of our total revenue, respectively. These customers are expected to continue to account for a significant portion of our total revenue in the future.

There are risks associated with having a small number of major distributors contributing to a significant portion of our revenue. We cannot assure that we will be able to maintain or improve our relationships with our major distributors, and we cannot assure that we will be able to continue to supply our products to them at current levels on similar terms, or at all. In addition, our business is materially affected by the businesses of our major distributors, which depend to a significant extent on their continuing ability to sell to their own customers. Any deterioration in the businesses of our major distributors could lead to a decline in their purchase from us or a change in our business relationships with our major distributors. Our use of resources and management attention to continue our business relationships with our major distributors and meet their purchase orders may also reduce resources devoted to our other customers. Even if we manage to secure other customers, it would take time and resources for us to develop our relationship with new customers. If we cannot secure other customers, our business performance and financial conditions may be adversely affected. If any of our major distributors substantially reduces its purchase orders with us or terminates its business relationship with us, we may not be able to obtain orders from other existing customers or new customers to timely replace such lost sales on comparable terms, or at all, in which case our business, results of operations, financial conditions and prospects may be materially and adversely affected.

There is no assurance that we can continue to diversify the composition of our customer base and attract other new customers. Should any of the risks above materialise, our business and financial position could be adversely affected.

We rely on our distributors to sell our products. Any changes in our relationships with our distributors may have a material and adverse effect on our sales, results of operations and financial conditions

We rely on our distributors to sell our products. We sell our potted vegetable produce primarily through our distributors, which then on-sell our potted vegetable produce to end-user customers. During the Track Record Period, the sale to distributors represented approximately 99.7%, 100.0%, 100.0% and 100.0% of our revenue, respectively. However, the effectiveness of our distributors in selling and distributing our products could be affected by a number of factors and since we mainly sell and distribute our products through distributors, if any of the following events occur, there may be fluctuations or decline in our revenue which could have adverse effect on our business and financial performance:

- reduction, delay or cancellation of orders from our distributors;
- inability to appoint or replace distributors in a timely manner upon the loss of one or more of our distributors;
- failure to maintain relationship with our existing distributors or to renew our distribution agreements with favourable terms;
- inability of our distributors to promote our products;
- failure of our distributors to distribute our products in a timely manner or in accordance with the terms of our distribution agreement;
- failure of our distributors to distribute our products in accordance with the applicable PRC laws and regulations;
- deterioration of relationship between our distributors and their customers; and
- deterioration of their own financial performance of our distributors.

We may not be able to maintain our competitiveness in the market, especially if our existing or future competitors launch marketing campaigns by offering more favourable arrangements with their distributors. We cannot assure that we can maintain good relationship with our distributors, in the event that we lose any of our distributors, our business and financial performance may be adversely affected.

Any food safety problems could adversely affect our reputation, brand's image, ability to sell our products and financial performance

Some of our raw materials may contain harmful substances or chemicals of which we are unaware of due to adulteration by our suppliers. Such harmful substances or chemical may be absorbed by our potted vegetable produce and eventually be consumed by our customers and cause health and food safety issue. The quality and quantity of our products could be adversely affected if our raw materials are substandard, spoiled, contaminated or tampered with. We cannot assure that our suppliers will not intentionally or inadvertently contaminate our raw materials or provide us with substandard raw materials.

Food safety problems may occur due to contamination or pollution during production, transportation, distribution or under the possession of the hotels and restaurants end-user customers before consumptions due to unknown reasons or for reasons that are out of our control. While we have quality control measures in place to uphold the quality of our products and raw materials, we cannot assure that we will be able to detect substandard or defective products or raw materials in every circumstance. For further details of our quality control measures on our products and raw materials, please refer to the paragraph headed "Business — Product safety and quality control" in this prospectus. In the event that we fail to detect defective raw materials, the quality of our products could be adversely affected. We may be required to recall our affected products and may subject to product liability claims, adverse publicity, investigation or imposition of penalties by relevant regulatory authorities. Any food safety problem attributable thereto may adversely affect our reputation, brand's image, business and financial conditions. For further details on the relevant laws and regulations applicable to the production of our potted vegetable produce, please refer to the paragraphs headed "Regulatory Overview — Laws and Regulations Relating to Safety of Agricultural Products — Agricultural Products Quality Safety Law" and "Regulatory Overview — Laws and regulations relating to safety of agricultural products — Food Safety Law" in this prospectus.

Our business may be affected by fluctuations in the cost of raw materials for our potted vegetable produce

One of the major operating costs for our business is the cost of raw materials for cultivating our potted vegetable produce. Our raw materials primarily include (i) components of organic substrates; (ii) seeds; and (iii) fertilisers and biopesticides. For FY2020, FY2021, FY2022 and 9M2023, our raw material cost accounted for approximately 49.1%, 47.9%, 47.2% and 47.7% of our total cost of sales, respectively. Any shortage in the supply of, or any upsurge in demand for, such raw materials would lead to an increase in their prices. There is no assurance that we will be able to anticipate and react to such price fluctuations by adjusting the selling prices of our potted vegetable produce on a timely basis or to pass on any increase in the cost of raw materials to our customers accordingly. In the event that we are unable to anticipate and react to such price fluctuations, our profitability may be adversely affected.

We are dependent on our major suppliers, and our business, financial conditions and results of operations could be adversely affected if our relationships with these major suppliers are terminated, interrupted, or modified in any way adverse to us

The key raw materials required for the cultivation of our products include (i) components of organic substrates; (ii) seeds; and (iii) fertilisers and biopesticides. Our success depends on our ability to maintain a good and continued relationship with our major suppliers and our ability to purchase raw materials from such suppliers on favourable terms. In FY2020, FY2021, FY2022 and 9M2023, the aggregate purchases from our five largest suppliers in each year/period amounted to approximately RMB35.3 million, RMB44.7 million, RMB39.8 million and RMB32.8 million, respectively, accounting for approximately 94.3%, 99.7%, 99.7% and 98.7% of our total purchases, respectively, while the purchases from our largest supplier in each year/period amounted to approximately RMB26.4 million, RMB28.2 million, RMB20.3 million and RMB13.5 million respectively, accounting for approximately 70.3%, 62.9%, 50.8% and 40.6% of our total purchases, respectively. Please refer to the paragraph headed "Business — Raw materials, suppliers and subcontractors" in this prospectus for further details of our major suppliers and principal terms of our supply arrangement.

We cannot assure that our current suppliers will continue to supply raw materials to us on terms acceptable to us, or that we will be able to establish new or extend current supplier relationships to ensure a steady supply in a timely and cost-efficient manner. We cannot assure that we will be able to seek satisfactory supplier, or our suppliers will be able to supply the required raw materials to our satisfaction in a timely manner or that they will not significantly increase the prices at the time of our purchases. If our relationships with our major suppliers are terminated, interrupted, or modified in any way adverse to us, our business, financial conditions and results of operations could be adversely affected. If we are unable to secure supply, or if we cannot pass the increase in the cost of raw materials to our customers, our cultivation or production cost, cultivation or production volume and schedule, financial conditions and results of operations may be materially and adversely affected.

In particular, we may face the following risks that may have a significant adverse effect on our operations, business and results of operations:

- there can be no assurance that we would be able to identify alternative suppliers for replacement in a timely manner if any of our major suppliers were to substantially reduce the amount of supplies to us or to cease business relationship with us entirely;

- there may be material interruptions to our operations and business before we can secure supply from other suppliers for the raw materials that we may need, and it may take time for us to negotiate for purchase terms with the other suppliers; and

- even if we are able to purchase from other suppliers, there can be no assurance that the provision of raw materials from such suppliers would be on terms and conditions acceptable to us, and/or in sufficient quantity to meet our imminent demands.

Changes in consumer tastes, perceptions and preferences may have a material and adverse effect on our business, results of operations and financial conditions

The sale of our potted vegetable produce is subject to changes in consumer tastes, perceptions and preferences. The level and pattern of spending by the PRC consumers depends on various factors which include the consumer tastes, perceptions and preferences, consumer income, consumer confidence in the safety and quality of the potted vegetable produce. Any changes in consumer tastes, perceptions and preferences, decrease in consumer income or decline in consumer confidence in our produce may lead to reduction of sale, which could have an adverse effect on our sales and profits.

Our continuous success depends on the popularity of our potted vegetable produce, our ability to sensibly predict on the change in consumer tastes, perceptions, preferences and their spending habits and to flexibly adjust our marketing strategies to fit for the changes from time to time. Shifts in consumer tastes, perceptions and preferences away from our potted vegetable produce to our competitor's potted vegetable produce or to other kinds of food products may adversely affect our business. Consumers in the PRC are increasingly conscious of agricultural product safety and quality and how their daily consumption of foods would affect their health. If we are not able to effectively react to the changes in consumer tastes, perceptions and preferences, the demand for our potted vegetable produce may decline and our business and financial performance may be adversely affected.

Our operations are principally based in Shandong province, and we are susceptible to trends and developments in this region

A significant portion of our revenue is concentrated in Shandong province. For FY2020, FY2021, FY2022 and 9M2023, approximately 87.1%, 91.2%, 90.3% and 91.6% of our revenue was derived from Shandong province, respectively. We expect that Shandong province will remain to account for a significant portion of our operations in the near future. Due to such concentration, any adverse development in economic conditions, policies and regulations of local government or business environment in Shandong province could materially and adversely affect our business, financial position and results of operations.

We may encounter difficulties in expanding our distribution and sales network into new regions, which may limit our growth prospects and, in turn, have an adverse effect on our business, financial conditions and results of operations

As part of our business strategy, we plan to expand our distribution and sales network to grow our business. However, the success of our expansion plan is subject to, among others, the following factors:

- the existence and availability of suitable regions and locations for expansion of our distribution and sales network;
- our ability to negotiate favourable cooperation terms with our distributors;
- the availability of adequate management and financial resources;

- the availability of suitable distributors;
- competition from local competitors;
- our ability to hire, train and retain skilled personnel; and
- the adaptation of our logistics and other operational and management systems to an expanded distribution and sales network.

Expanding into new geographical location involve uncertainties and challenges as we may be less familiar with local regulatory practices and customs, customer preferences and behaviour, the reliability of subcontractors, suppliers and business practices. There is no guarantee that we will be successful in managing our growth and expansion into new region and cities. Accordingly, we cannot assure that we will be able to achieve our expansion goals or effectively integrate any new distributors into our existing network. If we encounter difficulties in expanding our distribution and sales network, our growth prospects may be limited, which could in turn have an adverse effect on our business, financial conditions and results of operations.

Our results of operations are subject to changes in fair value of biological assets, which are subject to a few assumptions. Any increase in the selling prices of our biological assets will increase both our sales revenue and changes in fair value of biological assets, and vice versa.

Since we are a company principally engaged in the cultivation and sales of potted vegetable produce, a certain portion of our assets are biological assets. Our biological assets comprise various kind of potted vegetable produce, including but not limited to crown daisy, rapeseed and Frisée. Our historical results of operations had been affected by changes in fair value of biological assets as a result of changes in fair value less cost to sell of our potted vegetable produce, which are non-cash in nature. In FY2020, our results of operations were positively affected by the gain arising from changes in fair value less cost to sell of biological assets of approximately RMB3.2 million. In FY2021, our results of operations were positively affected by the gain arising from fair value changes less cost to sell of biological assets of approximately RMB3.4 million. In FY2022, our results of operations were negatively affected by the loss from fair value changes less cost to sell of biological assets of approximately RMB2.1 million. In 9M2023, our results of operations were positively affected by the gain arising from fair value changes less cost to sell of biological assets of approximately RMB3.3 million. We expect that our results of operation will continue to be affected by these changes in fair value of biological assets. For details on the changes in fair value of biological assets, please refer to the paragraphs headed "Financial Information — Material accounting policy information, critical judgement and key estimates", "Financial Information — Analysis of selected statement of financial position items — Biological assets" and "Financial Information — Valuation of biological assets" in this prospectus.

The fair values of our biological assets at each reporting date during the Track Record Period were determined by an independent professional valuer and we intend to engage an independent professional valuer to determine the fair values of our biological assets going forward. The valuation of our biological assets during the Track Record Period by Savills was performed by relying on the accuracy and reliability of historical data of biological assets such as quantity held, sales volume, selling prices and cost provided by us. Savills also conducted market research, checked academic material and relied on our internal control over inventory systems for the accuracy and reliability of these historical data. Savills has relied on a number of assumptions in applying valuation methods (including market and cost approaches). Please refer to the paragraph headed "Financial Information — Valuation of biological assets — Key assumptions and inputs" in this prospectus for the key assumptions and inputs for determining the fair value of our biological assets.

The fair value of our biological assets could be affected by, among others, the accuracy of the assumptions including but not limited to, (i) the fluctuation in the market price of our biological assets; (ii) the variation in the growth rate, maturity cycle and quality of our biological assets; (iii) the stability and continuity of our business operation, management and technical personnel; and (iv) the changes in the potted vegetable industry and/or political, legal, technological, tax, fiscal or macroeconomic conditions of the PRC. The fair value of our biological assets would be inaccurate if the assumptions relied on are inaccurate. The valuation conducted by Savills, and the valuation to be conducted in the future, are subject to the caveat that our independent professional valuer relied substantially on the completeness, accuracy and reasonableness of the various assumptions and other data provided by us in preparing the valuation report. As a result of revaluations of our biological assets from period to period, our financial position and results of operations may change significantly from period to period. In addition, any increase or decrease in market prices for biological assets will increase or reduce our profit, and gains or losses arising from changes in fair value less cost to sell of biological assets, which makes our profit more volatile and susceptible. We cannot assure that there will be no significant deviation in the future. We cannot assure that the fair value gain on our biological assets will not decrease in the future. Any decrease in the fair value gain of our biological assets may have a material and adverse effect on our profitability, overall financial conditions and results of operations. As a result, when evaluating our results of operations and profitability, investors should consider our profits and profit margins without taking into account the effects of these changes in fair value of biological assets.

We are subject to the potential adverse consequences due to the title issue in relation to part of the land at our Laixi Facility

We entered into the Land Reservation Agreement (土地預約協議) on 17 June 2006 with the People's Government of Rizhuang Town of Laixi (萊西市日莊鎮人民政府) for, among others, reservation of a parcel of state-owned land for the purpose of agricultural and ecological development for a period of 50 years and the People's Government of Rizhuang Town of Laixi should be responsible to complete the transfer procedure and procure the issuance of the land use rights certificate to our Group according to the terms of the agreement. However, instead of issuing the land use rights certificate to our Group, on 22 May 2013, the Municipal Government of Laixi (萊西市人民政府) issued the land use rights certificate in respect of the relevant land to Qingdao Changyang Investment and Development Co. Ltd.* (青島昌陽投資開發有限公司) ("**Changyang Investment**"), a company wholly-owned by a subordinate department of the Municipal Government of Laixi. As advised by our PRC Legal Advisers, the utilisation of state-owned allocated lands should be approved by the relevant land department of the municipal government at the city or county level (i.e. the Municipal Government of Laixi instead of the People's Government of Rizhuang Town of Laixi). If the said land is expropriated by the government due to the title defect, our financial condition and business operation will be adversely affected. For details of the title issue of the said land, please refer to the paragraph headed "Business — Other property interests in relation to the Laixi Land Parcel C" in this prospectus.

We may be affected by the changes in or cessation of preferential tax treatment which may have an adverse effect on our financial conditions and results of operations

Under the EIT Law, enterprises in the PRC are generally subject to a uniform 25% EIT rate on their worldwide income. Our PRC subsidiary which is engaged in qualifying agricultural business, which includes growing and selling of potted vegetable produce was exempted from the EIT in the PRC during the Track Record Period under the EIT Law. The EIT saved under the EIT Law were approximately RMB11.0 million, RMB11.8 million, RMB8.0 million and RMB10.3 million for FY2020, FY2021, FY2022 and 9M2023, respectively. There is no assurance that the preferential EIT treatment will continue to apply to our subsidiaries. Any removal, loss, suspension or reduction of such preferential tax treatment may have an adverse effect on our financial conditions and results of operation.

The price of our potted vegetable produce may fluctuate, which may adversely affect our profitability and result of operations

We are subject to business risks arising from the fluctuation of the price of our potted vegetable produce resulting from the ever-changing market force of supply and demand. External factors, such as environmental regulations, adverse weather conditions and diseases, which we have little or no control may also greatly affect our potted vegetable produce price. Throughout the Track Record Period, the average selling prices of our potted vegetable produce per pot remained unchanged at RMB15.1. If the price of our potted vegetable produce decreases, our revenue, profit and results of operations may be adversely affected.

We are dependent on our contractual arrangements with Independent Third Parties in respect of the cultivation of our potted vegetable produce

We entered into lease agreements with Independent Third Parties in respect of the lands for our Xi'an Facility and Dalian Facility and part of the lands of our Laixi Facility. We cannot assure that the respective Independent Third Parties would renew such lease agreements with us upon expiry. If we are unable to secure new lease agreements on commercially viable terms with the Independent Third Parties for the cultivation facilities, we may not be able to satisfy orders from our customers for our potted vegetable produce, and accordingly, our business, financial conditions and results of operations may be materially and adversely affected.

We also entered into labour subcontracting agreements (勞務外包合作協議書) with Independent Third Parties for performing simple labour work such as watering, sowing and transporting under our management and supervision. While our labour subcontracting agreements are entered into in accordance with the Civil Code of the PRC, there is no assurance that the Independent Third Parties will comply with the terms of the relevant labour subcontracting agreements and provide the requisite labour services. There is also no assurance that our labour subcontractors will be fully cooperative. In the event of such non-compliance and we are not able to obtain the alternative labour services at competitive prices or at all, our business, financial conditions and results of operations will be materially and adversely affected.

We have limited control over the quality and performance of our labour subcontractors and subcontracting labour force

To allow us to effectively manage our cultivation process and meet the demand for workforce in a timely manner, we outsource our simple labour work to our labour subcontractors. Nevertheless, as we have limited control over the quality and performance and the availability of subcontracting labour force, if such subcontracting labour force is not as experienced or capable as we had assessed and causes any food safety issue, we may be exposed to potential litigation claims from our customers. We may also be subject to litigations relating to compliance with applicable laws and regulations of the PRC. If we were found liable on such claims, we could be liable for significant damages and subject to government sanctions. While we may initiate claims for compensation against our labour subcontractors for any liability arising from subcontracting labour, there is no assurance that our labour subcontractors will be financially capable of compensating us in full. Further, there is no assurance that our claims will be settled in a speedy and efficient manner. In such event, our business, reputation, financial condition and results of operations could be materially and adversely affected.

We did not register “富景农业” as a trademark in the PRC during the Track Record Period and there is no assurance that the trademark application will be successful. Our ability to compete may be hampered if our rights to our brand are infringed by third-parties or, on the other hand, if we are alleged or found to have infringed the intellectual property rights of others

During the Track Record Period, our products were marketed under our brand “富景农业” and we did not register “富景农业” as a trademark in the PRC during the Track Record Period. On 13 November 2023, we have submitted the application for trademark “富景农业” and “ ” . However, there is no assurance that the application for the trademarks will be successful. For details, please refer to the paragraph headed “Business — Know-how and intellectual property rights” in this prospectus.

In the event that our application is not successful, we may not be able to protect our rights to our brand against other potted vegetable producers that use the same or similar brand. Unauthorised use of our brand by unrelated third parties may damage our reputation and brand. If the operations of third parties who used or imitated our brand without our authorization result in adverse effects on consumers, we may be associated with negative publicity as a result.

On the other hand, we cannot be certain that our brand will not be challenged by third parties, whether with or without merit. Certain unrelated third parties may own intellectual property rights which may be considered to be similar to our brand. There is no assurance that owners of similar trademarks will not institute litigation or other forms of proceedings against us, whether with or without merit.

We may from time to time be required to institute or be involved in litigation, arbitration or other forms of proceedings, including settlements, to enforce or defend our rights to our brand, which would likely be time-consuming and expensive and would divert our management's time and attention regardless of their outcome. If any third party infringes our rights to our brand or if we are alleged or found to have infringed the intellectual property rights of others, it may materially and adversely affect our business, financial condition and results of operations.

Any failure in maintaining effective internal controls over the compliance of national health and safety standards may materially and adversely affect our business, results of operation and brand's image

Any failure to meet relevant government requirements or any instance of contamination in operations resulting from our ineffective internal control could result in fines, suspension of operations, and in more extreme cases, criminal proceedings against our Company and our management. Moreover, negative publicity could be generated from false, unfounded or nominal liability claims or recalls. Any of these failures or occurrences could negatively affect our business and financial performance.

We are subject to the agricultural product quality and safety laws and regulations of the PRC. Please refer to the section headed "Regulatory Overview" in this prospectus for more information concerning the relevant agricultural product quality and safety laws and regulations. In light of recent agricultural product quality and safety concerns in the PRC, there may be increasingly stringent enforcement of agricultural product quality and safety rules and regulations and implementation of new agricultural product quality and safety rules and regulations. In such event, our production and distribution cost may increase, and we may be unable to pass these additional cost on to our customers.

We may fail to continuously develop new products or our new products may not be successful, leading to a potential adverse effect on our business, results of operations and financial conditions

The potted vegetable produce industry in the PRC is a highly fragmented industry with a large number of players. In light of the fragmented nature and volatile environment, we will need to continuously develop and launch new products in order to respond to consumers' demand and maintain our competitiveness and market share. We cannot assure that we will be able to continuously develop new products or our new products in the future will attract sufficient consumer demand or gain sufficient market share to be profitable. In addition, we cannot assure that our new products in the future will continue to be of high quality. Failure to recover development, production and marketing cost of unsuccessful new products or maintain the high quality of our new products in the future could adversely affect our business, results of operations and financial conditions.

We are exposed to the credit risk of our distributors and end-user customers. If our distributors or end-user customers default on their payments to us, our profitability, liquidity and financial position may be materially and adversely affected

We are exposed to the credit risk of some of our distributors who are granted credit terms of 60 days to 120 days and our end-user customers who are granted credit terms of 180 days. Should our customers experience cash flow difficulties or face possibilities of liquidation due to deterioration in their business performance or financial position, our profitability, cash flow and financial position may be materially and adversely affected as our customers may default on their payments to us. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, our average trade receivables turnover days were approximately 99.2 days, 93.0 days, 144.3 days and 126.1 days, respectively. Please refer to the paragraph headed "Business — Payment terms and credit terms" in this prospectus for details on our credit policy.

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, the carrying amount of our trade receivables (net of allowance for doubtful debts) were approximately RMB31.1 million, RMB46.6 million, RMB53.4 million and RMB58.4 million, respectively. We recorded an allowance for expected credit losses ("ECL") of trade receivables of approximately RMB0.1 million, RMB0.1 million and RMB0.2 million for the years ended 31 December 2020, 2021 and 2022 respectively and a reversal of allowance for ECL of approximately RMB0.1 million for 9M2023. In the event that any material portion of such trade receivables becomes bad debt and cannot be collected by us, our operations and financial conditions may be adversely affected. In addition, in the event that our trade receivables could not be collected timely, we may need to finance our working capital requirement by internal resources or borrowings, and any increase in interest rate may adversely affect our financial position due to increase in finance cost.

Our business, reputation and brand's image may be adversely affected by product liability claims, consumer complaints or adverse publicity in relation to our products

We may be subject to product liability claims if our products are found to be unfit for consumption. Our products may be rendered unfit for consumption due to contamination and pollution, whether intentional or not, delay in delivery, poor handling, poor condition of storage facilities of suppliers or distributors, or unauthorised tampering by distributors or third parties during the transit of products. The occurrence of such problems may result in recalls of our products and significant damage to our brand reputation. We cannot assure that our products will not be recalled and we will not receive any material complaints or product liability claims from our customers in the future. We may incur legal liabilities and have to compensate consumers for any loss or damage they suffer in respect of valid product liability claims and, in addition, we may also be subject to administrative or other government sanctions or penalties. In addition, adverse publicity from these types of concerns, whether valid or not, may discourage customers from purchasing our products. If customers lose confidence in our brand, we may experience long term declines in our sales, which may have an adverse effect on our business, results of operation and financial conditions.

Our workers are subject to risks of serious injury caused by the use of production machinery and equipment, which may result in a material and adverse effect on our business, results of operations and financial conditions

We use machinery and equipment such as substrate crusher, excavator and bulldozer, which are potentially dangerous in our operations. Any significant accident caused by the use of such equipment or machinery could interrupt our operations and result in legal and regulatory liabilities. We cannot guarantee that we will not encounter significant cost, legal or regulatory liabilities as a result of personal injury of our employees in the future. The occupational injury insurance fund we pay for our employees in accordance with relevant PRC labour laws may not sufficiently cover, or cover at all, losses and liabilities we may encounter in respect of personal injury of our employees. Further, there is no assurance that our labour subcontractors will not seek compensation or indemnification from our Group for any injury suffered by their staff for any negligence or contractual liability against our Group. Therefore, in such events, we may incur significant cost which could materially and adversely affect our business, results of operations and financial conditions.

Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter

We have purchased food safety insurance for our products and property insurance for our owned greenhouse facilities. We have not maintained insurance for all of our properties or fixed assets. The insufficiency of insurance coverage exposes us to risks associated with our business, including damages, liabilities or losses we may incur in the course of our business, which may be significant. Any uninsured occurrences of loss or damage to our cultivation facilities and other properties or fixed assets may result in the disruption of our business operations, the incurrence of substantial cost by our Group and the diversion of our resources, which may have a material and adverse effect on our business, financial position and results of operations. If we are held responsible for any such damages, liabilities or losses due to insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial position and results of operations. Please refer to the paragraph headed "Business — Insurance" in this prospectus for further details.

The occurrence of adverse weather conditions or natural disasters may materially and adversely affect our business and financial performance

Our business operations and cultivation facilities are susceptible to adverse weather conditions and natural disasters such as floods, typhoon, hailstorm, earthquakes and environmental hazards. There is no assurance that our cultivation facilities or potted vegetable produce would not be destroyed under adverse weather conditions or natural disasters. Occurrence of any of the above events in or in close proximity to our cultivation facilities, and/or the facilities of our suppliers from whom we purchase necessary raw materials used in our production may interrupt our cultivation, or cause a reduction in our production output or delay and/or increased cost in our procurement of raw materials. For instance, the occurrence of a severe hailstorm in Qingdao in May 2020 damaged seven of our greenhouses in our Laixi facility and led to around 33,000 damaged or unsellable pots of vegetable produce (the estimated cost of which was approximately RMB0.3 million) and a loss of potential sales revenue of approximately RMB0.5 million based on the average selling price of our potted vegetable produce in Shandong province of approximately RMB15.0 per pot in FY2020. It is estimated that the suspension further led to the drop of the production volume of approximately 156,000 pots and a loss of potential sales revenue of approximately RMB2.3 million based on the average selling price of our potted vegetable produce in Shandong province of approximately RMB15.0 per pot in FY2020 during the suspension. The occurrence of any circumstances above may have a material and adverse effect on our business, prospects and financial performance.

Disruption of operations of our cultivation facilities may materially and adversely affect our business operations and financial performance

Our ability to efficiently and stably cultivate potted vegetable produce at our cultivation facilities is critical to our success. As at the Latest Practicable Date, we had established three cultivation facilities for cultivating our potted vegetable produce, namely our (i) Laixi Facility; (ii) Xi'an Facility; and (iii) Dalian Facility.

Damage or disruption to our operations at our cultivation facilities can result from the following factors, among others:

- utility supply disruptions, terrorism, strikes or other force majeure events;
- forced closure or suspension of our cultivation facilities;
- major disease outbreaks at or around our cultivation facilities;
- pollution of underground water resources;
- failure to comply with applicable regulations and quality assurance guidelines;
- labour disputes affecting our employees;
- accidents in any of our cultivation facilities, including major equipment failures or fires, which may result in suspension of operations, property damage, severe personal injuries or even fatalities; and
- other production or distribution problems, including limitations to production capacity due to regulatory requirements, changes in the types of products produced or physical limitations that could impact continuous supply.

We cannot assure that the events and factors mentioned above or any other events will not occur and result in a material disruption to the operations at our cultivation facilities in the future. If we fail to take adequate steps to mitigate the likelihood or potential impact of such events or factors, or to effectively respond to such events or factors if they occur or materialise, our business, results of operations and financial conditions may be materially and adversely affected.

We are exposed to possible infringements of our intellectual property rights, or we could face claims for infringement of the intellectual property rights of others, which may materially and adversely affect our sales, reputation, business operations and financial performance

We believe that our current intellectual property rights and those for which we have pending applications provide protection to our business and are necessary for our operations. There is no assurance that our intellectual property rights will not violated or be infringed upon and that measures taken by us to protect our trademarks and patents are adequate to prevent infringement, product imitation and counterfeiting by others. In the event that third parties infringe upon our intellectual property rights, we may face great difficulties and costly litigation in order to fully protect our intellectual property rights, which may in turn affect our profitability. In the event that we are unsuccessful in policing the violation of our intellectual property rights, the availability of counterfeit goods in the market may affect consumers' perception of our product quality and reduce the demand for our products, which may adversely affect our brand reputation and financial performance.

Over the years, we have accumulated knowledge and experience in relation to the cultivation method, process and organic substrate formula of cultivation materials of potted vegetable produce which is part of our essential proprietary technical know-how. Thus, effective protection of proprietary information and technical know-how in our business operations is critical to our business. As certain of our proprietary information and technical know-how are not patented, we are vulnerable to unauthorised disclosure of such proprietary information to our competitors, which may adversely affect our business.

In addition, we may also be subject to claims or litigations in respect of infringement of patents, trademarks or other intellectual property rights of others. These claims or litigations could adversely affect our relationships with current or future customers, divert management attention and resources and result in substantial expenses, thereby adversely affecting our business, financial condition, results of operations and prospects.

Our future success depends on the continuing services of certain key personnel and our ability to attract and retain talented personnel

Our continued success is significantly dependent on the continuing services of our senior management and other key personnel and their expertise and experience. For more details on our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this prospectus. Our Directors and senior management have extensive experience in the potted vegetable produce industry. For instance, Mr. Zhang (being our founder and executive Director who founded our Group in December 2006) and Mr. Pang Jinhong (being our executive Director who has joined our Group since February 2013), have about 17 years and 11 years of management and operational experiences in our Group respectively. If one or more of the members of our senior management team are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial conditions and results of operations may be adversely affected.

Our future success is further dependent upon our ability to attract and retain personnel who have the necessary experience and expertise. If we cannot recruit and retain the employees necessary to maintain our operations, our capabilities may be limited which could reduce our profitability and limit our ability to grow.

Cultivation and sales of our potted vegetable produce are subject to seasonality fluctuations

Cultivation and sales of our potted vegetable produce are subject to seasonality fluctuations. During the Track Record Period, we experienced seasonality fluctuations in the cultivation of our potted vegetable produce due to weather conditions. According to our experience, our potted vegetable produce have longer growth cycles in colder seasons. We also experienced seasonality fluctuations in sales of our potted vegetable produce due to customers' purchase patterns. During the Track Record Period, we recorded higher revenue from the sale of our potted vegetable produce in the third quarter of the year due to increase of demand in summer and autumn in line with the catering market as a result of growing number of visitors in Qingdao. We also recorded lower revenue from the sale of our potted vegetable produce in the first quarter of the year due to the closure of business of some of the hotels and restaurants during the Chinese New Year holidays. For details of the seasonality fluctuations, please refer to the paragraph headed "Business — Distribution and sales network — Seasonality" in this prospectus. Hence, our sales and operating results for any particular period will not necessarily be indicative of our results for the full year or future periods, and our interim result may not proportionally reflect our annual results.

Risks relating to non-compliance with the PRC employee social welfare contribution regulations could lead to the imposition of fines or penalties

Pursuant to the relevant PRC laws and regulations, employers in the PRC shall make social insurance funds and housing provident funds contributions for their employees. During the Track Record Period, we were not in full compliance with the applicable contribution requirements for our employees in PRC. For details of our non-compliance incidents, please refer to the paragraph headed "Business — Non-compliance" in this prospectus.

Under the applicable PRC laws and regulations, the relevant social insurance and housing provident fund authorities have discretion as to the manner and amount of penalties to be imposed on our Group. While our PRC Legal Advisers advised that the risk for our Group being penalised by the relevant social insurance and housing provident fund authorities for our previous non-compliances is remote, there is no assurance that there will not be any employee complaint or claim against us in respect of our failure to make full contributions to the relevant social insurance fund or housing provident fund in the past. There is also no assurance that we will not receive any order or notice from the PRC authorities in relation to the non-compliance incidents. In such case, we may incur additional cost to comply with the laws and regulations and even be subject to fines or penalties arising from above non-compliance, which may have an adverse effect on our business, financial condition and results of operations.

The outbreak of COVID-19 has caused, and may continue to cause, damage to the economy and as a result may adversely affect our business, financial condition and results of operations

The outbreak of COVID-19 in the end of 2019 and the resurgence of COVID-19 cases in early 2022 have already caused, and may continue to cause, an adverse and prolonged impact on both economic and social conditions in China, and the exacerbation, continuance or reoccurrence of COVID-19 in China may interrupt our business operations.

The outbreak of the COVID-19 disease had prompted the PRC government to place many provinces into lockdown, extend the Chinese New Year holidays, stipulate measures aiming at reducing mobilities and close non-essential businesses which, to a certain extent, affected our business.

Save as disclosed and as of the Latest Practicable Date, COVID-19 outbreak did not have any material adverse impact on our overall business, financial condition or results of operations. Please refer to the paragraphs headed "Business — Impact of the outbreak of COVID-19 epidemic" and "Summary — Recent development and no material adverse change" for further details of the impact of COVID-19 outbreak on our Group.

In order to prevent the COVID-19 epidemic, many countries issued travel advisories restricting travels to affected areas (including China). Such policies have seriously undermined the local and cross-border business activities in these areas. The effect includes substantial decrease in the number of tourists, business exchange events and social functions and the slackening of the economy in the affected countries and territories. The global financial markets have experienced extreme volatilities and the risk of the world headed into a recession has significantly increased. There is no assurance that there will not be any direct or indirect adverse impact on our business, financial condition and results of operations arising from any effect on the PRC economy or other parts of the world as a result of any outbreak, exacerbation, continuance or reoccurrence of COVID-19. There is no assurance that the overall economic performance of the affected countries and territories will improve shortly even after the containment of COVID-19 outbreak and the withdrawal of such policies and recommendations by the governments of China and other countries and thus our business could be materially and adversely affected. There is also no assurance that our employees will not be infected, in which event the operations of our cultivation facilities might need to be suspended and their staff might need to be quarantined. Furthermore, there is no assurance that another major COVID-19 or other disease outbreak will not happen in the future. If any of these events eventuate, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO THE INDUSTRY WHICH WE OPERATE IN

We operate in a highly fragmented and competitive industry and may face increasing competition, which may affect our market shares and profit margins

The potted vegetable produce industry we operate in is characterised as highly fragmented with a large number of players and we compete with a number of existing PRC domestic potted vegetable producers, as well as potential new entrants to the market. Some of our competitors may have, in comparison to us, lower cost of operation, greater expertise and more extensive technical capabilities, greater resources to invest in product development and customer support, longer operating histories, greater pricing flexibility and name recognition, larger customer bases and/or stronger technical and professional teams. In addition, more specialised producers with greater financial resources may enter our market in the future. Our ability to compete successfully in the industry depends on various factors, including our reputation, brand's image, high quality products and stable relationships with our customers. We cannot assure that we will be able to compete effectively against current and future competitors. Intensified competition may result in price reduction of our products, a decrease in our profit margins, loss of market share and increased difficulty in market penetration, which may have a material adverse effect on our business, prospects, financial conditions and results of operation.

If the potted vegetable produce market does not grow at a rate as we expect, or at all, or if we fail to keep pace with consumer preferences and demands, our business, results of operation and financial conditions may be adversely affected

Our growth depends, to a significant extent, on the continuous growth in the demand for our potted vegetable produce. Any future reduced demand or economic downturn may materially and adversely affect our sales and profitability. Furthermore, we are subject to the changing consumer preferences and demands. If there is a change in market preference or if we fail to keep pace with these changes, we may not be able to achieve the growth as expected and our business and financial conditions may be adversely affected.

Consumer concerns about the safety and quality of our potted vegetable produce may adversely affect the sales of our produce and our financial performance

Consumer demand may be affected by factors such as negative publicity resulting from the publication of industry findings, research reports or health concerns concerning food safety of products produced in the potted vegetable produce industry or the PRC in general, given that the consumption of contaminated or spoiled food products may result in illness, disease or, in extreme cases, death. Adverse publicity and news about the safety and quality of domestically produced food products, and counterfeiting and imitation of food products are not uncommon in the PRC. We cannot assure that our suppliers or distributors will be in full compliance with all the relevant hygiene, health and safety standards. In case such complaints and negative publicity occur in respect of the potted vegetable industry or our potted vegetable produce, regardless of their merits, we may suffer a loss of consumer confidence, reduction in the demand for our products, and consequently our business operations, financial performance and prospects may be adversely affected. We may also not be able to handle the negative comments effectively and in a timely manner and additional resources may be required to rebuild our reputation.

Change in existing agricultural product quality and safety laws may expose us to additional cost for compliance and affect our business operations

As agricultural products are intended for direct human consumption, we are subject to extensive governmental laws and regulations in relation to agricultural product quality and safety in the PRC. For instance, the PRC agricultural product quality and safety laws set out requirements in the following aspects to ensure that the quality of agricultural products will comply with the protective requirements for human health and safety, namely (i) quality safety standards for agricultural products; (ii) place of origin of the agricultural products; (iii) production process of agricultural products; and (iv) packaging and identification marks of agricultural products.

Failure to comply with the agricultural product quality and safety laws in the PRC may result in fines, suspension of sale, confiscation of the proceeds obtained from the sale of the infringed products and, in more extreme cases, criminal proceedings against us and our management. Any of these events will have an adverse impact on our production, business, results of operations and financial conditions.

There is no assurance that the PRC government will not impose additional or stricter laws or regulations on edible agricultural product quality and safety in the future, providing for more comprehensive monitoring and regulation over edible agricultural product producers and distributors in areas including, but not limited to, agricultural product quality and safety and distribution, which may lead to an increase in our cost of complying with such regulations. We may be unable to pass these additional cost on to our customers, which may result in an adverse effect on our results of operations.

We are subject to environmental regulations and may be exposed to liability and potential cost for environmental compliance

Our operations are subject to national, provincial and local environmental laws, rules and regulations which, among others, require manufacturers to conduct an environmental impact assessment before engaging in certain construction projects. Any violation of these regulations may result in warning, payment of damages, fines, restriction or suspension of production or an order to halt production. There is no assurance that we will not incur future obligations or material liabilities relating to environmental laws and regulations.

Further, the government may adopt more stringent environmental regulations and there is no assurance that we will be in full compliance with these regulatory requirements at all times. Due to the possibility of unanticipated regulatory developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any unanticipated change in environmental regulations, we may be required to incur additional capital expenditures to, among others, install, replace, upgrade or supplement our equipment relating to pollution control and the use, storage, handling and disposal of hazardous materials and chemicals, or make operational changes to limit any adverse impact, whether actual or potential, on the environment in order to comply with new environmental protection laws and regulations. If such cost becomes prohibitively expensive, we may be forced to modify, curtail or cease certain aspects of our business operations.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Changes in the PRC legal system may adversely affect our business and limit the legal protection available to you

Our operating subsidiary and operations are mainly located in the PRC. Our business in the PRC is subject to the PRC laws and regulations applicable to foreign investment in the PRC. The PRC legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system have little precedential value and can only be used as a reference. Furthermore, PRC's statutes are subject to interpretation by legislative bodies, judicial authorities and enforcement bodies, which increase uncertainty. When the PRC government started its economic reforms in 1978, it began to build a comprehensive system of laws and regulations to regulate business practices and the overall economic order of the country. The PRC has made significant progress in the promulgation of laws and regulations dealing with business and commercial affairs of various participants of the economy, involving foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. Many of these laws and regulations are relatively new and are subject to further implementation and interpretation. There may also be new laws and regulations to cover new economic activities in the PRC. We cannot predict future developments in the PRC legal system.

Our dividend income from our PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate

The EIT Law and its implementation rules provide that PRC-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-PRC resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

Pursuant to the Arrangement Between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), the withholding tax rate on dividends paid by our PRC subsidiary to our Hong Kong subsidiary would generally be reduced to 5%, provided that our Hong Kong subsidiary is a Hong Kong tax resident as well as the beneficial owner of the PRC-sourced income, and our Hong Kong subsidiary directly holds 25% or more interests in our PRC subsidiary. On 3 February 2018, the State Administration of Taxation issued the Announcement on Certain Issues Concerning the Beneficial Owners in a Tax Agreement (關於稅收協定中"受益所有人"有關問題的公告), also known as Circular 9, which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under China's tax treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner. Accordingly, if our Hong Kong subsidiary is not regarded as the beneficial owner, there is no assurance that the reduced withholding tax rate will be available in the future.

We may be treated as a PRC tax resident enterprise under the EIT law, which may result in our PRC-sourced income, dividends payable by us to our foreign investors and gains on the sale of our Shares being subject to PRC withholding taxes and may have a material adverse effect on the value of your investment

Under the EIT Law and its implementation regulations, withholding tax at 10% will normally apply to dividends payable to investors that are non-PRC resident enterprise by PRC resident enterprise or on gain recognised by the non-PRC investors with respect to the sale of shares of the PRC resident enterprise as such dividend or gain is derived from sources within PRC. PRC withholding tax at a 20% rate may apply to dividends paid to and any gain realised by non-resident individual shareholders. If we are deemed by the PRC tax authorities as a PRC resident enterprise for tax purpose in the future, the dividends to be distributed by our Company and the gain with respect to the sale of Shares of our Company may be regarded as income from "sources within China" and be subject to PRC income tax, unless such tax is reduced by an applicable income tax treaty between China and the jurisdiction of the non-PRC investors. It is unclear whether non-PRC shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC and if we are required under the EIT Law to withhold PRC income tax on our dividends payable to our Shareholders, or if our Shareholders are required to pay PRC income tax on the transfer of the shares, the returns on our Shareholders' investment in our Shares will be reduced.

We may not be able to obtain government grants, which are non-recurring in nature

For FY2020, FY2021, FY2022 and 9M2023, we received government grants of approximately RMB3.6 million, RMB0.5 million, RMB0.2 million and RMB0.2 million, respectively, which were recognised as our other income. Government grants are recognised in the statement of financial position initially when there is reasonable assurance that the grants will be received and that we will comply with the conditions attaching to them. The government grants we received during the Track Record Period includes financial subsidies in relation to agricultural development, greening purposes, subsidising the interest payment of our borrowing in 2018 and supporting the listing of local enterprises provided by the Municipal Government of Laixi in FY2020, which are dependent on the government's allocation. Moreover, since there can be changes in the laws, regulations and governmental policies of the PRC, we face uncertainty relating to the availability of government grants and we cannot guarantee that we will record such income of similar amount, or at all, in the future. Any eliminations or alterations to any of the incentives provided to us by the governments would have an adverse effect on our financial performance and results of our operations.

We may be subject to penalties (including restriction on our ability to inject capital into our PRC subsidiary and our PRC subsidiary's ability to distribute profits to us), which may have a material adverse impact on our business and financial conditions, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations

SAFE issued the Notice of the SAFE on Relevant Issues concerning Foreign Exchange Administration relating to Domestic Residents offshore Investment and Financing and Round-trip Investment through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or SAFE Circular No. 37, which became effective on 4 July 2014. Circular No. 37 requires "PRC residents", including PRC individuals and enterprises, to register with SAFE or its local branches in relation to their direct establishment or indirect control of an offshore special purpose vehicle. An offshore special purpose vehicle is an offshore entity used for the purpose of overseas investment and financing with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. In addition, such PRC residents must update their foreign exchange registrations with SAFE when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

On 13 February 2015, SAFE promulgated the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), or SAFE Circular No. 13, which came into effect on 1 June 2015, pursuant to which local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular No. 37, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE.

If any shareholder holding interest in an offshore special purpose vehicle, who is a "PRC resident" as determined by Circular No. 37, fails to fulfil the required foreign exchange registration with the local SAFE branches pursuant to Circular No. 37 and Circular No. 13, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the SAFE registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

There remains uncertainty as to the interpretation and implementation of the latest SAFE rules at practice level. Due to the inherent complexity in the implementation of the regulatory requirements by the PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be fully aware or informed of the identities of our beneficiaries who are PRC nationals or entities, and may not be able to compel them to comply with SAFE Circular No. 37 or other regulations. We cannot assure that all of our Shareholders or beneficiaries will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by SAFE rules or other regulations. We cannot assure that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholder to comply with SAFE rules or other regulations may result in prohibition of the distribution of profits and dividends to us by the PRC subsidiary or restrictions on the subsequent cross-border foreign exchange activities of our PRC subsidiary and may also subject the relevant PRC resident or entity to penalties under the PRC foreign exchange administration regulations. In addition, we may also be restricted in our ability to contribute additional capital to our PRC subsidiary, which may adversely affect our business and have a material adverse effect on our financial conditions.

We are subject to the PRC governmental control of currency conversion

The PRC government imposes controls on convertibility of RMB into foreign currencies and remittance of currency out of the PRC in certain cases. Substantially, we receive all of our revenues in RMB. Shortages in availability of foreign currencies may restrict the ability of our PRC subsidiary to remit sufficient foreign currencies to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under the existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local SAFE branch by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as repayment of bank borrowings denominated in foreign currencies. If we fail to fulfill the requirements of the PRC foreign exchange control system, we may not be able to pay dividends in foreign currencies to our Shareholders.

PRC regulations on loans provided by, and foreign direct investment by, an offshore holding company to PRC entities may delay or prevent us from using the net proceeds from the Share Offer to fund our business operations in the PRC

As an offshore entity, any capital contributions or loans that our Company makes to our PRC subsidiary, including from the net proceeds from the Share Offer, are subject to PRC regulations. For example, any of our loans to our PRC subsidiary cannot exceed the difference between the total amount of investment our PRC subsidiary is approved to make under relevant PRC laws and the registered capital of this PRC subsidiary (if applicable), and such loans must be registered with a local branch of SAFE. We cannot assure that we can obtain the required government approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to use the proceeds from the Share Offer to fund our operations in the PRC would be negatively affected, which would in turn materially and adversely affect our liquidity and our ability to expand our business.

Our investors may experience difficulties in effecting service of process, enforcing foreign judgements or bringing original actions in the PRC against us or our Directors or officers

We are a company incorporated under the laws of the Cayman Islands, but substantially all of our operations and assets are located in the PRC. Most of our Directors and officers reside in the PRC, and substantially all of their assets are located in the PRC. As a result, it may be difficult or impossible for our investors to effect service of process upon us or our Directors and officers.

Moreover, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements awarded by courts in the United States, the Cayman Islands and most other western countries. As a result, recognition and enforcement in the PRC of the judgement of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may need additional procedures compared to the local judgements. Furthermore, an original action may be brought in the PRC against us or our Directors or officers only upon satisfaction of the conditions for institution of a cause of action pursuant to the PRC Civil Procedure Law (中華人民共和國民事訴訟法). As a result of the conditions set forth in the PRC Civil Procedure Law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, whether our investors will be able to bring an original action in the PRC in this fashion still need to be determined case by case.

RISKS RELATED TO THE SHARE OFFER

The shares of Fujing Agriculture, our principal operating subsidiary, were quoted on NEEQ from 25 November 2015 to 22 May 2019, and the characteristics of NEEQ and the Hong Kong share market may differ

The shares of Fujing Agriculture, our principal operating subsidiary, had been quoted on the NEEQ from 25 November 2015 to 22 May 2019. On 22 May 2019, the shares of Fujing Agriculture ceased to be quoted on the NEEQ. With different trading characteristics, the Stock Exchange and the NEEQ have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of the NEEQ may not be comparable to that of the Stock Exchange. Due to the different characteristics of the Stock Exchange and the NEEQ, the historical prices of the NEEQ may not be indicative of the performance of our Shares. You should therefore not place undue reliance on our prior trading history on the NEEQ when evaluating an investment in our Shares.

You should not place any reliance on the information published regarding to Fujing Agriculture's prior quotation on the NEEQ

As the shares of Fujing Agriculture were quoted on the NEEQ from 25 November 2015 to 22 May 2019, Fujing Agriculture was required to comply with the then PRC regulations on periodic reports and other disclosures. Accordingly, Fujing Agriculture published its relevant information on the NEEQ or other media designated by the CSRC. However, the information published on the NEEQ was based on the regulatory requirements and market practices of the PRC securities regulatory authorities and the financial information published on the NEEQ was prepared based on accounting principles generally accepted in the PRC which may be different from that applicable to the Share Offer. Therefore, such published information does not form a part of this prospectus. As a result, prospective investors in our Shares are reminded that, when making their investment decisions as to whether to purchase our Shares, they should rely only on the financial, operating and other information included in this prospectus. By applying for the Offer Shares, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and other formal announcements made by us regarding the Share Offer in Hong Kong.

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

Prior to the Share Offer, no public market for our Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares will be publicly traded. We cannot assure that an active trading market for our Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure that our Shares will be traded in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by the Price Determination Agreement, and may not be indicative of the market price of our Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares could be materially and adversely affected.

The trading price and volume of our Shares may be volatile, which could result in substantial loss to our investors

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including (i) variations in the level of liquidity of our Shares; (ii) changes in securities analysts' (if any) estimates of our financial performance; (iii) investors' perceptions of our Group and the general investment environment; (iv) changes in laws, regulations and taxation systems which affect our operations; and (v) the general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors whose securities are listed on the Stock Exchange may affect the trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, or net income and cash flow, the success or failure of our efforts in implementing business and growth strategies; our involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of our Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

As there will be a gap of several days between the pricing and the trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins. The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date.

Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Our investors will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

We may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to our existing operations or any future acquisitions. If additional funds are raised by way of issuing Shares or equity-linked securities other than on a pro rata basis to our existing Shareholders, our existing Shareholders' shareholding may be reduced, the earnings per Share and the net tangible asset value per Shares would diminish and/or such newly issued securities may have rights, preferences and privileges superior to the Shares of our existing Shareholders.

Future disposal or perceived disposal of a substantial number of Shares of our existing Shareholders in the public market could materially and adversely affect the prevailing market price of our Shares

Disposal of substantial amounts of our Shares in the public market after the completion of the Share Offer, or the perception of such disposal could adversely affect the market price of our Shares and materially impair our future ability to raise capital through offerings of our Shares. There is no assurance that our major Shareholders would not dispose of their respective shareholdings, subject to the requirements of the Listing Rules. Any significant disposal of our Shares by any of the major Shareholders could materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our Shares.

Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Share Offer

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Share Offer. Prior to the publication of this prospectus, there may be press and media coverage regarding the Share Offer and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this prospectus obtained from government and official sources have not been independently verified and may not be reliable

Certain facts, forecast and other statistics in this prospectus are derived from various government and official resources. Our Directors cannot guarantee the quality or reliability of such source of materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that such forecast and statistics are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

We established the mechanism of share incentives and may grant share option in the future. Such share incentives and share option may result in increased share-based compensation expenses and negatively impact our results of operations upon its implementation, and any options granted under the Share Scheme may dilute the Shareholders' equity interests.

On 11 March 2024, our Shareholders passed the written resolution and adopted the Share Scheme. An option may be exercised in accordance with the terms of the Share Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the Listing Date. The maximum number of Shares in respect of which options may be granted under the Share Scheme and under any other share schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the Share Offer. See "Statutory and General Information-D. Share Scheme" in Appendix VI to this prospectus for details.

We believe the granting of share-based compensation is of significant importance to our ability to motivate directors and employees to optimise their performance efficiency for the benefit of our Group, and to attract and retain or otherwise maintain an on-going business relationship with directors and employees whose contributions are or will be beneficial to the long-term growth of our Group. We may grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. In addition, any grant of share-based awards will dilute existing shareholders' shareholding.

In preparation for Listing, we have sought and have been granted the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means that at least two executive Directors must be ordinarily resident in Hong Kong. We do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules for the following reasons:

(a) our core business operations are principally located, managed and conducted in the PRC and substantially all of the assets of our Group, including our head office, is situated in Laixi, Qingdao, Shandong Province. Our executive Directors and members of the senior management of our Group are and will be expected to principally reside in the PRC;

(b) it would be practically difficult and commercially unnecessary for us to relocate our executive Directors to Hong Kong or appoint additional executive Directors who are ordinarily resident in Hong Kong. The appointment of new executive Directors, who may not be familiar with the operations of our Group, to our Board for the sole purpose of satisfying the requirements of Rule 8.12 of the Listing Rules may not be in the best interest of our Group and our Shareholders as a whole. In particular, they will not be able to fully understand the daily operations of our core business or fully appreciate the circumstances surrounding or affecting our core business operations and development from time to time, as they will not be physically present in our operation and management base in the PRC all the time. As such, such new executive Directors (if appointed) may not be able to exercise their discretion on a fully informed basis, or make appropriate business decisions or judgements that are most beneficial to our operations and development; and

(c) each of our existing executive Directors has a vital role in our business and operations and it is of paramount importance for them to remain to be physically close to our operations in the PRC. Relocating any of our existing PRC-based executive Directors to Hong Kong would require time to process the application for residency in Hong Kong and such application will be burdensome and costly for our Company and may not enable the relevant executive Directors to perform their strategic roles in our Group. Since such executive Directors, after the relocation, will not be physically present at our operation and management base in the PRC all the time, they may encounter the aforesaid management difficulties.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between the Stock Exchange and us by implementing the following arrangements:

(a) We have appointed and will continue to maintain two authorised representatives, namely Mr. Zhang, the chairman of our Board and an executive Director, and Mr. Au Yeung Ming Yin Gordon, our company secretary, who is ordinarily resident in Hong Kong, to serve as our authorised representatives. Each of our authorised representatives will act as our principal channel of communication at all time with the Stock Exchange, and will be readily contactable by the Stock Exchange via phone, facsimile and/or email to deal promptly with enquiries in relation to our Company from the Stock Exchange in short notice. Each of our authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange.

(b) Our Company will keep the Stock Exchange updated in respect of any change to the contact details of our authorised representatives. Our Company will only change the authorised representatives after notifying the Stock Exchange of such change and the reasons and having made an appropriate replacement.

(c) Each of our authorised representatives has means for contacting all of our Directors (including our independent non-executive Directors) promptly at all times and when the Stock Exchange wishes to contact our Directors (including our independent non-executive Directors) on any matters. All of our Directors (including our independent non-executive Directors) who are not ordinarily resident in Hong Kong possess or will be able to apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period when required. To facilitate communication with the Stock Exchange, our Directors (including our independent non-executive Directors) will provide to the Stock Exchange and our authorised representatives their respective mobile phone numbers, office phone numbers, fax numbers and email addresses. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to our authorised representatives.

(d) We have appointed Grande Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Our compliance adviser will, among other things and together with our authorised representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of our Company with the Stock Exchange during the period from the Listing to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately after the Listing. Our compliance adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when our authorised representatives are not available.

(e) Meetings between the Stock Exchange and our Directors can be arranged through our authorised representatives or our compliance adviser, or directly with our Directors within a reasonable time. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in our authorised representatives and/or our compliance adviser in accordance with the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report as set out in Appendix I to this prospectus must include the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group for each of the three financial years immediately preceding the issue of this prospectus including an explanation of the method used for the computation of such income or turnover, and a reasonable breakdown between the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a report by the auditors of our Company in respect of the profits and losses and assets and liabilities of our Group for each of the three financial years immediately preceding the issue of this prospectus.

Pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report for FY2020, FY2021, FY2022 and 9M2023 is set out in Appendix I to this prospectus but does not include the consolidated results of our Group in respect of the full year immediately preceding the proposed date of the Listing, being the full year ended 31 December 2023. However, strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 4.04(1) of the Listing Rules would be unduly burdensome and the exemption would not prejudice the interest of the investing public given the following reasons:

(a) there would not be sufficient time for our Group and the Reporting Accountants to finalise the audited financial statements for the full year ended 31 December 2023 for inclusion in this prospectus, which shall be issued on or before 20 March 2024. If the financial information is required to be audited up to the full year ended 31 December 2023, our Company and the Reporting Accountants would have to undertake a substantial amount of work to prepare, update and finalise the Accountants' Report and this prospectus and the relevant sections of this prospectus will need to be updated to cover such additional period, which will lead to a delay in the listing timetable;

(b) our Company has included in this prospectus (a) the Accountants' Report covering FY2020, FY2021, FY2022 and 9M2023; (b) the unaudited preliminary financial information of our Group for the full year ended 31 December 2023 as set out in Appendix III to this prospectus, which has been agreed with our Reporting Accountants, following their work under Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, and a commentary on the results for the year as set out in Appendix III to this prospectus, and such disclosure is no less than the content requirements for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (c) the information regarding the recent development of our Group subsequent to the Track Record Period and up to the Latest Practicable Date. As such, our Company and the Sole Sponsor are of the view that information included in this prospectus have already provided potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Group. Our Directors and the Sole Sponsor confirm that all information that is necessary for the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and profitability of our Company has been included in this prospectus. Our Directors believe that a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and the exemption from strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would not prejudice the interests of the investing public;

(c) our Directors and the Sole Sponsor confirmed that, after performing sufficient due diligence work up to the date of this prospectus, there has been no material adverse change in our financial and trading positions or prospects since 30 September 2023 and there has been no event since 30 September 2023 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus, the unaudited pro forma information, the unaudited preliminary financial information of our Group for the full year ended 31 December 2023 as included in Appendix III to this prospectus and the section headed "Financial Information" in this prospectus and other parts of this prospectus; and

(d) our Company will comply with the requirements under Rules 13.46(2) of the Listing Rules in respect of the publication of its annual report. Our Company currently expects to issue its annual report for the full year ended 31 December 2023 on or before 30 April 2024. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the full year ended 31 December 2023.

In such circumstances, an application has been made to the Stock Exchange for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, on the conditions that:

(a) this prospectus will be issued on or before 20 March 2024 and our Shares will be listed on the Stock Exchange on or before 31 March 2024, i.e. within three months after the latest financial year end;

(b) our Company will obtain a certificate of exemption from the SFC on compliance with the requirements under section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(c) this prospectus will include the preliminary unaudited financial information for the full year ended 31 December 2023 and a commentary on the results for the year. The financial information to be included in this prospectus must (a) follow the same content requirements as for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (b) be agreed with the Reporting Accountants following their review under Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants.

Our Company confirms that we will not be in breach of our constitutional documents or laws and regulations of the Cayman Islands, where our Company is incorporated, or other regulatory requirements regarding our obligation to publish preliminary results announcements.

An application has also been made to the SFC for a certificate of exemption from strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(a) the particulars of the exemption are set out in this prospectus;

(b) this prospectus will be issued on or before 20 March 2024; and

(c) the Shares will be listed on the Stock Exchange on or before 31 March 2024 (i.e. three months after the latest financial year end of our Company).

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS AND THE SHARE OFFER

This prospectus, for which our Directors (including any proposed director who is named as such in this Prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

PUBLIC OFFER, UNDERWRITING AND INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus sets out the terms and conditions of the Public Offer.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to us, the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. A Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around Tuesday, 26 March 2024, subject to the Offer Price being agreed. The Share Offer is managed by the Joint Overall Coordinators and the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed among us, the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures for applying for Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF OUR SHARES ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus pursuant to the Share Offer (including (i) our Shares to be issued pursuant to the Capitalisation Issue; (ii) our Shares which may be issued pursuant to the exercise of the Over-allotment Option; and (iii) our Shares which may fall to be issued upon the exercise of any options and/or awards that may be granted under the Share Scheme).

Save as disclosed in this prospectus, no part of the share capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 28 March 2024, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 28 March 2024. Our Shares will be traded in board lots of 2,000 Shares each. The stock code of our Shares will be 2497.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, our Shares or exercising any rights attaching to our Shares. We emphasise that none of our Company, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers, employees, agents, advisers or representatives or any other person involved in the Public Offer accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

HONG KONG BRANCH REGISTER AND STAMP DUTY

Our principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands, and our register of members holding listed Shares will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the Hong Kong branch register of members of our Company in Hong Kong. Dealings in our Shares registered in our Hong Kong share register will be subject to stamp duty in Hong Kong. The current *ad valorem* rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of our Shares and it is charged on the purchaser on every purchase and on the vendor on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving our Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to our Shareholders listed on the Hong Kong branch register of our Company, by ordinary post, at our Shareholders' risk, to the registered address of each Shareholder of our Company, or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for our Shares to be admitted into CCASS.

OTHERS

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

Unless otherwise specified, amounts denominated in RMB and US$ have been translated, for the purpose of illustration only, into HK dollars or US$ in this prospectus at the following exchange rates: HK$1.00:RMB0.90765. No representation is made that any amount in RMB or US$ was or could have been or could be converted into HK$ or US$ at such rates or any other exchange rates on such date or any other date.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhang Yonggang (張永剛)	Block 58, Seinepongfei Estate No. 85 Beijing East Road Laixi, Qingdao Shandong Province PRC	Chinese
Mr. Lyu Zhonghua (呂鐘華)	Room 401, Unit 2, Block 9 Yuyuan Fengjing Community Chongqing Road Laixi, Qingdao Shandong Province PRC	Chinese
Mr. Cui Wei (崔偉)	Room 101, Unit 6, Block 1 Dongcheng Meiyu Community Weihai Central Road Laixi, Qingdao Shandong Province PRC	Chinese
Ms. Guo Zeqing (郭澤清)	A3-01-401 Shanghai Garden No. 118 Shanghai Central Road Laixi, Qingdao Shandong Province PRC	Chinese
Mr. Pang Jinhong (逄金洪)	Room 301, Unit 4, Block 13 Wenxinyuan Huangdao East Road Laixi, Qingdao Shandong Province PRC	Chinese
Independent non-executive Directors		
Mr. Lam Chik Tong (林植棠)	Flat F, 18/F, Block 3 Park Island Ma Wan, New Territories Hong Kong	Chinese

Name	Address	Nationality
Dr. Li Junliang (李俊良)	Room 101, Unit 2, Block 116 No. 287 Mingyang Road Chengyang District, Qingdao Shandong Province PRC	Chinese
Ms. Chow Wai Mee May (周煒美)	Flat C, 53/F Tower 2, Sky Tower 38 Sung Wong Toi Road Kowloon Hong Kong	Chinese

For further information, please refer to the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**Grande Capital Limited** Room 2701, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong *(a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO)*
Joint Overall Coordinators	**CMBC Securities Company Limited** 45/F, One Exchange Square 8 Connaught Place Central Hong Kong **Grande Capital Limited** Room 2701, 27/F Tower One, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	**CMBC Securities Company Limited** 45/F, One Exchange Square 8 Connaught Place Central Hong Kong
	Grande Capital Limited Room 2701, 27/F Tower One, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
	Cinda International Capital Limited 45/F, COSCO Tower, 183 Queen's Road Central, Hong Kong
Joint Bookrunners, Joint Lead Managers and CMIs	**BOCOM International Securities Limited** 9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong
	ABCI Capital Limited (only as a Joint Bookrunner and CMI) 11/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong
	CCB International Capital Limited 12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
	ICBC International Securities Limited 37/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

Zhongtai International Securities Limited
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PRC

Property valuer

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Wan Chai
Hong Kong

Biological assets valuer	**Savills Valuation and Professional Services (China) Limited** Suite 1208, Cityplaza One 1111 King's Road Taikoo Shing Hong Kong
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered office in the Cayman Islands	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in the PRC	Huanhu North Road South Nanbu Village South, Rizhuang Town Laixi, Qingdao, Shandong Province PRC
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 16, 28/F One Midtown 11 Hoi Shing Road Tsuen Wan Hong Kong
Company's website	**www.fujingnongye.com** *(Note: content on the website does not form part of this prospectus)*
Company secretary	Mr. Au Yeung Ming Yin Gordon (歐陽銘賢) *(HKICPA)* Room 4, 1/F Oi Wai House Tsz Oi Court Tsz Wan Shan Kowloon, Hong Kong
Authorised representatives	Mr. Zhang Yonggang (張永剛) Block 58, Seinepongfei Estate No. 85 Beijing East Road Laixi, Qingdao, Shandong Province PRC Mr. Au Yeung Ming Yin Gordon (歐陽銘賢) Room 4, 1/F Oi Wai House Tsz Oi Court Tsz Wan Shan Kowloon, Hong Kong
Audit committee	Mr. Lam Chik Tong (林植棠) *(Chairman)* Dr. Li Junliang (李俊良) Ms. Chow Wai Mee May (周煒美)

Remuneration committee	Ms. Chow Wai Mee May (周煒美) *(Chairlady)* Mr. Lam Chik Tong (林植棠) Dr. Li Junliang (李俊良)
Nomination committee	Mr. Zhang Yonggang (張永剛) *(Chairman)* Ms. Chow Wai Mee May (周煒美) Mr. Lam Chik Tong (林植棠) Dr. Li Junliang (李俊良)
Compliance adviser	**Grande Capital Limited** Room 2701, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Principal share registrar in the Cayman Islands	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar and transfer office	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal bank	**Bank of China (Hong Kong) Limited** Bank of China Tower 1 Garden Road Central Hong Kong

The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Share Offer. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Share Offer, and no representation is given as to its accuracy.

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, an Independent Third Party, to conduct a study on China's vegetable produce market and potted vegetable produce market. We agreed to pay Frost & Sullivan a fee of RMB1,240,000 for the preparation of the F&S Report, and our Directors consider that such fee reflects market rates and are of the view that the payment of such fee does not affect the fairness of conclusions drawn in the F&S Report. Founded in 1961, Frost & Sullivan has over 50 global offices with more than 3,000 industry consultants, market research analysts, technology analysts and economists.

RESEARCH METHODOLOGY

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the F&S Report included primary interviews and secondary research. Primary interviews are conducted with relevant institutions to obtain objective and factual data and prospective predictions. Secondary research involves information integration of data and publication from publicly available resources, including official data and announcements from PRC government departments, and market research on industry and enterprise player information issued by our chief competitors.

BASES AND ASSUMPTIONS

The F&S Report was compiled based on independent market assessment through both primary and secondary research and the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable from 2023 to 2027; and (iii) increasing frequencies of dining out and growing concerns about food safety of China's residents are likely to drive the future growth of the industry.

Based on above, our Directors are satisfied that the disclosure of future projects and industry data included in this section of the prospectus is not misleading in material aspects.

Our Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there had been no adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information in this section of the prospectus.

AN OVERVIEW OF CHINA MACRO ECONOMY

According to the National Bureau of Statistics of China, the Chinese economy grew at a CAGR of 7.8% from 2017 to 2022. Going forward, the Chinese authorities are likely to maintain the consistency and stability of macroeconomic policies so as to maintain macroeconomic stability. According to the International Monetary Fund ("**IMF**"), the Chinese economy is forecast to keep growing at a CAGR of 5.9% from 2022 to 2027.

Together with the continuous growth in economy and urbanisation, the average income level of Chinese urban households has been increasing continuously in recent years. The per capita annual disposable income of urban households has increased to RMB49.3 thousand in 2022 from RMB36.4 thousand in 2017, representing a CAGR of 6.3%.

The growth of Chinese per capita annual disposable income has demonstrated positive effect on the Chinese residents' purchasing power. Frost & Sullivan estimates that by 2027, the per capita annual disposable income of urban households is forecast to increase to RMB66.0 thousand with a CAGR of 6.0% from 2022.

CHINA'S VEGETABLE AND POTTED VEGETABLE PRODUCE MARKETS

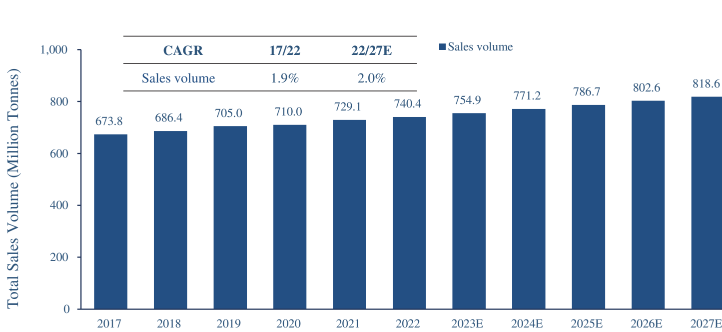
An overview of China and Shandong province's vegetable produce market

Vegetable is necessary for human being's daily diet. The huge population of China and increasing overseas demand for Chinese vegetable produce support growth of the PRC vegetable industry. Major vegetable cultivation methods are in-ground vegetable cultivation, hydroponic, in-pot cultivation, etc.. In-ground vegetable cultivation refers to growing vegetable in soil and is the most common vegetable cultivation method in the PRC. Hydroponic is an alternative to in-ground vegetable cultivation which uses water-soluble nutrients to cultivate vegetables while in-pot cultivation refers to growing vegetable produce in pots filled with nutritious substrates. This method has become more popular in the PRC for improving productivity and freshness of vegetable produce.

Market size of China and Shandong province's vegetable produce market

The PRC vegetable market recorded a total sale volume of 740.4 million tonnes in 2022, representing a CAGR of 1.9% between 2017 and 2022. The market has experienced relatively moderate growth which is generally in line with the population growth in China. In 2022, the sales volume of potted vegetable produce accounted for approximately 0.02% of total sales volume of vegetable in China. Similar trend is expected to continue in the forecast period from 2022 and 2027, the growth of the total sales volume of vegetables is forecast to increase steadily with an anticipated CAGR of 2.0% for the period from 2022 to 2027 and is expected to reach 818.6 million tonnes by 2027. Meanwhile, Shandong province is the largest vegetable producing province in China in 2022. The total sales volume of vegetables in Shandong province increased from 79.0 million tonnes in 2017 to 85.0 million tonnes in 2022, representing a CAGR of approximately 1.5%. The number is likely to grow at a CAGR of approximately 1.5% from 2022 to 2027, reaching 91.5 million tonnes in 2027.

Total Sales Volume of Vegetables (China), 2017 — 2027E

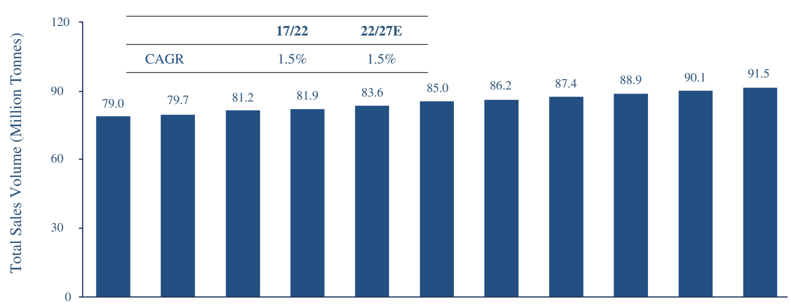


Total Sales Volume of Vegetables, Breakdown by Type of Vegetable Produce, 2022

	Percentage (%)
Potted Vegetable	0.1%
In-ground Cultivation Vegetable	98.4%
Hydroponic Cultivation Vegetable	1.5%

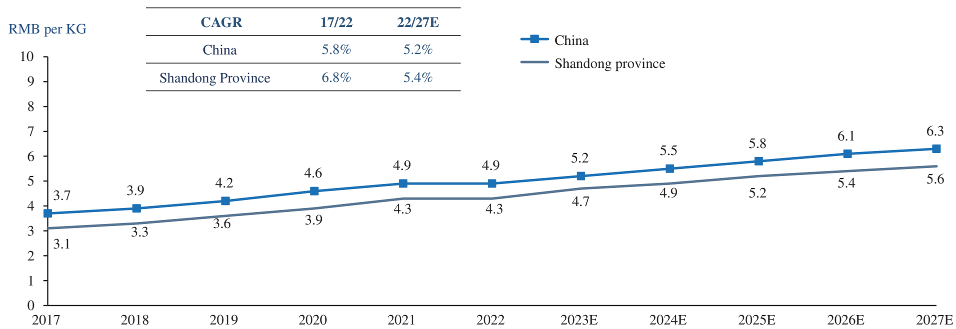
Source: Frost & Sullivan

Total Sales Volume of Vegetables (Shandong Province), 2017 – 2027E



Source: Frost & Sullivan

Average Wholesale Price of Vegetables (China and Shandong Province), 2017 – 2027E



Source: National Bureau of Statistics, MOA, Frost & Sullivan

Different Kinds of Vegetable Produce in China and Shandong Province

The table below sets forth the major differences among different type of vegetable produce:

	Traditional in-ground cultivation	Hydroponic cultivation	In-pot cultivation
Major steps of cultivation process	1. Tilling or loosening soil on cultivation bed to prepare it for planting; 2. Sowing; 3. Growth management which mainly includes watering, adding chemical fertilisers and pesticides and weeding; and 4. Harvesting upon maturity	1. Formulating nutrient-rich water; 2. Seedling; 3. Transplanting to hydroponic farming system; 4. Growth management which mainly includes control over temperature and humidity, regular replacement of nutrient solution and pumping equipment maintenance; and 5. Harvesting upon maturity	1. Premix organic substrates; 2. Sowing; 3. Growth management which mainly includes watering, control over temperature, humidity and carbon dioxide density and pest control 4. Sale in pot (without harvesting) once reach maturity
Major limitations	• Require large and flat growing area • Time and cost requirements for soil preparation • Expose to harmful external factors	• Vulnerable to water and power supply shortage • High setup and maintenance cost • Risk of disseminate of water-borne disease as vegetable produce share the same nutrient solution	• Relatively high initial investment cost • High delivery cost for matured vegetable produce as it is transported in pot

	Traditional in-ground cultivation	Hydroponic cultivation	In-pot cultivation
Initial investment cost	Relatively low, while the land cost being major cost item	Relatively high, as construction of greenhouse, the set-up of hydroponic system and research and development in the composition of nutrient solutions are required	Relatively high, as construction of greenhouse, research and development in the composition of substrates and the acquisition of raw materials are required
Suitable species	Basically all species	not suitable for some of the leafy-vegetable species	almost all kinds of short-lived leafy vegetables species.
Technical requirements	Minimal; the cultivation process can be completed with basic equipment and facilities	High; the composition of nutrient solution varies during different growing stages of vegetable produce	High; horticultural techniques are required in the preparation of the best suit the organic substrates.
Sales method	The matured vegetable produce will undergo harvesting, packaging and transporting before sale. In general, such vegetable produce shall stay fresh for 3–5 days	The matured vegetable produce will undergo harvesting, packaging and transporting before sale. In general, such vegetable produce shall stay fresh for 3–5 days with better packaging.	The matured vegetable produce will not be harvested before sale. In general, such vegetable produce shall stay fresh and alive for 10–14 days after delivery

	Traditional in-ground cultivation	Hydroponic cultivation	In-pot cultivation
Retail price	The retail price generally remains in the low end of the range of the consumer's acceptable prices, nonetheless, the retail price of certain vegetable produce may fluctuate in different seasons, in particular those which are temperature-sensitive, due to the limited supply.	The retail price is similar to those vegetables grown under traditional in-ground cultivation method	The retail price is expected to be in the high-end of the customer's acceptable price range, which can be four times to five times of those from traditional in-ground cultivation method. As potted vegetable produce is cultivated in greenhouses and targeted to the commercial sector of the catering industry, the supply shall remain stable, whilst demand is relatively inelastic. Therefore, the retail price will remain relatively stable throughout the year.
Number of yields per year	• Due to the negative effects of continuous cropping, the output rate will gradually deteriorate. • It is common to adopt a rest period or cultivate other crops for soil recovery between each cultivation. • Vegetable producers can only complete two yields to six yields of cultivation per year.	• Hydroponic cultivation is favourable to the growth of certain water-hungry vegetable, such as lettuce, purple lettuce and romaine lettuce. • On average, six yields to ten yields per year can be achieved.	• With the use of greenhouses, single-use substrates and not being affected by the negative effects of continuous cropping, vegetable producers using the in-pot cultivation method will generally achieve high productivity. In general, it is able to cultivate a maximum of ten yields to 14 yields per year, subject to the conditions of greenhouses and the optimal use of cultivation time.

An Overview of China's Potted Vegetable Produce Market

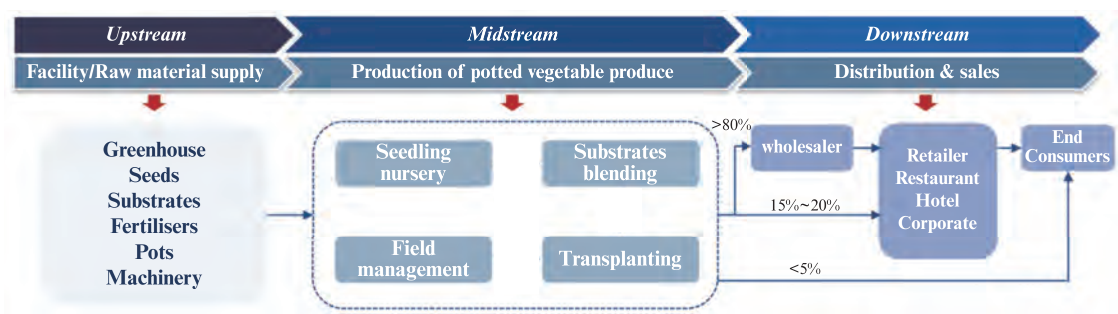
Potted vegetable produce refers to vegetables that are cultivated in pots instead of being cultivated on the ground. Potted vegetable produce is a small segment of the vegetable market as a whole which is predominantly cultivated under traditional in-ground cultivation method. Major species of potted vegetable produce are leafy vegetables and solanaceous vegetables, including spinach, lettuce, water spinach, Chinese chives and tomatoes. More and more restaurants display the fresh potted vegetable to arouse consumers' interest and for consumers to choose and order from around 2010. Along with a rising awareness in personal wellness and concerns about food safety, potted vegetable produce is becoming increasingly popular among urban residents and restaurants as a direct access to quality and fresh vegetables.

Essential facilities and raw materials for producing potted vegetable produce include, among others, greenhouses, seeds, substrates, fertilisers, pots and machinery. Cultivating potted vegetable produce in a greenhouse allows for growth in optimal climatic conditions as if ideal cultivation seasons were extended, allowing a year-round fresh supply of potted vegetable produce.

Seedling nursery, substrates blending, transplanting and field management are four key steps of production of potted vegetable produce. Potted vegetable producers with long operating history, scientific expertise and knowledgeable employees are more likely to achieve higher production rates.

After maturation, fresh potted vegetable produce reach domestic consumers through wholesalers and retailers or through direct sales. With the development of communication technology, customers are able to place orders for potted vegetable produce online via personal computers, tablets, or mobile phones.

Value chain of potted vegetable produce market



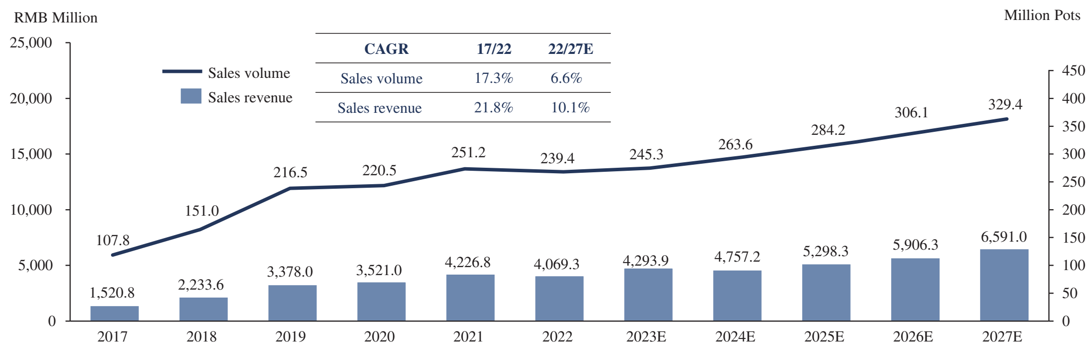
Source: Frost & Sullivan

Market size of China's potted vegetable produce

In line with the increasing rate of vegetable consumption of residents in China due to the increasing total population and disposable income, the sales volume of potted vegetable produce increased from 107.8 million pots in 2017 to 239.4 million pots in 2022, representing a CAGR of approximately 17.3%. Since (i) potted vegetable produce will not be harvested at the time of sale; (ii) due to the difference in species; and (iii) depending on the maturity of the vegetable produce, there will be variation in weight of each potted vegetable produce upon sale, the measurement of potted vegetable produce by pots is commonly acknowledged in the industry and is applied to each market player in the industry. As advised by Frost & Sullivan, it is widely recognised across the potted vegetable produce industry that each pot of vegetable produce shall contain approximately net weight of 0.7 kg to 1.0 kg of vegetable produce.

In 2022, total sales revenue of potted vegetable produce accounted for less than 0.1% of total sales revenue of vegetable produce in China. It is an industry practice for vegetable producers and potted vegetable producers to sell their products through wholesalers and distributors in China. In 2022, approximately 70% of potted vegetable produce is sold through wholesale channel. Meanwhile, the sales revenue of potted vegetable produce increased from RMB1,520.8 million in 2017 to RMB4,069.3 million in 2022 with a CAGR of approximately 21.8%. In 2022, affected by the recurrence of COVID-19 epidemic in many cities like Shanghai, Shenzhen, Chengdu, Qingdao, the supply and sales of potted vegetable were interrupted more heavily comparing to that in 2021. As a result, the sales volume and sales revenue of potted vegetable produce in 2022 is lower than 2021.

Sales volume and sales revenue of potted vegetable produce (China), 2017–2027E



Source: Frost & Sullivan

Going forward, as potted vegetable produce is increasingly popular in China, the market is expected to keep an upward trend. In addition, assuming that the operation of restaurants are to be back to normal since 2023 if the restriction measures of COVID-19 are gradually alleviated, the demand for potted vegetables is expected to be back to the rising channel. The sales volume of potted vegetable produce is likely to reach 329.4 million pots in 2027 with a CAGR of approximately 6.6%. The sales revenue is also expected to grow to RMB6,591.0 million in 2027, representing a CAGR of approximately 10.1%.

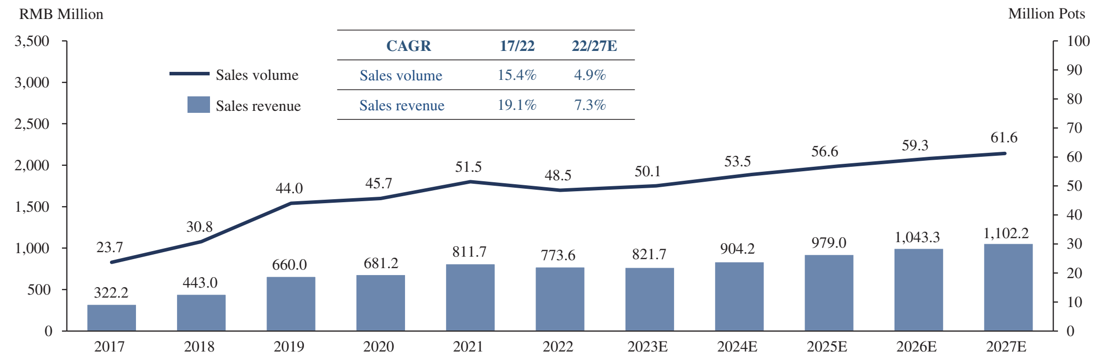
The outbreak of COVID-19 in early 2020 has impacted the catering market in the first four months in 2020. For instance, in February, Qingdao Administration for Market Regulation issued COVID-19 Prevention and Control Measures on Food Safety of Catering Services (餐飲服務疫情防控食品安全工作細則), which suggested residents to reduce the on-site dining in restaurants. Most of the restaurants and hotels reopened by the end of March 2020. In February, Dalian Command Centre for COVID-19 Control and Prevention issued Notice of Strengthening the Control on Citywide Catering Services during the Period of Prevention and Control of the COVID-19 Outbreak (關於加強新冠肺炎防控期間全市餐飲服務經營管控的通告), which required restaurants stop providing on-site dining services. However, as the spread of COVID-19 alleviates in China, restaurants reopened and the economy recovered gradually. The decline of catering market in China had slowed down since March 2020. By 8 April 2020, the lockdown of Wuhan had came to an end. By 15 May 2020, over 20 provinces in China had adjusted the Public Health Emergency Response to the third level. Despite the total revenue of catering industry in April 2020 witnessed a year-on-year drop of 29.7%, it is noted that in October 2020, the total revenue of catering market in China witnessed a slight increase comparing to the previous year. Due to the subsequent outbreak of COVID-19 epidemic in Dalian between December 2020 and January 2021, the Municipal Government of Dalian had implemented some lockdown measures between the middle of December 2020 and the middle of January 2021. In 2022, there were several recurrence of COVID-19 epidemic in many cities like Shanghai, Shenzhen, Chengdu, Qingdao, where lockdown measures are taken to prevent the spread of the epidemic. People are increasingly concerned about the safety and quality of food, which may drive the demand for quality vegetable produce and potted vegetable produce among the residents of China. On 7 December 2022, the PRC authorities announced the "Ten New Guidelines", which followed "The 20 Measures" released on 11 November 2022 to accelerate the economic recovery and resume normal operations of the society. The relaxation of rules, which include allowing infected people with mild or no symptoms to quarantine at home and dropping testing for people travelling within the country, is a strong sign on promoting economic recovery since the outbreak of COVID-19 in 2020. According to the "Ten New Guidelines", low-risk areas are not allowed to control movement or suspend any services, work, or production. Local economy has gradually returned to normal operation. Hence, the negative impact on potted vegetable produce market in China has been gradually diminishing.

As one of the major vegetable producing provinces in China, Shandong province has a long history of vegetable cultivation and has large greenhouse areas, providing a development basis for potted vegetable produce. With increasing disposable income and rising population in Shandong province, the sales volume of potted vegetable produce in Shandong province increased from 23.7 million pots in 2017 to 48.5 million pots in 2022, representing a CAGR of approximately 15.4%. Meanwhile, the sales revenue of potted vegetable produce increased from RMB322.2 million to RMB773.6 million during the same period with a CAGR of approximately 19.1%. The Group recorded revenue growth of approximately 4% from FY2020 to FY2022 which underperformed the market as the revenue growth of potted vegetable produce in Shandong province was approximately 14% during the same period. This is mainly due to the fact that, notwithstanding the increase in our revenue by approximately 28% between FY2020 and FY2021, our business was materially affected in FY2022 by the temporary suspension of business activities of our Laixi Facility as a result of the resurgence of COVID-19 cases in Shandong province between March 2022 to April 2022, leading to decline of revenue by approximately 18.2% between FY2021 and FY2022. The impact caused by COVID-19 in Qingdao area where our Laixi Facility situated, is more severe than other areas in Shandong province, such as Shouguang and Qingzhou where most of our peers are located, thus we underperformed the potted vegetable produce market in China and Shandong province in terms of the revenue growth.

The PRC government has substantially lifted its COVID-19 prevention and control policies since December 2022. Our business has recovered from the impact of COVID-19 outbreak in 2023 and returned to 2021 level, as our business operation was no longer affected by COVID-19 epidemic. We recorded a revenue of approximately RMB121.3 million for the nine months ended 30 September 2023, which slightly exceeded the revenue of approximately RMB117.2 million for the nine months ended 30 September 2021.

Looking forward, the sales revenue of potted vegetable produce in Shandong province is likely to maintain a growing trend with a CAGR of approximately 7.3%, reaching RMB1,102.2 million in 2027. Meanwhile, the sales volume of potted vegetable produce is expected to reach 61.6 million pots in 2027, representing a CAGR of approximately 4.9% from 2022 to 2027.

Sales volume and sales revenue of potted vegetable produce (Shandong province), 2017–2027E



Source: Frost & Sullivan

As one of the most developed cities in Shandong province, Qingdao is highly urbanised and has relatively higher household income, which brings about a higher frequency of dining out and increasing demands for high-quality vegetables. The sales revenue of potted vegetable produce increased from RMB54.2 million in 2017 to RMB144.5 million in 2022, with a CAGR of approximately 21.7%.

With continuous economic development in Qingdao, the sales revenue of potted vegetable produce is expected to continue growing at a CAGR of approximately 8.0%, reaching RMB212.4 million in 2027.

Sales Revenue of Potted Vegetable Produce (Qingdao, Yantai, Weifang, Xi'an, Dalian and Langfang), 2017–2027E, in RMB Millions

City	Province	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR (%) 17/22	CAGR (%) 22/27E
Qingdao	Shandong	54.2	76.0	115.5	121.0	146.3	144.5	152.0	166.8	182.0	197.2	212.4	21.7%	8.0%
Yantai	Shandong	19.1	26.0	37.0	37.5	43.9	40.9	42.8	46.6	49.9	52.7	55.1	16.4%	6.1%
Weifang	Shandong	34.7	51.1	79.4	82.5	98.5	89.7	94.7	103.7	111.6	118.0	123.4	20.9%	6.6%
Xi'an	Shaanxi	19.7	27.0	42.0	43.4	54.5	53.7	58.1	64.5	70.5	75.8	80.7	22.2%	8.5%
Dalian	Liaoning	47.1	59.2	87.4	91.1	113.1	112.5	119.0	130.9	141.4	149.3	155.0	19.0%	6.6%
Beijing	Beijing	33.7	41.6	54.1	56.3	72.8	73.8	77.2	84.6	92.6	102.2	111.8	17.0%	8.7%
Hebei	Hebei	164.3	226.9	329.8	343.9	440.2	452.0	470.5	514.6	561.8	620.1	685.1	22.4%	8.7%
Jiangsu	Jiangsu	230.1	320.0	475.2	500.0	635.5	636.8	689.4	782.4	885.9	997.5	1,124.3	22.6%	12.0%
Jinan	Shandong	56.9	74.8	99.5	102.0	116.0	116.8	120.4	130.6	141.0	150.9	159.7	15.5%	6.5%
Tianjin	Tianjin	12.7	17.5	26.1	26.4	34.7	35.4	37.9	42.8	48.7	54.2	60.5	22.8%	11.3%
Langfang	Hebei	24.5	33.3	48.7	50.1	64.5	66.2	70.5	77.3	86.2	96.0	106.1	22.0%	9.9%

Source: Frost & Sullivan

The sales revenue of potted vegetable produce in Beijing increased from RMB33.7 million in 2017 to RMB73.8 million in 2022. There were approximately 50 potted vegetable producers in Beijing in 2022. In 2022, there were approximately 6 thousand chained restaurants in Beijing. With potential demand from restaurants on potted vegetable produce, the sales revenue of potted vegetable produce in Beijing is expected to increase to RMB111.8 million with a CAGR of 8.7% from 2022 to 2027.

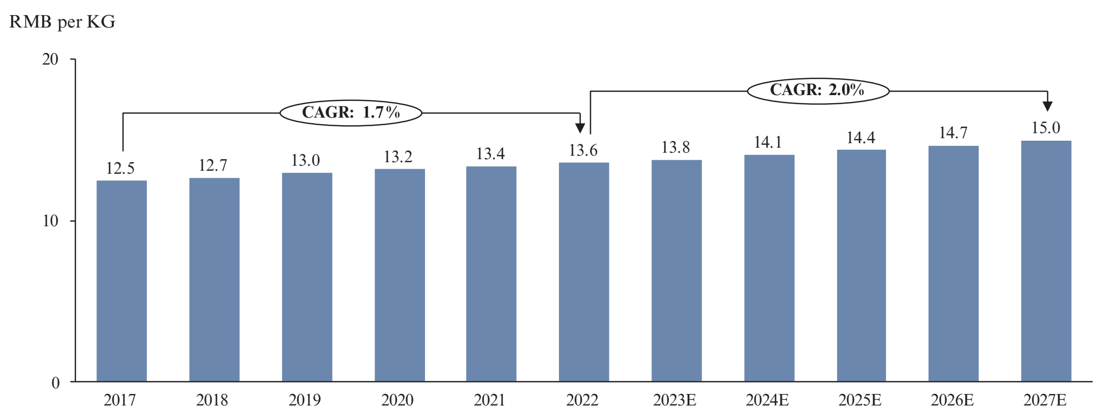
Langfang locates near to Beijing and Tianjin, and is one of the fastest growing economies in Hebei province. The sales revenue of potted vegetable produce in Langfang increased from RMB24.5 million in 2017 to RMB66.2 million in 2022. There were approximately 30 to 50 potted vegetable producers and approximately 500 to 800 chained restaurants in Langfang in 2022. With potential demand from restaurants for potted vegetable produce, the sales revenue of potted vegetable produce in Langfang is expected to increase to RMB106.1 million with a CAGR of 9.9% from 2022 to 2027.

Historical price trend of raw materials and potted vegetable produce

Major raw materials of potted vegetable produce includes, among others, substrates, seeds, fertilisers and pots. The cost of foliar fertilisers is an important part of total cost of vegetable producer and potted vegetable producers. The average price of foliar fertilisers in Shandong province increased from RMB12.5 per kilogram in 2017 to RMB13.6 per kilogram in 2022, representing a CAGR of 1.7%.

The price of foliar fertilisers is expected to further increase to RMB15.0 per kilogram in 2027 with a CAGR of 2.0%.

Average price of foliar fertilisers (Shandong province), 2017–2027E

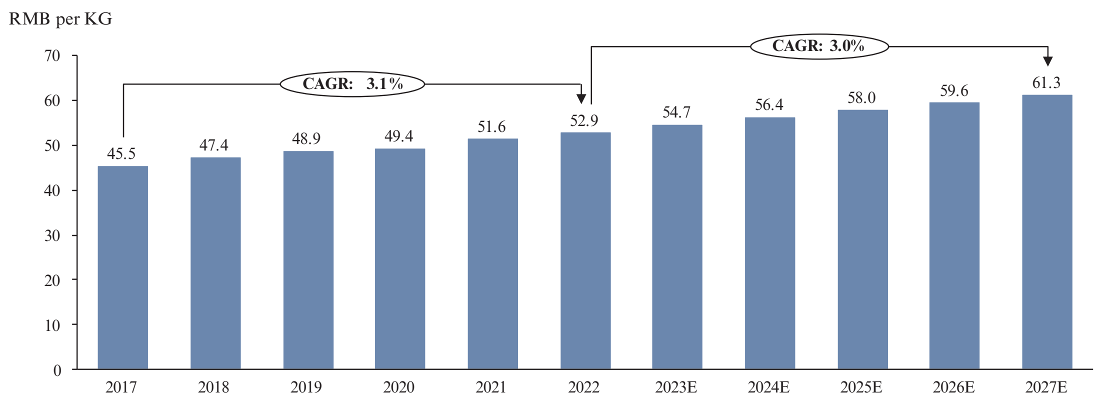


Source: Frost & Sullivan

Water spinach is a common type of vegetable that are widely cultivated by potted vegetable producers. The cost of water spinach seed in Shandong province has increased from RMB45.5 per kilogram in 2017 to RMB52.9 per kilogram in 2022, representing a CAGR of 3.1%.

The price of water spinach seed is expected to further increase to RMB61.3 per kilogram in 2027 with a CAGR of 3.0%.

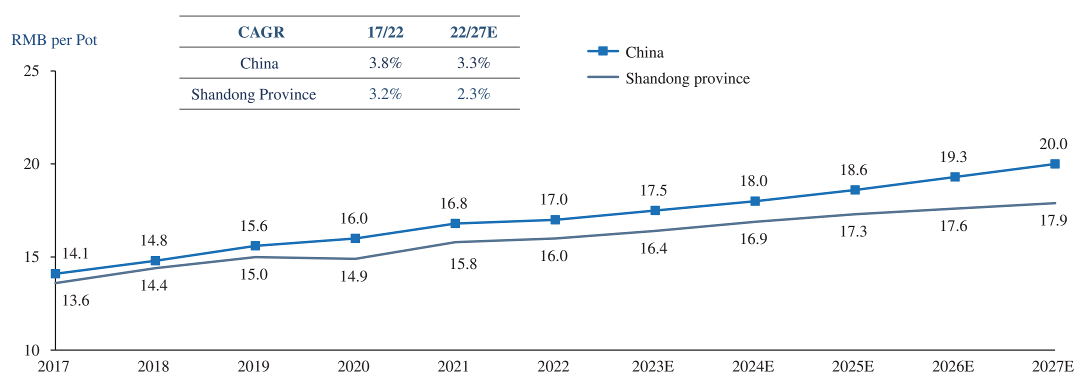
Average Price of Water Spinach Seeds (Shandong province), 2017–2027E



Price analysis of potted vegetable produce in China and in Shandong province

Due to the increasing consumption of potted vegetable produce in China, the wholesale price of potted vegetable produce in China increased from RMB14.1 per pot in 2017 to RMB17.0 per pot in 2022 with a CAGR of 3.8%. The wholesale price of potted vegetable produce is expected to increase to RMB20.0 per pot by 2027, representing a CAGR of 3.3% from 2022 to 2027. Meanwhile, the wholesale price of potted vegetable produce in Shandong province also increased from RMB13.6 per pot in 2017 to RMB16.0 per pot in 2022 with a CAGR of 3.2%. The wholesale price of potted vegetable produce is expected to increase to RMB17.9 per pot by 2027, representing a CAGR of 2.3% from 2022 to 2027. In 2022, the market price that distributors sold to hotel and restaurants in China and Shandong province was around RMB20.0 per pot.

Wholesale prices of potted vegetable produce (China and Shandong province), 2017–2027E



Source: Frost & Sullivan

Drivers of China and Shandong province's potted vegetable produce market

Rising urbanisation and increasing health consciousness: Along with rising urbanisation and increasing health consciousness, an increasing number of people has begun to emphasize on personal wellness and are looking for measures to stay healthy. The per capita annual nominal GDP in Shandong province has increased from RMB63,900 in 2017 to RMB86,000 in 2022, with a CAGR of 6.1%. Meanwhile, the urbanization rate in Shandong province has increased from 60.6% in 2017 to 64.5% in 2022. Chinese residents have preference on quality and fresh vegetables in the city, thus leading to a growth in demand for vegetable market including potted vegetable produce in China.

Increasing frequency of dining out: With an upward trend of consumption upgrading in China and in Shandong province, consumers are more willing to dine out and spend more when dining at restaurants for better food quality. Potted vegetable produce is highly preferred by restaurants for their freshness, quality and safety. Therefore, the increasing frequency of dining out in China and in Shandong province rockets the demand for potted vegetable produce from restaurants.

Awareness of Food Safety: With the desire for higher living standards and improvements of the suboptimal health status, people in China and in Shandong province have begun paying more attention to personal health problems and consuming healthier food. As potted vegetable produce are generally cultivated with natural and organic substrates and fertilisers, eating potted vegetable produce can reduce the risk of eating vegetables that contain harmful chemicals. Therefore, potted vegetable produce has gradually become more welcomed by people in China and in Shandong province and is expected to continue in the near future.

Expanding Online Distribution Channels: As growing numbers of households, especially those youngsters, are ordering products through online distribution channels, leading vegetable and potted vegetable producers have already expanded their distribution channels from traditional wholesalers and retailers to online platforms, such as Taobao and WeChat.

Future trends of the China's potted vegetable produce market

Application of cultivation technology: Compared with traditional in-ground cultivation, cultivating potted vegetable produce has various advantages, such as land-saving, higher productivity, quality and consistency. However, there are also higher requirements in cultivation and management. Potted vegetable produce needs to be planted in greenhouses or other protected areas, which should be equipped with micro-sprays or watering facilities. Along with the development of cultivation technology, potted vegetable producers are expected to conduct more stringent management on temperature, humidity, light, pest control, and also refined treatment such as thinning branches, in order to meet quality requirements.

Expanding varieties of potted vegetable produce: Existing species of potted vegetable produce consist mainly of ordinary leafy vegetables, supplemented by solanaceous vegetables species. In line with the growing consumption of potted vegetable produce from restaurants and households, as well as customers' changing demand for more varied vegetable species, varieties of potted vegetable produce are likely to be more diversified in the future. Potted vegetable producers have been taking the healthiness of potted vegetable produce more into consideration, rather than just taste, to satisfy customers' needs. It is expected that the expanding variety of potted vegetable produce is likely to drive further development of the market.

Improving logistics capabilities: Logistics capabilities are key to the distribution of fresh vegetable produce and potted vegetable produce. Most of the vegetable produce needs to be circulated through a cold-chain system to keep fresh. Along with the development of the logistics industry in China, the improving logistics network, in particular cold-chain logistics network, is expected to assist in the expansion of the delivery scope of potted vegetable produce and is likely to create more opportunities for the potted vegetable produce market.

Entry barriers analysis

Potted vegetable produce cultivation know-how: Cultivation of potted vegetable produce requires potted vegetable producers to have the right know-how to ensure the supply of quality vegetables. Cultivation know-how mainly includes construction of greenhouses, seeds selection, sowing, vegetable growth management, formula of cultivation materials, as well as use of automated machineries and equipment. Existing players are likely to have accumulated sufficient know-how and abundant professionals. New entrants are likely to encounter difficulties in mastering such know-how in a short run.

Capital requirements: For potted vegetable producers, abundant capital is essential for expanding sown areas, developing techniques for cultivating new vegetable species, hiring experienced professionals and maintaining the greenhouses. Moreover, to achieve economies of scale in production, huge capital investment is required. It is not easy for the new players to enter into China's potted vegetable produce market without abundant capital.

Brand recognition: Reputation of vegetable producers is often established by word of mouth, and customers are more inclined to choose reputable brands for guaranteed quality. So far, there are already some well-known brands in China's vegetable produce and potted vegetable produce markets with large customer bases. Those companies can gain trust easier from customers and can reduce their cost of reaching new customers significantly. It is difficult for new entrants to compete with existing participants for customers. A huge amount of marketing expense will be necessary for a new player to enter into the market.

Competitive landscape of China's vegetable produce and potted vegetable produce markets

China's vegetable produce market was highly fragmented with around one million to two million vegetable producers in the market in 2022. There was no single vegetable producer that accounted for over 1% of the total market share in China's vegetable produce market in terms of production volume. In 2022, the Group, with a sales revenue of RMB126.7 million, accounted for less than 0.01% of total sales revenue of vegetable producers in China.

China's potted vegetable produce market was highly fragmented in 2022 with thousands of potted vegetable producers. In 2022, the Group, with a sales revenue of RMB126.7 million, accounted for approximately 3.1% of total sales revenue of potted vegetable producers in China.

Competitive landscape of Shandong province's potted vegetable produce market

The total sales revenue of Shandong province's potted vegetable produce market was RMB773.6 million in 2022. There are over 500 potted vegetable producers in Shandong province in 2022.

Shandong province's potted vegetable produce market was relatively fragmented in 2022 with top five players accounted for 16.8% of the total market share in Shandong province's potted vegetable produce market in terms of sales revenue. In 2022, the Group, with a sales revenue of RMB114.5 million, accounted for 14.8% of total sales revenue of potted vegetable producers in Shandong province.

It is noted that the average selling price of the Group was within the range of the selling price of the industry players during the Track Record Period. The Group's revenue in FY2022 from the sales of potted vegetable produce is approximately 14.5 times of the revenue of the second largest potted vegetable producer in Shandong province. The Group is the largest producer of potted vegetable produce in Shandong province, with a market share of 14.8% in terms of sales revenue in Shandong province in 2022, and is one of the potted vegetable producers in Shandong province which started large scale production of potted vegetable produce.

Ranking of top five potted vegetable producers by sales revenue (Shandong province), 2022

Rank	Company	Total Sales Revenue (RMB Million)	Market Share (%)	Number of Vegetable Species	Average Selling Price of Potted Vegetable (RMB per Pot)
1	**The Group**	**114.5**	**14.8%**	**29**	**15.1**
2	Shouguang Seed	7.9	1.0%	15 to 20	~20
3	QiDi	3.7	0.5%	~5	~20
4	Liaoyuan	2.2	0.3%	~10	~15
5	Huikangyuan	1.4	0.2%	~10	15 to 20
	Top 5 Subtotal	**129.7**	**16.8%**		
	Others	**643.9**	**83.2%**		
	Total	**773.6**	**100.0%**		

Source: Frost & Sullivan

Notes:

(1) Established in 2011, Shouguang Seed is a non-listed company headquartered in Shouguang, Shandong province, China, primarily focusing on the cultivation and distribution of potted vegetable produce and vegetable seeds.

(2) Established in 2017, QiDi is a non-listed company headquartered in Shouguang, Shandong province, China, primarily focusing on the production and sales of, among others, potted vegetable produce and seeds.

(3) Established in 2002, Liaoyuan is a non-listed company headquartered in Shouguang, Shandong province, China, primarily focusing on the production and sales of vegetable and potted vegetable produce.

(4) Established in 2016, Huikangyuan is a non-listed company headquartered in Qingzhou, Shandong province, China, primarily focusing on the production and sales of potted vegetable produce and substrates.

LAWS AND REGULATIONS

During the Track Record Period, our production activities were principally based in the PRC. To the best knowledge and belief of our Directors and having made all reasonable enquiries, our Group had complied with the relevant applicable laws and regulations in all material aspects for its business operations in the PRC during the Track Record Period and up to the Latest Practicable Date. Such major relevant PRC laws and regulations are set out below:

LAWS AND REGULATIONS RELATING TO SAFETY OF AGRICULTURAL PRODUCTS

Product Quality Law

According to the provisions of the Product Quality Law of the PRC (中華人民共和國產品質量法) promulgated by the Standing Committee of the National People's Congress (the "**NPCSC**") on 22 February 1993, effective on 1 September 1993 and last amended on 29 December 2018, producers and vendors shall undertake responsibilities of the quality of products produced by them. If anyone produces or sells products in violation of the national standards or industry standards that protect human health, safety of physical body and property, the market supervision authority may order to stop the production or sales of such products, confiscate the products produced or sold illegally, and impose a fine in an amount equivalent to three times the value of products produced or sold illegally (including sold and unsold products); any illegal profit gained will be forfeited concurrently. In serious cases, the business licence will be revoked. If an offence is committed, such person will be liable for criminal liability.

The Agriculture Law

The Agriculture Law of the PRC (中華人民共和國農業法) was promulgated by the NPCSC on 2 July 1993, effective on the same day and last amended on 28 December 2012. The law is enacted with a view to consolidating and strengthening the position of agriculture as the foundation of the national economy. The main objective in developing agriculture includes, among others, enhancing the quality and efficiency of agriculture as a whole, ensuring the supply and quality of agricultural products and gradually bringing about the modernisation of agriculture. The system of registration or licence shall be applied in respect of the production and operation of the means of agricultural production such as seeds, pesticides, veterinary medicines, fodder and feed additives, fertilisers and farm machines. Governments at all levels shall establish a sound system for the safe use of the means of agricultural production while manufactures and sellers of the same shall be responsible for the quality of the products which they manufacture and sell.

Agricultural Products Quality Safety Law

According to the Agricultural Products Quality Safety Law of the PRC (中華人民共和國農產品質量安全法) (the "**Agricultural Products Quality Safety Law**") promulgated by the NPCSC on 29 April 2006, effective on 1 November 2006, and amended on 26 December 2018 and 2 September 2022, the agricultural products refer to the primary products derived from agriculture, more specifically, the plants, animals, microorganisms and their products obtained in the course of agricultural activities. According to this law, agricultural products must comply with the relevant requirements in the following aspects to ensure that the quality of agricultural products will comply with the protective requirements for human health and safety, namely (i) quality safety standards for agricultural products; (ii) place of origin of the agricultural products; (iii) production of agricultural products; and (iv) packaging and identification marks of agricultural products.

Pursuant to the Agricultural Products Quality Safety Law, the standards for agricultural products quality safety are the compulsory technical specifications. Entity engaged in the production of agricultural products must compile production records and retain data in relation thereto. The administrative department of agriculture under the people's government at or above the county level shall be responsible for supervision and control of the quality and safety of agricultural product. The relevant department of the people's government at or above the county level shall, in compliance with the division of duties, be responsible for the work related to the quality and safety of agricultural products.

The Agricultural Product Quality Safety Law provides that the materials used in the package, preservation, storage and transport of agricultural products, such as preservatives, antiseptics and additives, shall meet the relevant compulsory technical specifications of the state; agricultural products failing to comply with such requirement are prohibited from sale.

Pursuant to Opinions of the Ministry of Agriculture and the China Food and Drug Administration on Strengthening Quality Safety Supervision and Management over Edible Agricultural Products (農業部、食品藥品監管總局關於加強食用農產品質量安全監督管理工作的意見) promulgated and effective on 31 October 2014, edible agricultural products refer to primary products that come from agricultural activities, namely plants, animals, microorganisms and other products obtained in the course of agricultural activities and for human consumption. "Agricultural activity" includes not only traditional agricultural activity, such as planting, breeding, picking, fishing, but also modern agricultural activity, such as facility agriculture and bioengineering. "Plants, animals, microorganisms and other products" refer to products that are directly obtained in the course of agricultural activities and processed products which have been obtained through the process of sorting, peeling, husking, smashing, cleaning, incising, freezing, waxing, classifying, packing and without changes of natural traits and chemical properties of these products.

Food recall

The Agricultural Product Quality Safety Law of the PRC stipulates various circumstances under which agricultural products already sold should be recalled. The competent departments for agriculture and rural affairs of the local people's governments at the county level or above shall have the power to, when an agricultural product production business violates the provisions of this Law and commits certain acts, order it to cease production and operation, recall the agricultural products already sold, and make harmless or destroy under supervision the agricultural products produced or operated in violation of law. In addition, the competent departments may confiscate the illegal earnings, confiscate among others the tools, equipment and raw materials used for illegal production and operation; and impose a fine.

According to Article 41 of the Agricultural Product Quality Safety Law, "the state shall implement traceability management for agricultural products included in the catalogue of agricultural product quality safety traceability," and according to the Food Safety Law of the PRC (《中華人民共和國食品安全法》), the General Office of the State Council's Opinions on Accelerating the Development of Traceability Systems for Key Products (《國務院辦公廳關於加快推進重要產品追溯體系建設的意見》), and Certain Measures of the Shandong Provincial People's Government General Office on Strengthening Food Safety Efforts (《山東省人民政府辦公廳關於加強食品安全工作的若干措施》) and the provincial standard DB37/T 4349–2021 Catalogue of Key Traceable Products — Edible Agricultural Products in Shandong Province, the main varieties of our potted vegetable products are leafy vegetables, which belong to "products under encouragement to have traceability." We have accessed the Qingdao Agricultural Product Quality Safety Traceability System, filled in information on, among others, products, inputs applied, and agricultural operations, and has obtained traceability codes, so that agricultural product tracing and recall can be carried out effectively when necessary.

Product Liabilities

According to the Civil Code of the PRC (中華人民共和國民法典) promulgated by the National People's Congress on 28 May 2020, effective on 1 January 2021, and the Law on the Protection of Consumer Rights and Interests of the PRC (中華人民共和國消費者權益保護法) promulgated by the NPCSC on 31 October 1993, effective on 1 January 1994 and last amended on 25 October 2013, the manufacturers and distributors will be liable for losses and damages suffered by consumers caused by the defective products manufactured or distributed by them.

Food Safety Law

Pursuant to the Food Safety Law of the PRC (中華人民共和國食品安全法) (the "**Food Safety Law**") promulgated by the NPCSC on 28 February 2009, effective on 1 June 2009, and last amended on 29 April 2021, the national standards of food safety shall be formulated and announced jointly by the health administration department of the State Council (the "**State Council**") and the food safety supervision and administration department thereunder, while the standardisation administration department of the State Council shall provide the national standards codes. In addition, the state shall implement a licensing system for food manufacturing and food business operations. Persons engaging in food manufacturing, sale of food, food and beverage services shall obtain a licence pursuant to the law. However, it is not required to obtain a licence for sale of edible agricultural products. Food manufacturers and business operators shall establish a food safety tracing system to ensure the traceability of foodstuffs. The people's governments at county level and above shall arrange their food safety supervision and administration department and the agricultural administration department to formulate the annual supervision and administration plan for food safety in their respective administrative region, announce to the public and organise implementation of the plans accordingly.

Pursuant to the Food Safety Law, in response to illegal conduct violating the Food Safety Law, the competent authority may forfeit the illegal profit and the food products and food additives produced or operated illegally, issue a warning, order for rectification or impose a fine; in serious cases, the relevant licence may be revoked and criminal liability may be incurred. If the value of illegally produced and operated food products and food additives is below RMB10,000, a fine above RMB50,000 and below RMB100,000 shall be imposed concurrently; if the value is above RMB10,000, a fine equivalent to an amount above 10 times and below 20 times of the value of the products shall be imposed concurrently.

Pursuant to the Food Safety Law and the Implementing Regulation for the Food Safety Law of the PRC (中華人民共和國食品安全法實施條例) promulgated by the State Council, effective on 20 July 2009 and last amended on 26 March 2019, any person who engages in the production and operation of food products and food additives shall obtain the corresponding licences for the production of food products and food additives in compliance with the law. The Food Safety Commission of the State Council will exercise supervision and administration on food production and operation activities. A food product recall system has been established at national level. If producers or operators of food products discover that the food products produced or operated by them do not comply with the food safety standards or evidences are available to prove that the food products may be harmful to human health, they should cease production and operation immediately, recall the food products which have been launched for sale in the market, notify the relevant producers, distributors and consumers, and keep the record of the recall and notification. When a food distributor discovers that the food it distributes does not comply with food safety standards, it shall immediately stop distributing such food, notify the relevant producers, sub-distributors and consumers, and keep the record of the cessation of distribution and the notification. The food producers shall take measures to safely recall and destroy the affected food, and report the treatment of the recalled food to the competent quality supervision authority.

Regulations on Plant Quarantine

Pursuant to the Regulations on Plant Quarantine (植物檢疫條例) promulgated by the State Council, effective on 3 January 1983 and last amended on 7 October 2017, plants and plant products set out in the quarantine catalogues are subject to quarantine inspections before they are delivered from a county administration area where an epidemic occurs. Plant seeds, seedlings or other propagating materials are subject to quarantine inspections prior to delivery, regardless of whether or not they are on list of the quarantine catalogues or where they will be transported to.

Regulations relating to Pollution-free Agricultural Products

Pursuant to the Measures for the Management of Pollution-free Agricultural Products (2007 Amendment) (無公害農產品管理辦法（2007修正）) (the "**Management Measures**") implemented on 8 November 2007, pollution-free agricultural products are unprocessed or pretreated edible agricultural products which passed the relevant national standards and requirements in relation to the environment of origin, production process and product quality, and the products will be certified and allowed to use the pollution-free agricultural products logos.

According to the Management Measures, the origin of the pollution-free agricultural products shall meet the following criteria: (i) the environment of the origin meets the standard requirements of the environment of origin of pollution-free agricultural products; (ii) the area and scope of the origin is clear; and (iii) the origin holds a certain scale of production. The management of production of pollution-free agricultural products shall meet the following criteria: (i) the production process meets the standard requirements of pollution-free agricultural production technology; (ii) there are appropriate technical professions and management personnel; and (iii) there are comprehensive quality control measures and complete production and sales records. Entity or individual engaged in the production of pollution-free agricultural products shall apply agricultural inputs strictly in accordance with the relevant restrictions. The use of state-banned and eliminated agricultural inputs (such as calcium phosphide and DDT) are prohibited.

The procedures and criteria of applying for a Certificate of Pollution-free Agricultural Products are: (i) the product under the application for the Certificate of Pollution-free Agricultural Products must be listed on the Product List of Implementation of Pollution-free Agricultural Products Certificate (實施無公害農產品認證的產品目錄) implemented on 25 December 2013 under the Notice No. 2034 of Ministry of Agriculture and the State Certification and Accreditation Administration (農業部、國家認證認可監督管理委員會公告第2034號); (ii) according to the Regulations for the Recognition of Pollution-free Food Origin (無公害食品產地認定規範) (NY/T 5343–2006), the production areas and scope should be clear and relatively concentrated, and the area of vegetables in the facility should be more than 50,000 sq.m.; and (iii) according to the Management Measures, upon satisfactory assessment of the application materials, on-site inspection (if necessary) and product testing results by the certificate issuing authority, a Certificate of Pollution-free Agricultural Products will be issued within 30 working days from the date of receipt of the on-site inspection report and product testing report. The entity or individuals obtaining the Certificate of Pollution-free Agricultural Products can use the pollution-free agricultural products logo on the products, packaging, labels, advertisements and product manuals as specified in the certificate.

Pursuant to the Notice of Implementation and Deep Learning of the Agricultural Products Safety Regulations of the PRC (關於深入學習貫徹＜中華人民共和國農產品品質安全法＞的通知) (農辦質[2022]16號) (the "**Implementation Notice**") issued by the Office of Agricultural Rural Bureau* (農業農村部辦公廳) on 24 September 2022, the Agricultural Rural Bureau will not accept any new applications (including renewal) of Certificate of Pollution-free Agricultural Products with effective from the date of the Implementation Notice. However, the existing Certificate of Pollution-free Agricultural Products will still be valid before they expired. Following the change of the food safety regulations of the PRC (i.e. the amendments to the Agricultural Products Quality Safety Law in 2022 in relation to compliance with the relevant requirements in quality safety standards for agricultural products and compulsory technical specifications of the standards for agricultural products quality), the Agricultural Rural Bureau will no longer issue any new Certificate of Pollution-free Agricultural Products. However, the new food safety regulations have imposed a more stringent requirements on the use of pesticides for all agricultural producers and the government authorities will strictly enforce the food safety regulations by closely monitoring the agricultural producers. Pursuant to the Implementation Notice, the relevant government authorities will continue strength the food safety monitoring system, risk management and inspection of agricultural products to ensure that agricultural products in the market are in compliance with the relevant food safety regulations.

REGULATIONS RELATING TO PREVENTION AND CONTROL OF COVID-19 EPIDEMIC

The General Office of Ministry of Agriculture and Rural Affairs issued an urgent notice to manage and arrange the supply of vegetables during the epidemic on 29 January 2020. The notice stressed that the vegetable portfolio and production shall be arranged according to the market demands during the epidemic. The production of leafy vegetables and fast-growing vegetables may be increased accordingly to meet the market demands and ensure the vegetable variety-balance in supplying. To accelerate the growing of vegetables, cultivation technology could be utilised and the vegetable production bases shall strengthen their cooperation so as to guarantee the timely supply of vegetables in the market. The competent authorities shall provide more guidance to the vegetable production units especially to the sized-production agriculture enterprises. By active cooperating with the transport department, public safety department etc., the unimpeded transport of fresh farm products through “green channels” shall be guaranteed with higher efficiency and lower costs to realise the smooth distribution of vegetables.

On 30 January 2020, the General Office of the Ministry of Agriculture and Rural Affairs, the General Office of the Ministry of Transport and the General Office of the Ministry of Public Security issued an urgent notice on ensuring the normal supply of “vegetable basket” products and agricultural production materials, which requires strict implementation of the “green channel” system and the implementation of the requirements in the Notice of the Ministry of Transport, the National Development and Reform Commission and the Ministry of Finance on Further Optimising the ‘Green Channel’ Policy for the Transportation of Fresh Agricultural Products (交通運輸部、國家發展改革委、財政部關於進一步優化鮮活農產品運輸“綠色通道”政策的通知), so as to ensure the smooth transportation of fresh agricultural products and the normal supply of “vegetable basket” products and agricultural production materials.

On 12 February 2020, the State Council issued the Notice of the Joint Prevention and Control Mechanism for the Outbreak of COVID-19 of the State Council on Holding City Mayors Responsible for the “Vegetable Basket” and Steady Production and Guarantee of Agricultural Products (國務院應對新型冠狀病毒感染肺炎疫情聯防聯控機制關於壓實“菜籃

子"市長負責制做好農產品穩產保供工作的通知), which requires that during the prevention and control of outbreak of COVID-19, normal economic and social order shall be maintained, and the supply of vegetables, meat, eggs, milk, food and other residents' necessities shall be ensured. The problem of recruitment difficulty and high cost of labour for vegetable production should be resolved. Industrialised seedling production should be developed to shorten the growth cycle of vegetables, and fast growing leafy vegetables and sprouting vegetable should be appropriately cultivated in the surrounding areas of large and medium-sized cities in order to accelerate the production of vegetables. It is necessary to implement the "green channel" policy for the transportation of fresh agricultural products to maintain the normal market supply.

On 12 February 2020, the General Office of Shandong Provincial People's Government issued the Notice of Certain Measures on Expediting the Resumption of Agricultural Production and Ensuring Stable Production and Supply of Major Agricultural Products for the Purpose of Actively Responding to the Novel Coronavirus Epidemic (關於積極應對新冠肺炎疫情加快恢復農業生產確保重要農產品穩產保供的若干措施的通知), which requires the speedy resumption of agricultural production throughout the province and strictly implement the practice of holding city mayors responsible for the "vegetable basket" (non-grain food supply), so as to ensure the supply of major agricultural products to markets and ensure free passage of fresh agricultural products. The inspection formalities and procedures for vehicles carrying fresh agricultural products shall be simplified. On 15 February 2020, Shandong Provincial Department of Agriculture and Rural Affairs issued the Qualification Certificate of Livelihood Enterprise (民生保供企業資質證明), the vehicles carrying the products within the scope of the companies' transportation, production and processing shall be given priority in road access.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The existing production and operation projects of our Group fall within the agricultural products base projects specified in the List of Systematic Management on Construction Projects Environmental Impact Assessment (建設項目環境影響評價分類管理名錄), and Laixi Facility is located in the protection area of drinking water source. Therefore, any construction projects of our Group within Laixi Facility shall go through the relevant procedures of environmental impact assessment according to law.

Environmental Protection Law

Pursuant to the PRC Environmental Protection Law (中華人民共和國環境保護法) promulgated by the NPCSC, effective on 26 December 1989 and last amended on 24 April 2014, the government department in charge of the administration in relation to environmental protection under the State Council shall conduct unified supervision and management of the environmental protection work throughout the State, and establish the national standards for environment quality and discharge of pollutants. The government departments in charge of the administration in relation to environmental protection of the local governments at or above the county level shall conduct unified supervision and management of the environmental protection work within areas of their jurisdiction. The relevant departments of the people's governments at county level and above and the environmental protection departments of armed forces shall implement supervision and administration of environmental protection work such as resource protection and prevention and treatment of pollution pursuant to the provisions of the relevant laws. The environmental protection department of the State Council shall formulate the state's pollutant emission standards in accordance with the state's environmental quality standards and the economic and technological conditions. Enterprises in breach of the environmental protection law may be subject to warning, payment of damages, fines, restriction or suspension of production or an order to halt production, depending on the degree of seriousness of each case. If a criminal offence is committed, the operator will be liable for criminal liability in accordance with the law.

Water Pollution Prevention and Control Law

Pursuant to the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) promulgated by the NPCSC on 11 May 1984, effective on 1 November 1984 and last amended on 27 June 2017, irrigation water shall meet appropriate standards for the sake of prevention of the pollutions of soil, underground water and agricultural products. The production and operation units must discharge water pollutants in accordance with national and local standards. If the amount of discharged water pollutants exceeds the national or local standards, the production and operation units will be imposed a fine equivalent to an amount between RMB100,000 and RMB1,000,000. In addition, the environmental protection authority is empowered to order the relevant production and operation units to restrict or cease their production for rectification, and in severe circumstances, the case will be reported to the government with approval authority to impose an order to suspend or shut-down its business.

POLICIES ON SUPPORTING THE DEVELOPMENT OF AGRICULTURE AND THE VEGETABLE INDUSTRY

On 16 January 2012, the National Development and Reform Commission of the PRC* (國家發展改革委), the Ministry of Agriculture, and relevant departments jointly formulated the National Plan for the Development of Vegetable Industry (2011–2020) (全國蔬菜產業發展規劃(2011–2020年)), according to which the vegetable industry has gradually developed from a "family vegetable garden" into a pillar industry for the economic development of the agriculture and villages in major production areas. The vegetable industry has also developed into an advanced industry with relatively strong international competitiveness, with prominent force in securing supply, increasing revenue and boosting employment. The document explicitly states that Yellow River and Huaihe River Basin and Bohai Sea Region are major regions for balancing the annual supply and demand in the country. Among which, Shandong region is suitable for developing greenhouse vegetable production as it has relatively abundant light and heat resources during winter and spring seasons as well as convenient transportation.

On 30 January 2015, the General Office of the Ministry of Agriculture promulgated the National Plan for the Development of Major Regions for Greenhouse Vegetables (2015–2020) (全國設施蔬菜重點區域發展規劃(2015–2020年)), according to which vegetable is necessary food for people's daily life and its supply should be primarily dependent on local production and supplemented by long-distance supply in order to meet nationwide vegetable demand. For realising local production, it is necessary to use facilities like sunlight greenhouse, plastic arch shed, sunshade, and net shed to create suitable environments during seasons unfit for open land vegetable plantation. The development of the greenhouse vegetable industry will not only solve the problem of balancing full-year supply and demand of vegetables, but also make historic contributions to the increase of farmers' revenue and resources optimisation.

On 18 January 2018, the Ministry of Agriculture issued the Opinions on Facilitating the Transform and Upgrade of Agriculture by Implementing Rural Revitalisation Strategies (關於大力實施鄉村振興戰略加快推進農業轉型升級的意見), according to which the agricultural industry of our country shall be transformed from quantity expansion to quality improvement, and facilitating the transform and upgrade of agriculture. The standardisation of agriculture shall be promoted with efforts. Entities with economics of scale are encouraged to adopt standardised production and establish production records. After 2–3 years of efforts, agriculture production standardisation will be basically realised in the suburbs of major cities and main "Vegetable Basket" counties. Brand improvement actions will be implemented in order to build a series of regional public brands of agricultural products, etc.. The development of greenhouse agriculture shall be enhanced and the comprehensive management of continuous cropping shall also be improved.

On 2 January 2020, the Central Committee of the Communist Party of China and the State Council issued the Opinions on Strengthening the Works on Agriculture, Rural Areas and Rural People to Ensure the Scheduled Realisation of All-around Well-off (關於抓好「三農」領域重點工作確保如期實現全面小康的意見), according to which the battle against poverty is set as a must-win task, the reform in supply-side of agriculture will be strengthened, and the development of high quality agriculture will be promoted. The construction of facilities for modern agriculture will be strengthened and the implementation of a series of major investment projects in modern agriculture will be planned in advance in order to support the earlier kick-off of projects and to effectively expand the investment in agriculture.

LAWS AND REGULATIONS APPLICABLE TO CONSUMER PROTECTION

Consumer Protection Law

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (中華人民共和國消費者權益保護法) (the "**Consumer Protection Law**"), which was promulgated by the NPCSC on 31 October 1993, effective on 1 January 1994 and was last amended on 25 October 2013.

According to the Consumer Protection Law, the rights and interests of consumers who buy or use commodities or receive services for the purposes of daily consumption are protected and all manufacturers and distributors involved must ensure that the products and services they provide will not cause damage to the safety of consumers and their properties. Any breach of the Consumer Protection Law may result in the imposition of fines. In addition, the operator will be ordered to suspend operations and its business licence will be revoked. Business operators may incur criminal liability where they infringe consumers' rights by producing or selling foods that incorporate toxic and harmful non-food materials.

Price Law

According to the Price Law of the PRC (《中華人民共和國價格法》) promulgated and effective on 29 December 1997, except for prices under guidance of or fixed by the government, the prices of goods and services shall be regulated by the market and determined independently by operators. According to the Agricultural Law of the PRC (《中華人民共和國農業法》) promulgated and effective on July 2, 1993, and amended on December 28, 2002, August 27, 2009, and December 28, 2012, the purchase and sale of agricultural products shall take place under the regulation of the market, and the state shall exercise necessary macro-control over the purchase and sale activities of agricultural products that are vital to the national economy and people's livelihood. The potted vegetable business of Fujing Agriculture does not fall under the circumstances where prices are guided or fixed by the government, and should follow the principles of fairness, legitimacy and good faith to independently determine prices.

LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION

Employment Contract Law

Pursuant to the Employment Contract Law of the PRC (中華人民共和國勞動合同法) promulgated by the NPCSC on 29 June 2007, effective on 1 January 2008, and amended on 28 December 2012, and the Regulation on the Implementation of the Employment Contract Law of the PRC (中華人民共和國勞動合同法實施條例) promulgated by the State Council on 18 September 2008 and effective on the same date, an employment relationship shall be deemed to have been established from the date when an employee begins to work for the employer. Labour contracts must be prepared in writing. After consensus has been reached with sufficient negotiations, the employer and employee may enter into labour contracts with a fixed term or a variable term; or with a term of service ended on the completion of certain tasks. After consensus has been reached with sufficient negotiations or in circumstances where the statutory conditions are fulfilled, the employer may terminate the labour contracts in accordance with the law and lay off the employees. Where the employer fails to contribute social security premiums for the employee pursuant to the law, an employee may rescind the labour contract and the employer shall make economic compensation to such employee.

Labour Law

Pursuant to the Labour Law of the PRC (中華人民共和國勞動法) promulgated by the NPCSC on 5 July 1994, effective on 1 January 1995 and last amended on 29 December 2018, enterprises and institutions shall establish and perfect their system of work place safety and sanitation and strictly abide by the state rules and standards on work place safety, educate employees in labour safety and sanitation. Labour safety and sanitation facilities shall comply with statutory standards. Enterprises and institutions shall provide employees with a safe work place and sanitation conditions which are in compliance with relevant laws and regulations of labour protection.

Law of the PRC on Labour-dispute Mediation and Arbitration

Pursuant to the Law of the PRC on Labour-dispute Mediation and Arbitration (中華人民共和國勞動爭議調解仲裁法) promulgated by the NPCSC on 29 December 2007 and effective on 1 May 2008, where a labour dispute arises and the parties are not willing to have a consultation, or the consultation fails, or the settlement agreement reached is not performed, they may apply to a mediation institution for mediation. Where the parties are not willing to have mediation, or the mediation fails, or the mediation agreement reached is not performed, they may apply to a labour-dispute arbitration commission for arbitration. Where they are dissatisfied with the arbitral award, they may initiate a litigation to a people's court, unless otherwise provided for in this law.

Other Relevant Laws and Regulations

Pursuant to (i) the Social Insurance Law of the PRC (中華人民共和國社會保險法) (the "**Social Insurance Law**") promulgated by NPCSC on 28 October 2010, effective on 1 July 2011 and amended on 29 December 2018, (ii) the Interim Regulations concerning the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated and implemented on 22 January 1999 and amended on 24 March 2019 by the State Council, (iii) the Regulation on the Administration of Housing Provident Funds (住房公積金管理條例) promulgated by the State Council and effective on 3 April 1999, and last amended on 24 March 2019, (iv) the Regulation of Insurance for Labour Injury (工傷保險條例) promulgated by the State Council on 27 April 2003, effective on 1 January 2004 and amended on 20 December 2010, (v) the Provisional Measures for Maternity Insurance of Employees of Corporations (企業職工生育保險試行辦法) promulgated by the Ministry of Labour on 14 December 1994 and effective on 1 January 1995, and (vi) regulations on pension insurance, medical insurance and unemployment insurance in the provincial and municipal levels, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational injury insurance fund, maternity insurance fund and housing fund for the employees. After the Social Insurance Law became effective, where an employer fails to pay social insurance premiums on time or in full amount, he/she/it will be ordered by the collection agency of social insurance premiums to pay or make up the deficit of premiums within a prescribed time limit, and a daily late fee at the rate of 0.05% of the outstanding amount from the due date will be imposed; and if it still fails to pay the premiums within the prescribed time limit, a fine of one time to three times to the outstanding amount might be imposed by the relevant administrative department.

Meanwhile, an overdue in the payment and deposit of, or underpayment of the housing provident fund constitutes a breach of the Regulation on the Administration of Housing Provident Funds. The housing provident fund management centre shall order it to make the payment and deposit within a prescribed time limit. Where the payment and deposit has not been made after the expiration of such time limit, an application may be made by the housing provident fund management centre to a people's court for compulsory enforcement.

Pursuant to the Opinions of the General Office of the State Council on Comprehensively Advancing Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees (國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見) promulgated and implemented by the General Office of the State Council on 6 March 2019, the maternity insurance and basic medical insurance for workers will be merged with the basic medical insurance fund for workers and the contribution by the employers shall be uniformly paid to the relevant administrative department.

LAWS AND REGULATIONS RELATING TO TAXATION

PRC Enterprise Income Tax

Pursuant to the EIT Law promulgated on 16 March 2007, effective on 1 January 2008 and last amended on 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the "**Regulations of Enterprise Income Tax Law**") promulgated on 6 December 2007, effective on 1 January 2008 and amended on 23 April 2019, the EIT is applicable to all domestic enterprises and foreign-invested enterprises in the PRC and all foreign enterprises with production and operation facilities set up in the PRC. These enterprises are classified as resident enterprises and non-resident enterprises. Enterprises which are incorporated according to the laws of foreign countries or regions with their de facto management organisation (which refers to the organisation that exercises substantive and full management and control over, among others, the production and operation, personnel, accounts and properties of the enterprise) situated in the PRC are deemed to be resident enterprises, therefore their income sourced from within and outside the PRC will generally be subject to EIT at the tax rate of 25%. According to the Article 27 of the EIT Law and Article 86 of the Regulations of Enterprise Income Tax Law, enterprise income from agriculture, forestry, husbandry and fishery projects may be reduced or exempted from taxation. Pursuant to the abovementioned provisions and with the approval of Dianbu Branch of the State Taxation Bureau of Laixi City, Fujing Agriculture's enterprise income from agriculture has been exempted from taxation for the period from 1 May 2010 to 1 May 2050.

According to the Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) issued by the SAT on 3 February 2015, effective on the same date and last amended on 29 December 2017, if any non-resident enterprise transfers assets, such as the equity interest in a resident enterprise of the PRC, by carrying out an arrangement without a reasonable business purpose to avoid the EIT payment obligation, the nature of such indirect transfer transaction should be re-determined according to the provisions of the EIT Law and be recognised as a direct transfer of assets, such as the equity interest in a resident enterprise of the PRC. The income from an indirect transfer of real property or the income from an indirect transfer of shares is taxable for EIT according to the Notice, the entity or individual that is directly responsible for payment obligations of the relevant amounts to the transferor of the equity interest under the relevant provisions of the law or contract terms shall be responsible for withholding and payment of tax. According to the Announcement on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises (關於非居民企業所得稅源泉扣繳有關問題的公告) issued by the SAT on 17 October 2017, effective on 1 December 2017 and amended on 15 June 2018, the party responsible for withholding and payment of tax shall report to the competent taxation authority at the place where it is located and release the withheld amount for tax payment within seven days from the date when the obligation of withholding and payment of tax arises. If the party responsible for withholding and payment of tax fails to make payment on the due date, the case should be handled according to Section 1 of the Announcement of the State Administration of Taxation on Several Issues Concerning the Administration of Income Tax on Non-Resident Enterprises (國家稅務總局關於非居民企業所得稅管理若干問題的公告).

Value-added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) (the "**Provisional Regulations on Value-added Tax**") promulgated by the State Council on 13 December 1993, effective on 1 January 1994 and last amended on 19 November 2017, and the Detailed Rules for the Implementation of the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則) promulgated by the Ministry of Finance and the SAT and effective on 25 December 1993 and last amended on 28 October 2011, all units and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the import of goods within the territory of the PRC are subject to VAT. According to the Article 15 of the Provisional Regulations on Value-added Tax, self-produced agricultural products sold by agricultural producers shall be exempted from VAT. Pursuant to Article 15 and with the approval of Dianbu Branch of the State Taxation Bureau of Laixi City, Fujing Agriculture's income from self-produced agricultural products during 1 January 2012 and 30 June 2031 has been exempted from VAT.

Withholding Tax on Dividend Distributions

According to the EIT Law and the Regulations of Enterprise Income Tax Law, the dividends distributed to investors who are non-resident enterprises (which have not established any organisation or premises in the PRC, or although they have established organisation or premises in the PRC, the income obtained has no de facto connection with such organisation or premises), to the extent of being sourced from the PRC, are subject to the withholding tax of 10% in the PRC, except for the availability of tax credit on the relevant tax under an applicable tax treaty signed between the PRC and the jurisdiction of such non-resident enterprises. Similarly, if any gain obtained by such investors from the transfer of shares is deemed to be a gain in income sourced within the PRC, such gain is taxable for PRC income tax at the tax rate of 10% (or at a lower rate under tax treaty, if applicable).

According to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) effective on 8 December 2006 and amended by the Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排第五議定書) effective on 6 December 2019, the withholding tax rate for dividends paid by a PRC enterprise to a Hong Kong enterprise is 5% in case the Hong Kong enterprise is the beneficial owner and directly holds at least 25% of equity interests of the subject PRC enterprise.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated by the SAT and effective on 20 February 2009, all of the following requirements shall be satisfied where a taxable resident of the other party to a tax agreement is entitled to such tax agreement treatment to be taxed at a rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a taxable resident should be a company as provided in the tax agreement; (ii) such a taxable resident holds equity interests and voting shares in a Chinese resident company which are above a particular percentage; and (iii) such a taxable resident directly holds the equity interests in a Chinese resident company above a particular percentage, at any time during the twelve months prior to the obtainment of the dividends.

According to the Administrative Measures on Non-resident Taxpayers' Enjoyment of the Treatment under Tax Treaties (非居民納稅人享受協定待遇管理辦法) promulgated by the SAT on 14 October 2019 and effective on 1 January 2020, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding declaration through the withholding agent, simultaneously gather and retain the relevant materials for future inspection, and accept follow-up administration of the tax authorities. The relevant materials to be retained for future inspection include the materials to prove that the non-resident taxpayer is a "beneficiary owner" under the tax treaties. Pursuant to the Announcement of the State Administration of Taxation on Issues relating to "Beneficial Owner" in Tax Treaties (國家稅務總局關於稅收協定中「受益所有人」有關問題的公告) (the "**Announcement of Beneficial Owner**") promulgated on 3 February 2018 and effective on 1 April 2018, the "beneficial owner" shall mean a person who has ownership and control over the income and the rights and property from which the income is derived. When an individual who is a resident of the treaty counterparty derives dividend income from the PRC, such individual may be identified as a "beneficial owner". The Announcement of Beneficial Owner also specifies that if the business activities carried out by the applicant do not constitute substantive business activities, such applicant will be treated unfavourably in determining whether it has the status as a "beneficial owner".

Environmental Protection Tax Law

According to the Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法) (the "**EPT Law**") promulgated by the NPCSC on 25 December 2016, last amended on 26 October 2018 and effective on the same day, enterprises which discharge taxable pollutants such as air pollutants, water pollutants, solid waste and noise shall file and pay environmental protection tax to the authorities on a quarterly basis from 1 January 2018 based on the List of Items and Amounts of Environmental Protection Tax (環境保護稅稅目稅額表) and the List of Taxable Pollutant and Relevant Equivalent under the Environmental Protection Law (應稅污染物和當量值表). The environmental protection tax will be collected and managed by tax authorities in accordance with the Law of the PRC on the Administration of Tax Collection (中華人民共和國稅收徵收管理法) and the EPT Law; and the environmental protection tax instead of the pollutant discharge fees shall be collected after the EPT Law takes effect.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Trademark Law

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) (the "**Trademark Law**") promulgated by the NPCSC on 23 August 1982, effective on 1 March 1983 and last amended on 23 April 2019, and Regulation for the Implementation of Trademark Law of the PRC (中華人民共和國商標法實施條例) promulgated on 3 August 2002, effective on 15 September 2002 and amended on 29 April 2014, the Trademark Office of China National Intellectual Property Administration (國家知識產權局商標局, the "**Trademark Office**") under the SAIC is responsible for the registration of trademarks in the PRC. Any individual, legal entity or organisation that intends to acquire the exclusive right to use a trademark in the production and operation activities shall file an application for trademark registration with the Trademark Office. The duration of a trademark right is 10 years. The registered holder of a trademark may apply for an extension of registration for a subsequent valid term of 10 years. The registered holder of a trademark may enter into a trademark licensing agreement to allow the use of his/her/its trademark by the licencee. Trademark licensing agreements must be submitted to the Trademark Office for filing and record. In consideration of application for registration, the Trademark Law adopts the principle of "first application". If a subsequent application is the same as or similar to a trademark which has been registered or approved under initial review with the same or similar class(es) of commodity or service, the application for trademark registration may be refused. Any person who makes an application for trademark registration must not impair the existing prior rights of others, and shall not register in advance the trademark which has been used by others and has "certain influence". In the event of a dispute arising from any act of infringement of exclusive rights to use registered trademarks, the parties involved shall negotiate for resolution; where the parties involved are unwilling to negotiate or where negotiation is unsuccessful, the trademark registrant or a stakeholder may file a lawsuit with a people's court or request the administration for industry and commerce to handle the dispute.

On 23 April 2019, the NPCSC issued amendments on the Trademark Law, which becomes effective since 1 November 2019. According to the new amendments, where an application for the registration of a trademark is made with malicious intent and not for the purpose of usage, the application shall be rejected and the Trademark Office can punish the applicant by giving warning or imposing a fine. Furthermore, if a registration is considered to be malicious and not for the purpose of usage, the Trademark Office may declare that such registration is invalid; and a third party may request the Trademark Appeal Board to declare that such registered trademark is invalid.

Patent Law

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) promulgated by the NPCSC on 12 March 1984, effective on 1 April 1985 and last amended on 1 June 2021, and its implementation rules (中華人民共和國專利法實施細則) promulgated by the State Council on 15 June 2001 and last amended on 9 January 2010, the patent administrative department under the State Council is responsible for the administration of patents in the country level, whereas the patent administrative authorities under the people's governments of provinces, autonomous regions and municipalities are responsible for the administration of patents within their respective administrative regions. The patent system in the PRC follows the principle of "first application", which means if two or more applicants have applied for a patent of the same invention or creation, the patent will be granted to the first applicant. An application for a patent for invention or utility model must fulfil three criteria, namely novelty, inventiveness and practical applicability. A patent of invention has a valid period of 20 years, whereas the valid period of patents for utility model and design are 10 years and 15 years respectively, all commencing from the application date. Non holder must obtain licence or proper authorisation from the patent holders before using the patents. In the event of a patent dispute, the parties involved shall negotiate for resolution; where the parties involved are unwilling to negotiate or where negotiation is unsuccessful, the patent holder or a stakeholder may file a lawsuit with a people's court, or may request the authorities for administration of patent matters to handle the matter.

Domain Law

Pursuant to the Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) promulgated by the Ministry of Industry and Information Technology (the "**MIIT**") on 24 August 2017 and effective on 1 November 2017, domain name shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the Internet and corresponds to the Internet Protocol address of that computer. The MIIT supervises and administers the domain name services in the PRC. The registration for domain names such as the first-tier domain name ".cn" follows the principle of "first application, first registration". An applicant for registration of domain name shall provide information for the registration of domain name such as the true, accurate and complete information on the identity of the domain name holder to the domain name registration service authority. After completion of the registration procedures, the applicant will become the holder of the relevant domain name. Any registration and use of domain names by organisations and individuals shall abide by the requirements of the Measures for the

Administration of Internet Domain Names, and any registrations and uses of domain names in breach of the said Measures constitutes an offence and is subject to criminal liability.

Pursuant to the Procedures for Resolution of Disputes over National Top-level Domain Names (國家頂級域名爭議解決辦法), which was issued by the China Internet Network Information Centre ("**CNNIC**"), which was promulgated and effective on 18 June 2019, domain name disputes shall be handled and resolved by the dispute resolution service providers as accredited by the CNNIC.

LAWS AND REGULATIONS RELATING TO THE USE, ACQUISITION AND LEASE OF COLLECTIVELY-OWNED LAND

Land Administration Law

Pursuant to the Land Administration Law of the PRC (中華人民共和國土地管理法) (the "**Land Administration Law**") promulgated by the NPCSC on 25 June 1986, effective on 1 January 1987 and last amended on 26 August 2019, and the Regulations for the Implementation of the Land Administration Law of the PRC (中華人民共和國土地管理法實施條例) promulgated by the State Council on 27 December 1998, effective on 1 January 1999 and last amended on 2 July 2021 and effective on 1 September 2021, the natural resources administrative department under the State Council shall be responsible for administration and supervision work pertaining to land nationwide. On the other hand, the respective people's governments of provinces, autonomous regions and centrally-administered municipalities shall be responsible for setting up their respective natural resources administrative departments and determining their respective duties pursuant to the relevant provisions promulgated by the State Council. Further, the State Council may authorise agencies to supervise land use and land administration by the people's governments of provinces, autonomous regions and centrally-administered municipalities as well as municipal people's governments determined by the State Council. Pursuant to the Article 9 of the Land Administration Law, downtown area land in cities shall belong to the state. Rural and suburbs land shall be collectively-owned by farmers, unless the laws stipulate otherwise; homestead and reserved land and hilly land reserved for private use shall be collectively-owned by farmers. Pursuant to the Article 63 of the Land Administration Law, where collectively-operated development land is determined as industrial use and commercial use or other business purposes in the land use master plan or urban-rural planning and has been registered pursuant to the law, subject to consent of more than two-thirds of the members of the rural collective economic organisation or more than two-thirds of villager representatives, the land owner may transform the land use to organisation or individual user by way of, among others, assignment and lease.

According to the Provisions on Transfer of the Use Right of State-owned Construction Land through Bidding, Auction and Listing (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Resources on 9 May 2002, effective on 1 July 2002 and amended on 1 November 2007, a parcel of business land for industrial, commercial, tourism, entertainment and commercial housing purposes and a land parcel that has more than two potential users shall be transferred by means of bidding, auction or listing. Any individual or entity within the territory of the PRC may apply to participate in such bidding, auction and listing. The land administration department at municipal or county levels shall determine the base bidding price in accordance with the land appraisal and the government's policy. The base bidding price shall not be lower than the minimum price specified by the state. If the bidder's construction plan of the land is in compliance with the requirements prescribed in the announcement published by the competent land administration and the bidder offers the highest price in the bidding, such bidder would win the bidding, and should enter into the grant contract of land use right contract with the land administration department and pay grant fees and other charges to the government for the grant of land use right. After the aforementioned formalities are completed, the entity or individual will obtain the land use right of the subject state-owned land accordingly.

Classification of Land Use Status

Pursuant to the Classification of Land Use Status (土地利用現狀分類) (GB/T 21010–2017) promulgated and implemented by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) and the Standardisation Administration of the PRC (國家標準化管理委員會) on 1 November 2017, the classification code "1202" "land for facilities agriculture" (設施農用地) applies to the land directly used for commercial livestock and poultry breeding and production facilities and ancillary facilities therefor; land for facilities and ancillary facilities directly used for the production of agricultural products such as crop cultivation or aquaculture; land for facilities directly used for auxiliary production of facilities agriculture; drying farm, grain and fruit drying facilities, temporary storage of grain and agricultural materials, temporary storage of large agricultural machinery and tools, and other necessary facilities for large-scale grain production.

Notice on Further Support for the Healthy Development of Facilities Agriculture

The Notice on Further Support for the Healthy Development of Facilities Agriculture (關於進一步支持設施農業健康發展的通知), which was promulgated by the Ministry of Resources and the Ministry of Agriculture and Rural Affairs and effective from 29 September 2014 to 28 September 2019, provides the scope of land for (i) facilities agriculture (ii) production facilities, and (iii) ancillary facilities, and the detailed specifications for the land for production facilities, ancillary facilities and supporting facilities for the said period. The said Notice also specifically provides that the land for facilities agriculture shall be managed as agricultural land.

Notice on the Management of the Land for Facilities Agriculture

The Notice on the Management of the Land for Facilities Agriculture issued by the Ministry of Natural Resources and the Ministry of Agriculture and Rural Affairs (自然資源部農業農村部關於設施農業用地管理有關問題的通知), which was promulgated and effective on 17 December 2019, prescribes the scope and scale of land for facilities agriculture. The Notice also prescribes that government departments in charge of management of natural resources agriculture and rural affairs at municipal and county levels shall be jointly responsible for the routine management of land for facilities agriculture. On the other hand, the government departments in charge of natural resources and agricultural and rural affairs at national and provincial levels shall be responsible for the supervision of land for facilities agriculture. Land for facilities agriculture shall be filed with the government at town level for record purpose by the rural collective economic organisations or operators, and the government at town level shall regularly collect and pass the information to the government department of natural resources at county level. Construction works involving the permanent basic farmland* (永久基本田) shall not begin until and unless approval of the government department of natural resources at county level is obtained.

According to the Law of the PRC on Land Contract in Rural Areas (中華人民共和國農村土地承包法) promulgated by the NPCSC on 29 August 2002 and last amended on 29 December 2018, the PRC applies the system of contractual management of rural land; and the contractee and contractor shall enter into a contract setting out the rights and obligations of the parties thereto. During the contracting period, the contractee shall not take back the contracted land. In accordance with the Administrative Measures for Transfer of Management Rights of Rural Land (農村土地經營權流轉管理辦法) promulgated by the MOA on 26 January 2021 and effective on 1 March 2021, the contractor may transfer the management rights of contracted rural land by leasing (subcontracting), share acquisition, or any other methods in accordance with the relevant laws and national policies. When transferring the management rights of contracted rural land, the contractor shall enter into a written contract with the assignee on the basis of agreement reached through negotiation, and report the matter to the contractee for record.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Regulation on Foreign Exchange Administration

Pursuant to the Regulation on Foreign Exchange Administration of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996, effective on 1 April 1996 and last amended on 5 August 2008, the foreign exchange income of a domestic entity or individual may be repatriated to the PRC or deposited overseas. The conditions and deadline for repatriation to the PRC or deposit overseas are subject to the requirements of the foreign exchange administration authority of the State Council depending on the status of international balance of payments and the need for foreign exchange management. The foreign exchange income from current account items may be retained or sold to financial institutions operating foreign exchange settlement and sales business in accordance with the relevant national requirements. Where any foreign exchange income on capital account is to be retained or sold to a financial institution engaging in foreign exchange settlement and sales business, an approval shall be obtained from the relevant foreign exchange administrative authority, unless specified otherwise.

Provisions on the Settlement and Sale of and Payment in Foreign Exchange

Pursuant to the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (結匯、售匯及付匯管理規定) promulgated by the People's Bank of China on 20 June 1996 and effective on 1 July 1996, upon approval, foreign-invested enterprises can open a foreign exchange settlement account for their current account foreign exchange income with a selected bank engaging in foreign exchange business in its place of incorporation. Foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the extent as specified by the foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange centre.

Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment

The Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) (the "**Circular 59**"), which was promulgated by the SAFE, effective on 17 December 2012 and last amended on 4 May 2015, substantially amends and simplifies the foreign exchange procedure. According to the Circular 59, the opening of various foreign exchange accounts for direct investment no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign invested enterprise no longer requires SAFE's approval.

Notice of the SAFE on Relevant Issues concerning Foreign Exchange Administration relating to Domestic Residents Offshore Investment and Financing and Round-trip Investment through Special Purpose Vehicles

Pursuant to the Circular 37 effective on 4 July 2014, a domestic resident (either natural person or legal person) shall apply to effect foreign exchange registration with the foreign exchange office, when he/she/it uses his/her/its enterprise assets or interests in the PRC to establish or take control of a special purpose vehicles (the "**SPV**") aboard, and his/her/its domestic enterprises receive round-trip investments from funds raised by such SPV controlled by the domestic resident for going through the procedures for foreign exchange registration of overseas investments. A domestic resident which contributes capital with lawful asset or equity interest located outside the PRC shall apply to the foreign exchange office of its place of incorporation, or the foreign exchange office of the location of household registration for going through the registration procedures. The Circular 37 narrows the scope of registrable offshore SPV to the extent that only those offshore SPVs that are directly established or controlled by domestic residents shall be registered. In addition, the scope of the change of registration covers the change of information in relation to the domestic individual resident, and occurrence of significant events such as the capital increase or decrease and equity transfer or swap by the domestic individual resident.

Failure to comply with the registration procedures of Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the offshore SPV's PRC subsidiary to distribute dividends to its overseas parent.

Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment

The Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) and the Guidelines for Direct Investment-related Foreign Exchange Business (直接投資外匯業務操作指引), which were promulgated on 13

February 2015, effective on 1 June 2015 and last amended on 30 December 2019, simplify the administrative approval procedures for foreign exchange registration under overseas direct investment and foreign exchange registration under overseas direct investment shall instead be approved and handled directly by banks. The SAFE and its branches indirectly supervise the foreign exchange registration under direct investment through banks. In case such domestic resident makes overseas investment with his/her onshore assets or interests, he/she shall proceed with the foreign exchange registration of SPV by PRC resident individuals with the banks situated at the place where the onshore corporate assets or interests are located.

Notice of the SAFE on Reforming and Regulating the Policies for the Administration of Settlement of Foreign Exchange under Capital Accounts

Pursuant to the Notice of the SAFE on Reforming and Regulating the Policies for the Administration of Settlement of Foreign Exchange under Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) issued by the SAFE and effective on 9 June 2016, settlement of the foreign exchange income under capital accounts to be settled voluntarily as confirmed by the relevant policies explicitly (including foreign exchange capital amount, foreign debt amount and capital amount repatriated from overseas listing) may be carried out at banks according to the practical operating needs of the domestic entity. The amounts in RMB received from discretionary settlement shall be managed in an account of foreign exchange settlement pending for payment. The ratio of voluntary foreign exchange settlement for foreign exchange income under capital account items of domestic entities for the time being is 100%. The SAFE may adjust the above ratio from time to time according to the conditions of international balance of payments. Foreign exchange receipts under the capital account of domestic entities and its capital in RMB obtained from foreign exchange settlement shall not be directly or indirectly used for payments outside the company's scope of business.

Notice on Reforming the Administrative Approach regarding the Settlement of the Foreign Exchange Capitals of Foreign-Invested Enterprises

Pursuant to the Notice on Reforming the Administrative Approach regarding the Settlement of the Foreign Exchange Capitals of Foreign-Invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) issued by the SAFE on 30 March 2015, effective on 1 June 2015 and last amended on 30 December 2019, a discretionary settlement mechanism for foreign exchange capital funds to foreign-invested enterprises shall be implemented, so the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of discretionary foreign exchange settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily set at 100%. The SAFE may adjust the foregoing percentage as appropriate based on prevailing international balance of payments. The RMB funds obtained by a foreign-invested enterprise from its discretionary foreign exchange settlement of capital shall be included into a foreign exchange settlement account pending payment. A foreign-invested enterprise shall use its capital for its own operational purposes within its business scope, and may make domestic equity investment with the foreign exchange amount. The SAFE may conduct the verification and inspection on the foreign-invested enterprises, and may disqualify a foreign-invested enterprise which commits grave or malicious irregularities from discretionary settlement of foreign exchange.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Company Law

The Company Law of the PRC (中華人民共和國公司法) (the "**Company Law**"), which was promulgated by the NPCSC on 29 December 1993, effective on 1 July 1994 and last amended on 26 October 2018, provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises in the PRC. The Company Law stipulates that a limited company shall prepare a shareholders' register, which shall record (i) the name and address of each shareholder; (ii) the capital contribution made by each shareholder; and (iii) the serial number of each capital contribution certificate. Shareholders recorded in the shareholders' register may, pursuant to the shareholders' register, claim and exercise shareholders' rights. A company shall register the name of each shareholder and the shareholder's capital contribution at the company registration authority shall carry out amendment of the registration for any change of the registration details. Any detail which shall be registered but fails to be amended or registered shall not be valid against any third-party.

Foreign Investment Law

The Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the "**Foreign Investment Law**"), which was promulgated by the National People's Congress on 15 March 2019 and effective on 1 January 2020, is the fundamental law for foreign investment in the PRC, will replace the Law of the PRC on Sino-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法), the Law of the PRC on Sino-foreign Cooperative Joint Ventures (中華人民共和國中外合作經營企業法) and the Law of the PRC on Wholly Foreign-owned Enterprise (中華人民共和國外資企業法) as the general law applicable for the foreign investment within the PRC.

The Foreign Investment Law defines foreign investment as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organisations (the "**Foreign Investor(s)**"), and specifically stipulates four forms of investment activities as foreign investments, namely (i) establishment of a foreign-invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor; (ii) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; (iii) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor; and (iv) investment in any other manners stipulated by laws, administrative regulations or provisions prescribed by the State Council.

The Foreign Investment Law establishes the administration system for foreign investment, which mainly consists of pre-establishment national treatment plus negative list, foreign investment information report system and security review system. The said system, together with other administrative measures stipulated under the Foreign Investment Law, constitute the frame of foreign investment administration. While the pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favourable than that be granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the state. The state will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council.

The Foreign Investment Law sets forth the principles and measures to promote foreign investment in the PRC and specifically provides that the PRC legally protects foreign investors' investment, earnings and other legitimate rights and interests in the PRC.

The Foreign Investment Law further provides that foreign-invested enterprises established before the Foreign Investment Law coming into effect may adjust, among others, their organisation form and structure pursuant to the provisions of the Company Law, the Partnership Enterprise Law of the PRC (中華人民共和國合夥企業法) and related laws, and complete the change of registration pursuant to the law, or may retain their original form of organisations within five years after the Foreign Investment Law comes into effect. Specific implementing measures will be prescribed by the State Council.

Regulation on the Implementation of the Foreign Investment Law of the PRC

Pursuant to the Regulation on the Implementation of the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例) promulgated by the State Council on 26 December 2019 and effective on 1 January 2020, starting from 1 January 2025, the market supervision and administration department shall not handle any application for registration by existing foreign-invested enterprises which fail to adjust their organisational forms structures in accordance with the law and go through registration procedures for alteration. Instead, the department shall publicise the relevant information. After the adjustment of the organisational form structure of the existing foreign-invested enterprises in accordance with the law, the measures for the transfer of equity or rights and interests, the distribution of profits and the distribution of residual property agreed in the contracts between the parties to the original joint venture and the cooperation may continue to be handled in accordance with the provisions as agreed upon in the contracts.

Catalogue of Industries for Encouraging Foreign Investment (2020 Edition) and The Special Management Measures (Negative List) for the Access of Foreign Investment (2020)

Under the Catalogue of Industries for Encouraging Foreign Investment (2020 Edition) (鼓勵外商投資產業目錄(2020年版)) which was promulgated by the National Development and Reform Commission and the Ministry of Commerce on 27 December 2020 and effective on 27 January 2021, the production of green, organic vegetable produce shall fall within the category of encouraged foreign-invested industries.

The Special Management Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單)(2021年版)) (the "**2021 Negative List**"), which was promulgated on 27 December 2021 and effective on 1 January 2022, unified the requirements in respect of ownership and senior executives, and other special administrative measures for the access of foreign investment. Industries which are not on the 2021 Negative List shall be governed by the principle of equal treatment to both domestic and foreign investment. Since the principal business of our PRC subsidiaries is not listed on the 2021 Negative List, the same shall be governed by the principle of equal treatment.

LAWS AND REGULATIONS RELATING TO M&A AND OVERSEAS LISTING

Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC

Pursuant to the requirements as set forth in the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC (關於外國投資者併購境內企業的規定) promulgated by six PRC governmental and regulatory agencies (including the Ministry of Commerce and the China Securities Regulatory Commission) on 8 August 2006, effective on 8 September 2006 and last amended on 22 June 2009, where a domestic company, enterprise or natural person mergers with or acquires his/her/its related domestic company in the name of an offshore company which he/she/it lawfully established or controls or a foreign investor mergers with or acquires the shareholding of a domestic company, the merger or acquisition shall be subject to examination and approval by the Ministry of Commerce and shall proceed with the registration of change or registration of establishment with the SAIC or local administration of industry and commerce. SPV's overseas listing shall be subject to the approval of the securities regulatory and management authority of the State Council.

REGULATIONS RELATING TO OVERSEAS LISTING

On 17 February 2023, the CSRC formally released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies《境內企業境外發行證券和上市管理試行辦法》(the "**Trial Overseas Listing Measures**") and five filing guidelines, which became effective on 31 March 2023.

Pursuant to the Trial Overseas Listing Measures, if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; (ii) the main part of the issuer's business activities are conducted in the PRC, or its origin of business are mainly located in the PRC, or the majority of the issuer's senior management in charge of the management of business operations are PRC citizens or have their usual place(s) of residence located in the PRC. Where an issuer submits an application for initial public offering for overseas offering or listing directly or indirectly, such issuer must file with the CSRC within three business days after such application is submitted overseas. The Trial Overseas Listing Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

The Trial Overseas Listing Measures provide that, an overseas offering and listing is prohibited under any of the following circumstances: if (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the last three years; (iv) the domestic company intending to make the securities offering and listing suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

We had completed the filing procedures with the CSRC for the Listing on 23 October 2023.

OVERVIEW

We have over ten years of experience in the cultivation and sales of potted vegetable produce to our customers in the PRC. Our history can be traced back to December 2006, when our Controlling Shareholder, Mr. Zhang, founded our principal operating subsidiary, Fujing Agriculture, which was then known as Qingdao Fujing Agriculture Ecological Development Limited Liability Company* (青島富景農業生態開發有限公司), a one-person limited liability company in the PRC.

Mr. Zhang tapped into the agricultural industry as he sees agriculture essential to people's livelihood and therefore believes that the industry would have huge prospects. In December 2003, "Certain Opinion of the Central Committee of the Communist Party of China and the State Council in relation to the promotion of farmers' income* (中共中央、國務院關於促進農民增加收入若干政策的意見)" was executed by the then President of China and later became the "2004 No. 1 Document* (2004年度一號文件)" of the Communist Party of China. With the publication of the "2004 No. 1 Document", Mr. Zhang believes that the Chinese government may publish favourable policy for the agricultural industry and therefore he founded Fujing Agriculture in December 2006. When Fujing Agriculture was established, we grew vegetables in traditional methods. Mr. Zhang found that there were shortcomings in traditional way of agriculture, particularly in the aspects of food safety, production standardisation, preservation and brand building. Meanwhile, as he took part in the industry and has gained considerable knowledge, Mr. Zhang eventually came up with an idea to grow vegetable produce in individual pots as a solution to the shortcomings of traditional agriculture. In 2011, we established our first greenhouse and started our research on cultivation of potted vegetable produce. Since second half of 2012, we developed our potted vegetable produce which became the main products of our Group and we started large scale production of potted vegetable produce with an annual production capacity of one million pots above in 2016. We started research on and developed our own formulated organic substrates in 2012 and 2014 respectively. For more information about Mr. Zhang, please refer to the paragraph headed "Directors and Senior Management — Directors and Senior Management — Executive Directors" in this prospectus.

MILESTONES

Year	Events
2006	Establishment of Fujing Agriculture
2007–2010	Conducted land clearing and site formation for our Laixi Facility in Qingdao, Shandong province
2010	We commenced sales of non-potted vegetable produce by our Laixi Facility
2012	We commenced cultivation and sales of potted vegetable produce
2014	Accredited with the Qingdao Municipal Vegetable Base* (青島市市控蔬菜基地) by the Bureau of Commerce, Qingdao (青島市商務局)

Year	Events
2015	Accredited with the March 15 — the Most Socially Trustworthy Brand* (3 • 15最具社會誠信品牌) by Peninsula Metropolitan Newspaper* (半島都市報社)
	Accredited with the Qingdao 2015 World Leisure Games Franchisee* (青島2015世界休閒體育大會特許經營商) by Qingdao 2015 World Leisure Games Organising Committee* (青島2015世界休閒體育大會組委會)
	Expanded our Laixi Facility with aggregate site area of approximately 378,000 sq.m.
	The Shares of Fujing Agriculture became quoted on the NEEQ under stock code 834389
	We ceased sales and production of non-potted vegetable produce
2017	Accredited with the Certificate of Origin of Pollution-free Agricultural Products* (無公害農產品產地認定證書) by Qingdao Agriculture Commission* (青島市農業委員會)
2018	Accredited with the Qingdao Green Vegetable Garden* (青島市綠色菜園) by Qingdao Agriculture Commission* (青島市農業委員會)
	Established over 100 greenhouses with total gross floor area exceeding 100,000 sq.m.
2019	Establishment of Xi'an Facility and Dalian Facility
	Being selected to be involved in the development of the industry standard for the industrial cultivation of potted vegetable produce in the PRC together with the Laixi Potted Vegetable Cultivation Association* (萊西市盤菜種植協會), Qingdao Fugeng Agricultural Machinery Professional Cooperative* (青島富耕農機專業合作社) and Qingdao Institute of Technology and Standards* (青島市技術標準科學研究所) by the Qingdao Association of Standardisation (青島市標準化協會)
2020	Obtained: (i) GB/T 45001-2020 idt ISO 45001:2018 Certificate of Occupational Health and Safety Management System (職業健康安全管理體系認證證書); (ii) GB/T 24001-2016 idt ISO 14001:2015 Certificate of Environmental Management System (環境管理體系認證證書); and (iii) GB/T 19001-2016 idt ISO 9001:2015 Certificate of Quality Management System (質量管理體系認證證書) issued by Qingdao Huazhong Century Certification Co., Ltd.* (青島華中世紀認證有限公司)

CORPORATE HISTORY AND DEVELOPMENT

Our Company

Our Company is an exempted company incorporated in the Cayman Islands under the Companies Act with limited liability on 23 July 2019 with authorised share capital of US$50,000 divided into 50,000 shares of par value of US$1.00 each. Upon the incorporation of our Company, one share of par value of US$1.00 was allotted and issued to the initial subscriber at par, which was then transferred to Wider International on the same date.

Upon the completion of the Reorganisation, our Company shall become the ultimate holding company of our Group.

Fujing Agriculture

Fujing Agriculture is our main operating subsidiary with principal business of cultivation and sales of potted vegetable produce and was established under the name of Qingdao Fujing Agriculture Ecological Development Limited Liability Company* (青島富景農業生態開發有限公司) in the PRC on 4 December 2006 as a one-person limited liability company with a registered and paid up capital of RMB100,000 with Mr. Zhang being its sole owner.

Pursuant to the resolutions of Fujing Agriculture passed on 16 May 2007, Fujing Agriculture was converted from a one-person limited liability company to a limited liability company, and the registered capital of Fujing Agriculture was increased from RMB100,000 to RMB1.6 million. The additional registered capital of RMB1.5 million was contributed in cash by Ms. Zhang, sister of Mr. Zhang, and was settled on 25 May 2007. After such contribution of capital, Mr. Zhang and Ms. Zhang held 6.25% and 93.75% of the total equity interests of Fujing Agriculture respectively. Fujing Agriculture completed the legal procedure and registration of such increase in registered capital on 31 May 2007.

On 21 February 2010, pursuant to an equity transfer agreement dated the same date, Mr. Zhang transferred 6.25% of the then total equity interests in Fujing Agriculture to Ms. Zhang, who paid Mr. Zhang RMB100,000 as consideration, which was determined after arm's length negotiation with reference to the registered capital of Fujing Agriculture at the time of such transfer. Such consideration was fully and legally settled and the legal procedure for such transfer of equity interest was completed on the same day, as a result of which Ms. Zhang became the sole equity owner in Fujing Agriculture. On the same day, Ms. Zhang resolved to convert Fujing Agriculture back into an one-person limited liability company. The conversion was duly registered and the legal procedure for such conversion was completed on 23 February 2010.

On 18 October 2010, pursuant to an equity transfer agreement dated the same date, Ms. Zhang transferred 100% of the then total equity interests in Fujing Agriculture to Mr. Zhang, who paid Ms. Zhang RMB1,600,000 as consideration, which was determined after arm's length negotiation with reference to the registered capital of Fujing Agriculture at the time of such transfer. Such consideration was fully and legally settled and the transfer of equity interest was completed on 18 October 2010. On the same day, Fujing Agriculture was resolved to be renamed as Qingdao Fujing Agriculture Development Limited Liability Company* (青島富景農業開發有限公司). Such renaming was duly registered on 1 November 2010.

Pursuant to the resolutions of the then sole equity owner in Fujing Agriculture passed on 28 December 2010, Fujing Agriculture was converted from a one-person limited liability company into a limited liability company, and the registered capital of Fujing Agriculture increased from RMB1.6 million to RMB16.0 million as Mr. Zhang, Ms. Li Meiping (李美平), Ms. Bi Ailing (畢愛玲), Ms. Zhang and Ms. Geng Qi (耿琦) contributed approximately RMB12.1 million, RMB1.3 million, RMB720,000, RMB144,000 and RMB144,000 respectively as the registered capital of Fujing Agriculture. Such additional registered capitals were contributed in cash and were fully and legally settled on 29 December 2010. Fujing Agriculture completed the legal procedure and registration of such increase in registered capital on 30 December 2010. Upon the completion of such increase in registered capital, the equity holding structure of Fujing Agriculture was as follows:

Name of equity owners	**Capital contribution** *(RMB'000)*	**Percentage of equity holding**
Zhang Yonggang (張永剛) (Mr. Zhang)	13,696	85.6%
Li Meiping (李美平)*(Note 1)*	1,296	8.1%
Bi Ailing (畢愛玲)*(Note 2)*	720	4.5%
Zhang Chunyan (張春燕) (Ms. Zhang)	144	0.9%
Geng Qi (耿琦)*(Note 3)*	144	0.9%
Total	16,000	100%

Notes:

1. Ms. Li Meiping is an Independent Third Party. Except for the investment Ms. Li made in Fujing Agriculture in December 2010 and being a shareholder of Fujing Agriculture, she has no relation with our Group and/or any of our Controlling Shareholders.

2. Ms. Bi Ailing was formerly a supervisor of Fujing Agriculture and her term of office ended on 25 September 2018.

3. Ms. Geng Qi is the sister of Ms. Geng Juan (耿娟) who is cohabiting with Mr. Zhang, our Controlling Shareholder, as his spouse.

On 23 April 2015, the then equity owner of Fujing Agriculture resolved to, among other things, rename Fujing Agriculture as Qingdao Fujing Agriculture Development Company Limited* (青島富景農業開發股份有限公司) and to convert Fujing Agriculture from a limited liability company into a joint stock limited company. The legal procedure and registration of such conversion was completed on 25 August 2015, after which the total share capital of Fujing Agriculture was RMB16.0 million divided into 16 million shares with nominal value of RMB1.0 each, and its then shareholding structure was as follows:

Name of shareholders	Number of shares held	Percentage of shareholding
Zhang Yonggang (張永剛) (Mr. Zhang)	13,696,000	85.6%
Li Meiping (李美平)	1,296,000	8.1%
Bi Ailing (畢愛玲)	720,000	4.5%
Zhang Chunyan (張春燕) (Ms. Zhang)	144,000	0.9%
Geng Qi (耿琦)	144,000	0.9%
Total	16,000,000	100%

On 5 November 2015, Fujing Agriculture received approval for its shares to be listed on NEEQ in the PRC (stock code: 834389). Its shares began to be traded on NEEQ on 25 November 2015.

On 28 April 2016, the then shareholders of Fujing Agriculture resolved to allot and issue 54 million shares to the then existing shareholders on the basis of 33.75 shares for every 10 shares held and to debit a sum of RMB54.0 million in the capital common reserve fund of Fujing Agriculture for such allotment and issuance. As a result, the total share capital of Fujing Agriculture increased from RMB16.0 million to RMB70.0 million. The legal procedure and registration in relation to such increase in share capital was completed on 19 May 2016. After such allotment of shares, the shareholding of Fujing Agriculture was as follows:

Name of shareholders	Number of shares held	Percentage of shareholding
Zhang Yonggang (張永剛) (Mr. Zhang)	59,920,000	85.6%
Li Meiping (李美平)	5,670,000	8.1%
Bi Ailing (畢愛玲)	3,150,000	4.5%
Zhang Chunyan (張春燕) (Ms. Zhang)	630,000	0.9%
Geng Qi (耿琦)	630,000	0.9%
Total	70,000,000	100%

On 21 January 2019, the then shareholders of Fujing Agriculture passed a resolution to approve the voluntary delisting of Fujing Agriculture's shares from NEEQ ("**NEEQ Delisting**"). Fujing Agriculture received regulatory approval for the NEEQ Delisting on 15 May 2019. The NEEQ Delisting took place on 22 May 2019. For further details of the

NEEQ Delisting, please refer to the paragraph headed "NEEQ Delisting" in this section of the prospectus. Immediately following the NEEQ Delisting, the then shareholding of Fujing Agriculture was as follows:

Name of shareholders *(Note 1)*	Number of shares held	Approximate percentage of shareholding
Zhang Yonggang (張永剛) (Mr. Zhang)	48,370,000	69.1%
Li Meiping (李美平)	3,193,000	4.6%
Bi Ailing (畢愛玲)	2,370,000	3.4%
Geng Qi (耿琦)	630,000	0.9%
Zhang Chunyan (張春燕) (Ms. Zhang)	472,500	0.7%
Shi Cunqiang (史存強)	12,803,500	18.3%
Wu Hongchang (吳紅廠)	554,000	0.8%
Ying Jie (應杰)	312,000	0.4%
Jiang Yuanhao (江源浩)	235,000	0.3%
Beijing Yupeng Investment Management Co., Ltd. — Yupeng Huali No. 2 Private Equity Fund* (北京宇鵬投資管理有限公司 — 宇鵬華利二號私募基金)	198,000	0.3%
Yang Changqing (楊長青)	170,000	0.2%
Xu Erhua (徐二華)	123,000	0.2%
Yang Shichuan (楊世傳)	85,000	0.1%
Wu Haijing (吳海靜)	76,000	0.1%
Wang Yajun (王亞君)	67,000	0.1%
Zhang Guohong (張國宏)	40,000	0.1%
Xu Yongqiang (徐勇強)	36,000	0.1%
Chen Wenrui (陳文銳)	36,000	0.1%
Ouyang Qiong (歐陽瓊)	32,000	*Note 2*
Tu Guigang (屠貴剛)	32,000	*Note 2*
Song Mingjie (宋明杰)	30,000	*Note 2*
Ye Zhihua (葉志華)	27,000	*Note 2*
Guangzhou Weide Trading Co., Ltd.* (廣州偉德貿易有限公司)	26,000	*Note 2*
Gan Jun (甘軍)	20,000	*Note 2*
Luo Kai (羅凱)	17,000	*Note 2*
Ding Yan (丁燕)	12,000	*Note 2*
Wang Qinghua (王青華)	11,000	*Note 2*
Xie Li (謝立)	11,000	*Note 2*
Guangzhou Masuda Digital Technology Co., Ltd.* (廣州馬速達數碼科技有限公司)	11,000	*Note 2*
Total	70,000,000	100%

Notes:

1. Except Mr. Zhang, Geng Qi (sister of Ms. Geng Juan who is cohabiting with Mr. Zhang as his spouse) and Ms. Zhang (sister of Mr. Zhang), all other then shareholders of Fujing Agriculture are Independent Third Parties to the best knowledge of our Directors having made all reasonable enquiries.

2. The percentage of shareholding in Fujing Agriculture was less than 0.1%.

Upon completion of the Reorganisation, Fujing Agriculture became an indirect wholly-owned subsidiary of our Company.

Glory Team

On 8 August 2019, Glory Team was incorporated in the BVI as a BVI business company which is authorised to issue a maximum of 50,000 shares of par value of US$1.00 each. On 5 September 2019, one share in Glory Team was allotted and issued as fully paid to our Company at the consideration of US$1.00. Following such allotment, Glory Team became a direct wholly-owned subsidiary of our Company on the same day.

Fujing Holdings (HK)

On 9 October 2019, Fujing Holdings (HK) was incorporated in Hong Kong as a company limited by shares under the Companies Ordinance. On the same day, one share in Fujing Holdings (HK) was allotted and issued as fully paid to Glory Team at the consideration of HK$1.00. Following such allotment, Fujing Holdings (HK) became wholly-owned by Glory Team, and became an indirect wholly-owned subsidiary of our Company on the same day.

Xinfujing

On 6 May 2020, Xinfujing was established in the PRC as a limited liability company under the PRC laws with a registered capital of RMB2.0 million. Since its incorporation, Xinfujing has been a wholly-owned subsidiary of Fujing Holdings (HK). Upon completion of the Reorganisation, Xinfujing became an indirect wholly-owned subsidiary of our Company.

Deregistration of QF Vegetables

QF Vegetables was a limited liability company incorporated in the PRC on 14 September 2011 and had been a wholly-owned subsidiary Fujing Agriculture since its incorporation. QF Vegetables was originally set up for the business of plantation, preservation, cold storage and inventory storage of agriculture produce. However, as Fujing Agriculture subsequently commenced its business of cultivation and sales of potted vegetable produce which did not require cold storage in 2012, Fujing Agriculture ceased to commence its plan to develop its business in cold storage of agriculture produce. Therefore, QF Vegetables never commenced its business. Fujing Agriculture also did not engage in the business of cold storage of agriculture produce since the incorporation of QF Vegetables in light of the aforesaid. In order to optimise the governance structure and reduce the operation costs of Fujing Agriculture, QF Vegetables was duly deregistered on 20 December 2016 as QF Vegetables had never commenced business.

NEEQ DELISTING

Delisting of Fujing Agriculture from NEEQ

On 21 January 2019, the then shareholders of Fujing Agriculture passed resolutions approving, among other things, the NEEQ Delisting. Fujing Agriculture applied and subsequently received regulatory approval on 15 May 2019, for the NEEQ Delisting. The shares of Fujing Agriculture ceased to be traded on NEEQ on 22 May 2019. Immediately before delisting from NEEQ, the valuation of Fujing Agriculture was estimated at RMB105,000,000 with the basis on the last trading price of RMB1.50 per share and the then 70,000,000 issued shares.

Compliance during listing on NEEQ

As advised by our PRC Legal Advisers based on searches conducted on the official websites of the NEEQ and CSRC and as confirmed by our Company, Fujing Agriculture complied with all applicable laws and regulations and the listing rules of NEEQ during its listing on the NEEQ in all material aspects. Fujing Agriculture and all its then directors or senior management had not been subject to any investigation or disciplinary action by the relevant regulators during the period when its shares were quoted on the NEEQ and up to the NEEQ Delisting. As such, our Directors confirm that (i) there is no matter that might materially and adversely affect our Company's suitability for the Listing in relation to the previous quotation of the shares of Fujing Agriculture on the NEEQ; and (ii) there has not been any matter that needs to be brought to the attention of the potential investors or the regulators in Hong Kong in respect of the previous quotation of shares of Fujing Agriculture on the NEEQ.

Reasons for the NEEQ Delisting and the Listing on the Stock Exchange

Our Directors are of the view that the NEEQ Delisting and the Listing will be in the interests of our business development strategies, and would benefit us and our Shareholders as a whole for the reasons below:

(a) NEEQ is a market in the PRC open to qualified investors only;

(b) NEEQ has a low trading volume and low liquidity level, making it difficult to identify and establish the fair value of Fujing Agriculture to reflect the underlying quality of our assets and management. Listing on NEEQ also inhibits our ability to publicly raise funds, in equity or debt, to sustain our business growth, and execute substantial on-market disposals by shareholders to realise value;

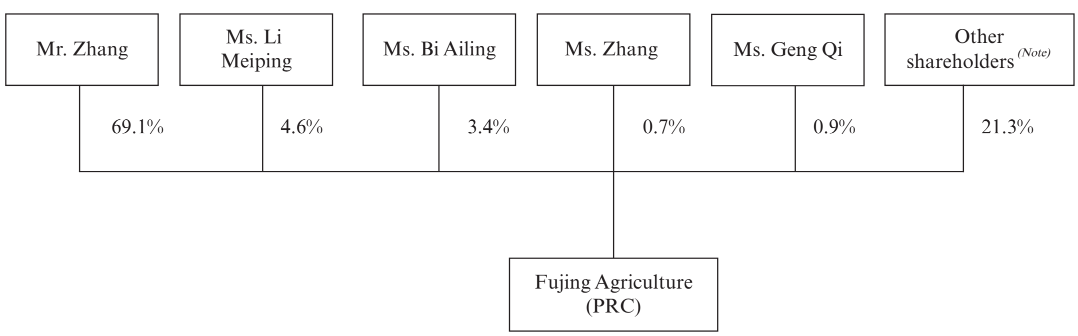
(c) in contrast, the Stock Exchange, as a leading player of the international financial markets, could offers us a direct access to the international capital markets, enhance our fund-raising capabilities and channels and broaden our Shareholders base and accelerate our fund-raising exercise to support our business expansion. Thus, the Listing will give us a stronger ability to attract new customers, business partners and strategic investors; as well as greater access to international investors and global markets;

(d) our Company can better re-allocate and focus the use of our limited financial and administrative resources on the Listing; and

(e) the Listing would also enable our Company to devise more appealing share incentive plan, which correlates directly to the performance of our business, which in turn would help us to attract and motivate the talents needed to support our rapid growth and enhance our operating efficiency on an ongoing basis. Also, the Listing will raise our business profile and thus enhance our ability to recruit, motivate and retain key management personnel for our business.

REORGANISATION

The corporate structure of our Group immediately following the NEEQ Delisting and before the Reorganisation is shown in the following chart:



Note: "Other shareholders" comprise of 24 shareholders who are all Independent Third Parties to the best knowledge of our Directors having made all reasonable enquiries.

In preparation for the Listing, our Group underwent a series of reorganisation, details of which are set out below:

1. Incorporation of offshore holding companies

For the purpose of Reorganisation, the following companies were incorporated in the BVI as BVI business companies:

Name of company	Date of incorporation	Authorised share capital	Changes of shareholding since incorporation
Wider International	24 May 2019	US$50,000 divided into 50,000 shares of US$1.00 each	Upon incorporation, one share in Wider International was allotted and issued as fully paid at par to Mr. Zhang, and thus Wider International became wholly-owned by Mr. Zhang
Beauty Sources	24 May 2019	US$50,000 divided into 50,000 shares of US$1.00 each	Upon incorporation, one share in Beauty Sources was allotted and issued as fully paid at par to Ms. Geng Qi, and thus Beauty Sources became wholly-owned by Ms. Geng Qi
Vortex Festive	24 May 2019	US$50,000 divided into 50,000 shares of US$1.00 each	Upon incorporation, one share in Vortex Festive was allotted and issued as fully paid at par to Mr. Li Changbai, and thus Vortex Festive became wholly-owned by Mr. Li Changbai
Yuen Sang Tai	24 May 2019	US$50,000 divided into 50,000 shares of US$1.00 each	Upon incorporation, one fully paid share in Yuen Sang Tai was allotted and issued as fully paid at par to Ms. Geng Qi. As part of the Reorganisation, on 22 February 2020, Ms. Bi Ailing, a former supervisor of Fujing Agriculture, acquired the said one share in Yuen Sang Tai from Ms. Geng Qi at the consideration of HK$20,000, which was determined based on arm's length negotiation between Ms. Bi Ailing and Ms. Geng Qi with reference to costs of incorporation of Yuen Sang Tai. On the same day, Yuen Sang Tai allotted and issued 829 shares to Ms. Bi Ailing and 534 shares in aggregate to eight other individuals, who are all Independent Third Parties, respectively. After such allotment of shares, Yuen Sang Tai became owned as to approximately 60.9% by Ms. Bi Ailing and 39.1% by eight other individual shareholders respectively.

Name of company	Date of incorporation	Authorised share capital	Changes of shareholding since incorporation
Great Winner	2 January 2020	US$50,000 divided into 50,000 shares of US$1.00 each	On 13 February 2020, 3,315 fully paid shares in Great Winner were allotted and issued as fully paid at par to Ms. Bi Ailing, and thus Great Winner became wholly-owned by Ms. Bi Ailing. As part of the Reorganisation, and pursuant to a declaration of trust dated 3 November 2023, Ms. Bi Ailing declared that she held 624 out of the said 3,315 shares in Great Winner on trust for Mr. Ying Jie (應杰), who is an Independent Third Party.
Caring Plentiful	24 May 2019	US$50,000 divided into 50,000 shares of US$1.00 each	Upon incorporation, one share in Caring Plentiful was allotted and issued as fully paid at par to Mr. Cui Wei, and thus Caring Plentiful became wholly-owned by Mr. Cui Wei.
Well Resourced	24 May 2019	US$50,000 divided into 50,000 shares of US$1.00 each	Upon incorporation, one share in Well Resourced was allotted and issued as fully paid at par to Ms. Zhang, and thus Well Resourced became wholly-owned by Ms. Zhang.

2. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 23 July 2019 with authorised share capital of US$50,000 divided into 50,000 shares of par value of US$1.00 each. Our Company was registered as a non-Hong Kong company pursuant to Part 16 of the Companies Ordinance on 3 March 2020. It shall be the ultimate holding company of our Group upon Listing. Upon the incorporation of our Company, one share of par value of US$1.00 was allotted and issued as fully paid to the initial subscriber, an Independent Third Party, at par, which was then transferred to Wider International on the same day. Upon the completion of the above allotment, issue and transfer on 23 July 2019, our Company became a wholly-owned subsidiary of Wider International.

3. Incorporation of offshore subsidiaries

Glory Team was incorporated in the BVI as a BVI business company on 8 August 2019 with authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 5 September 2019, one share in Glory Team was allotted and issued as fully paid at par to our Company, after which Glory Team became a direct wholly-owned subsidiary of our Company.

On 9 October 2019, Fujing Holdings (HK) was incorporated under the laws of Hong Kong as a limited liability company. Upon its incorporation, one share in Fujing Holdings (HK) was allotted and issued as fully paid to Glory Team, after which Fujing Holdings (HK) became wholly-owned by Glory Team.

4. Pre-IPO investments by Ms. Geng Qi, Mr. Li Changbai and Mr. Cui Wei

On various dates during the period from 18 February 2019 to 18 January 2020, Ms. Geng Qi made pre-IPO investments in our Group by entering into agreements with Ms. Li Meiping, Ms. Bi Ailing and other then shareholders of Fujing Agriculture respectively to acquire, in aggregate, 17,313,853 shares in Fujing Agriculture, representing approximately 24.7% of the then total number of issued shares of Fujing Agriculture at the total consideration of RMB19,956,299.5. The said consideration of the said acquisitions were fully settled on various dates during the period from 19 June 2019 to 8 June 2020.

On 1 December 2019, Mr. Li Changbai (李長柏) made a pre-IPO investment in our Group by entering into an agreement with Ms. Geng Qi to acquire from her 3,150,000 shares in Fujing Agriculture, representing approximately 4.5% of the then total number of issued shares of Fujing Agriculture, at the consideration of RMB4,725,000. The said acquisition was properly and legally completed on 5 March 2020 when the consideration was fully settled.

Also on 1 December 2019, Mr. Cui Wei, one of our Directors, made pre-IPO investment in our Group by entering into agreements with Ms. Geng Qi and Ms. Bi Ailing respectively, to acquire 1,557,853 and 192,147 shares in Fujing Agriculture, representing approximately 2.2% and 0.3% of the then total number of issued shares of Fujing Agriculture, from Ms. Geng Qi and Ms. Bi Ailing at the considerations of RMB2,336,779.5 and RMB288,220.5 respectively. The said transfers were properly and legally completed on 6 March 2020 and 9 March 2020, respectively.

The following table sets forth other information of the aforesaid pre-IPO investments:

	Ms. Geng Qi	**Mr. Li Changbai**	**Mr. Cui Wei**
Date on which the agreement(s) for the pre-IPO investment was entered into	on various dates during the period from 18 February 2019 to 18 January 2020 *(Note 1)*	1 December 2019	1 December 2019
Parties to the pre-IPO investment agreement	Ms. Geng Qi and various other shareholders of Fujing Agriculture *(Note 1)*	Mr. Li Changbai and Ms. Geng Qi	(i) Mr. Cui Wei and Ms. Bi Ailing; and (ii) Mr. Cui Wei and Ms. Geng Qi
Approximate percentage of shareholding in Fujing Agriculture upon completion of pre-IPO investments	18.9% *(Note 2)*	4.5%	2.5%

	Ms. Geng Qi	**Mr. Li Changbai**	**Mr. Cui Wei**
Approximate percentage of shareholding in our Company upon Listing *(Note 3)*	15.0%	3.6%	2.0%
Amount of consideration paid	RMB19,956,299.5 in aggregate (without taking account the transfers of 3,150,000 and 1,557,853 shares from Ms. Geng Qi to Mr. Li Changbai and Ms. Cui Wei respectively) or RMB12,894,520.0 in aggregate (after taking into account the transfers of 3,150,000 and 1,557,853 shares from Ms. Geng Qi to Mr. Li Changbai and Mr. Cui Wei respectively)	RMB4,725,000.0	RMB2,625,000.0 in aggregate
Date(s) on which the consideration of the pre-IPO investment was fully settled	on various dates during the period from 19 June 2019 to 8 June 2020	5 March 2020	On 6 March 2020 and 9 March 2020
Effective cost per share paid (based on effective shareholding in our Company upon the Listing)	HK$0.22 *(Note2)*	HK$0.34	HK$0.34
Effective discount to the mid-point of indicative Offer Price range	81.4%	71.3%	71.3%
Use of proceeds from the pre-IPO Investment	Not applicable	Not applicable	Not applicable

	Ms. Geng Qi	Mr. Li Changbai	Mr. Cui Wei
Basis of determining the consideration	the consideration was determined based on arm's length negotiation between the respective parties to the pre-IPO investment agreements with reference to the historical share prices of Fujing Agriculture quoted on NEEQ, financial position of Fujing Agriculture at the time and its prospects of development of business.	the consideration was determined based on arm's length negotiation between the respective parties to the pre-IPO investment agreement with reference to the price of the shares of Fujing Agriculture quoted on NEEQ immediately prior to the NEEQ Delisting. *(Note 4)*	the consideration was determined based on arm's length negotiation between the respective parties to the pre-IPO investment agreement with reference to the price of the shares of Fujing Agriculture quoted on NEEQ immediately prior to the NEEQ Delisting. *(Note 5)*
Special rights granted	No special right was granted to any of Ms. Geng Qi, Mr. Li Changbai and Mr. Cui Wei.		
Strategic benefits to our Group	The pre-IPO investors' investments and commitment in our Group demonstrated their confidence in our business prospects and growth potential. With such investments and commitment in our Group, our Directors believe that we could benefit from (i) the diversified business connections of the pre-IPO investors; and (ii) the diversified knowledge and experience of our pre-IPO investors in the way that they could share with us on their insights accumulated in their respective industry sectors.		

	Ms. Geng Qi	Mr. Li Changbai	Mr. Cui Wei
Lock-up and public float	Ms. Geng Qi is not subject to any lock-up under the relevant pre-IPO investment agreements. As Ms. Geng Qi is a substantial Shareholder of our Company and therefore a core connected person of our Company, its shareholding in our Company will not be counted as part of the public float for the purpose of Rule 8.08 of the Listing Rules.	Mr. Li Changbai is not subject to any lock-up under the relevant pre-IPO investment agreement. As Mr. Li Changbai is not a core connected person of our Company and its investment in our Group was not financed directly or indirectly by any core connected person of our Company, its shareholding in our Company will be counted as part of the public float for the purpose of Rule 8.08 of the Listing Rules.	Mr. Cui Wei is not subject to any lock-up under the relevant pre-IPO investment agreements. As Mr. Cui Wei is one of our Directors and therefore a core connected person of our Company, his shareholding in our Company will not be counted as part of the public float for the purpose of Rule 8.08 of the Listing Rules.

Notes:

(1) Ms. Geng Qi had entered into 17 share transfer agreements with 17 other shareholders of Fujing Agriculture (who are all Independent Third Parties) respectively, which were dated on various dates from 18 February 2019 to 18 January 2020, and the consideration payable pursuant to these share transfer agreements, which was determined after arm's length negotiations between the parties, were legally and fully settled on various dates on or before 8 June 2020.

(2) The calculation of shareholding in Fujing Agriculture and effective cost per share paid has taken into account the transfer of 3,150,000 and 1,557,853 shares from Ms. Geng Qi to Mr. Li Changbai and Mr. Cui Wei, respectively.

(3) Without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any option and/or award which may be granted under the Share Scheme.

(4) The share price Mr. Li paid to Ms. Geng is higher than the average share price Ms. Geng acquired the shares from the 17 other Independent Third Party shareholders as Ms. Geng considered that her shares were acquired through lengthy and effort-consuming negotiations with the 17 other shareholders.

(5) The share price Mr. Cui paid to Ms. Geng is higher than the average share price Ms. Geng acquired the shares from the 17 other Independent Third Party shareholders as Ms. Geng considered that her shares were acquired through lengthy and effort-consuming negotiations with the 17 other shareholders.

Ms. Geng Qi had been one of the equity owners in Fujing Agriculture since 2010. She is an entrepreneur and has her own real estate business. Ms. Geng has built up extensive connections when she was building up her own business. Ms. Geng is also a shareholder in a company in Qingdao and she participates in the operation of such company which is principally engaged in the manufacturing of primarily-processed peanuts, through which she has gained experience in the agricultural industry. Since 6 February 2020, she has become the supervisor of Fujing Agriculture. Save as disclosed herein, Ms. Geng Qi has never been involved in the management and daily operation of our Group.

We become acquainted with Ms. Geng Qi through Mr. Zhang, our Controlling Shareholder, as Ms. Geng Qi is the sister of Ms. Geng Juan, who is cohabiting with Mr. Zhang as his spouse. Ms. Geng Qi decided to invest in our Group because she is optimistic about the prospects of the potted vegetable produce industry in the PRC.

Between June 2011 and May 2015, Mr. Li Changbai was a chief financial officer of Fujing Agriculture. Thereafter, he decided to retire himself from the management of Fujing Agriculture in order to focus on his family life and thus took up the role of part-time assistant to the chairman of Fujing Agriculture. Mr. Li was interested in investing in our Group in light of the potential business prospects and future development of the potted vegetable produce industry in the PRC, he decided to make investment in our Group by acquiring 3,150,000 shares (representing approximately 4.5% of the then total number of issued shares) in Fujing Agriculture from Ms. Geng Qi on 1 December 2019.

Mr. Cui Wei is one of our executive Directors. He has gained extensive knowledge in the agricultural industry when he served as an administration assistant for a company which principally engaged in the production, development and sale of fertilisers before joining our Group. Mr. Cui has built up extensive social network when he was serving as the secretary to the board of directors of Fujing Agriculture. For biographical information of Mr. Cui, please refer to the section headed “Directors and Senior Management” of this prospectus. Mr. Cui was a director of Fujing Agriculture at the time when he invested in our Group. Mr. Cui invested in our Group because he is optimistic about the potential growth and bright prospects of the potted vegetable produce industry in the PRC.

The Sole Sponsor confirms that the pre-IPO investments by each of Ms. Geng Qi, Mr. Li Changbai and Mr. Cui Wei are in compliance with Chapter 4.2 of the Guide For the New Listing Applicants issued by the Stock Exchange in December 2023.

Save as disclosed above, to the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, Ms. Geng Qi, Mr. Li Changbai and Mr. Cui Wei did not have any past or present relationships, including without limitation family, trust, business or employment relationship, or any agreement, arrangement or understanding with our Company, our subsidiaries, Shareholders, Directors or members of senior management and any of their respective associates as at the Latest Practicable Date. To the best of our Directors’ knowledge, information and belief having made all reasonable enquires, the Sole Sponsor and other professional parties involved in the Share Offer (collectively the “**Professional Parties**”) and their respective staff members involved in the Share Offer, have not introduced Ms. Geng Qi, Mr. Li Changbai and/or Mr. Cui Wei, to the Company and none of the Professional Parties has participated in any liaison with Ms. Geng, Mr. Li and/or Mr. Cui in respect of any matter that would reasonably affect Ms. Geng, Mr. Li and/or Mr. Cui's decision of investing in the Group.

The table below sets out the shareholding structure of Fujing Agriculture after the above pre-IPO investments made by Ms. Geng Qi, Mr. Li Changbai and Mr. Cui Wei:

Name of shareholder *(Note 1)*	**Number of shares held**	**Approximate percentage of shareholding**
Zhang Yonggang (張永剛) (Mr. Zhang)	48,370,000	69.1%
Geng Qi (耿琦)	13,236,000	18.9%
Li Changbai (李長柏)	3,150,000	4.5%
Bi Ailing (畢愛玲)	2,175,500	3.1%
Cui Wei (崔偉)	1,750,000	2.5%
Zhang Chunyuan (張春燕) (Ms. Zhang)	472,500	0.7%
Ying Jie (應杰)	312,000	0.4%
Yang Changqing (楊長青)	170,000	0.2%
Xu Erhua (徐二華)	123,000	0.2%
Yang Shichuan (楊世傳)	85,000	0.1%
Wang Yajun (王亞君)	67,000	0.1%
Ouyang Qiong (歐陽琼)	32,000	*Note 2*
Gu Bing (顧兵)	26,000	*Note 2*
Gan Jun (甘軍)	20,000	*Note 2*
Wang Qinghua (王青華)	11,000	*Note 2*
Total	70,000,000	100%

Notes:

1. Except Mr. Zhang, Ms. Geng Qi, Mr. Cui Wei and Ms. Zhang, all other shareholders are Independent Third Parties to the best knowledge of our Directors having made all reasonable enquiries.

2. The percentage of shareholding in Fujing Agriculture was less than 0.1%.

5. Conversion of Fujing Agriculture into a limited liability company

Pursuant to the shareholders' resolutions passed on 6 February 2020, Fujing Agriculture was converted from a joint stock company with limited liability into a limited liability company. The legal procedure for such conversion was completed on 12 February 2020, and the ownership of Fujing Agriculture after such conversion was as follows:

Name of equity owner *(Note 1)*	Capital contribution *(RMB'000)*	Approximate percentage of equity holding
Zhang Yonggang (張永剛) (Mr. Zhang)	48,370	69.1%
Geng Qi (耿琦)	13,236	18.9%
Li Changbai (李長柏)	3,150	4.5%
Bi Ailing (畢愛玲) *(Note 2)*	2,175.5	3.1%
Cui Wei (崔偉)	1,750	2.5%
Zhang Chunyuan (張春燕) (Ms. Zhang)	472.5	0.7%
Ying Jie (應杰) *(Note 2)*	312	0.4%
Yang Changqing (楊長青)	170	0.2%
Xu Erhua (徐二華)	123	0.2%
Yang Shichuan (楊世傳)	85	0.1%
Wang Yajun (王亞君)	67	0.1%
Ouyang Qiong (歐陽琼)	32	*Note 3*
Gu Bing (顧兵)	26	*Note 3*
Gan Jun (甘軍)	20	*Note 3*
Wang Qinghua (王青華)	11	*Note 3*
Total	70,000	100%

Notes:

1. Except Mr. Zhang, Ms. Geng Qi, Mr. Cui Wei and Ms. Zhang, all other equity owners are Independent Third Parties to the best knowledge of our Directors having made all reasonable enquiries.

2. Since the NEEQ Delisting, we have been unable to contact Mr. Ying Jie, who held 312,000 shares in Fujing Agriculture as at date of the NEEQ Delisting, despite our management having taken all reasonable steps to reach him. For the purpose of the Reorganisation, pursuant to the resolutions passed in the shareholders' meeting of Fujing Agriculture held on 6 February 2020, Ms. Bi Ailing was registered as having made contribution of RMB2,487,500 to Fujing Agriculture, which in substance represents RMB2,175,500 contributed by Ms. Bi Ailing and RMB312,000 contributed by Mr. Ying Jie. In this connection, Ms. Bi Ailing made a declaration of trust on 3 November 2023 whereby she declared that she held 624 out of the 3,315 shares in Great Winner, one of our corporate Shareholders after the Reorganisation, on trust for Mr. Ying Jie to represent his interest in Fujing Agriculture. Ms. Bi Ailing has also confirmed in writing that she will procure Great Winner to transfer the corresponding portion of the Shares it holds to Mr. Ying Jie if Mr. Ying Jie elects to hold the Shares and enters into a written agreement with Ms. Bi Ailing. Our PRC Legal Advisers are

of the view that the aforesaid arrangement would not (i) affect the legality and validity of the Reorganisation; (ii) cause any material adverse effect to the Reorganisation; and (iii) would not incur any liability on the part of our Group, under the PRC laws and regulations.

3. The percentage of shareholding in Fujing Agriculture was less than 0.1%.

6. Pre-IPO investment by Mr. Xie Xing and conversion of Fujing Agriculture into a sino-foreign equity joint venture enterprise

On 12 March 2020, Mr. Xie Xing (謝星), an Independent Third Party, through Prosperity Plentiful (HK) made a pre-IPO investment in our Group by entering into a capital injection agreement with Fujing Agriculture, whereby Prosperity Plentiful (HK) agreed to contribute registered capital to Fujing Agriculture in the amount of RMB707,080, representing approximately 1.0% of its enlarged registered capital, at the consideration of RMB1,767,700. As a result, the registered capital of Fujing Agriculture increased from RMB70,000,000 to RMB70,707,080, and Fujing Agriculture became a sino-foreign equity joint venture enterprise. As advised by our PRC Legal Advisers, the transaction contemplated under the said capital injection agreement has been conducted in compliance with applicable PRC laws and regulations and has been legally completed and duly registered with the relevant authorities of the PRC on 13 March 2020.

Details of the pre-IPO investment by Mr. Xie Xing are as follow:

Date on which the agreement(s) for the pre-IPO investment was entered into	12 March 2020
Parties to the pre-IPO investment agreement	Prosperity Plentiful (HK) and Fujing Agriculture
Approximate percentage of shareholding in Fujing Agriculture upon completion of pre-IPO investment	1.0%
Approximate percentage of shareholding in our Company upon Listing *(Note)*	0.80%
Amount of consideration paid	RMB1,767,700
Date(s) on which the consideration of the pre-IPO investment was fully settled	27 May 2020
Effective cost per share paid (based on effective shareholding)	HK$0.56

Effective discount to the mid-point of indicative Offer Price range	52.2%
Use of proceeds from the pre-IPO Investment	General working capital and the proceeds were all utilised.
Strategic benefits to our Group	Our Directors are of the view that our Group could benefit from the additional capital provided by investment by Prosperity Plentiful (HK) and knowledge and experience of Mr. Xie Xing. The investment from Mr. Xie has improved our liquidity and is an essential step to complete the Reorganisation.
Basis of determining the consideration	The consideration was determined based on arm's length negotiation between Mr. Xie Xing and our Group with reference to the net asset value as appraised by an Independent Third Party valuer. The effective cost of Mr. Xie is different from that of Ms. Geng Qi, Mr. Li Changbai and Mr. Cui Wei as Mr. Xie made direct investment in our Group and negotiated directly with our Controlling Shareholders while Ms. Geng, Mr. Li and Mr. Cui's investments were purchased among other shareholders of Fujing Agriculture and negotiated separately in the absence of our Controlling Shareholders.
Special rights granted	No special right was granted to Prosperity Plentiful (HK).
Lock-up and public float	Mr. Xie Xing is not subject to any lock-up under the relevant pre-IPO investment agreement. As Mr. Xie Xing is not a core connected person of our Company and his investment in our Group was not financed directly or indirectly by any core connected person of our Company, his shareholding in our Company will be counted as part of the public float for the purpose of Rule 8.08 of the Listing Rules.

Note: Without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any option and/or award which may be granted under the Share Scheme.

Prosperity Plentiful (HK) is a company with limited liability incorporated in Hong Kong on 6 June 2019. Through Prosperity Plentiful (BVI), Mr. Xie Xing was the ultimate sole shareholder of Prosperity Plentiful (HK) at the time of making the pre-IPO investment.

Mr. Xie Xing has worked in the accounting and financial field for over 17 years. He has been a member of the Hong Kong Institute of Certified Public Accountants since May 2011 and has held management positions in various companies before investing in our Group. He currently acts as the chief financial officer of Zeta Capital (H.K.) Limited, a licensed corporation to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and the responsible officer of Zeta Capital (H.K.) Limited for Type 9 (asset management) regulated activities under the SFO. We became acquainted with Mr. Xie through Mr. Zhang, our Controlling Shareholder at a social event. Mr. Xie has never been involved in the management and daily operation of our Group.

Mr. Xie Xing decided to invest in our Group because he is confident in the prospects and development of the potted vegetable produce industry in the PRC.

The Sole Sponsor confirms that the investment by Mr. Xie Xing through Prosperity Plentiful (HK) is in compliance with Chapter 4.2 of the Guide of the New Listing Applicants issued by the Stock Exchange in December 2023.

Save for the Pre-IPO investment stipulated above, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Xie Xing did not have any past or present relationships, including without limitation family, trust, business or employment relationship, or any agreement, arrangement or understanding with our Company, our subsidiaries, Shareholders, Directors or members of senior management and any of their respective associates as at the Latest Practicable Date. To the best of our Directors' knowledge, information and belief having made all reasonable enquires, the Professional Parties and their respective staff members involved in the Share Offer, have not introduced Mr. Xie Xing to the Company and none of the Professional Parties has participated in any liaison with Mr. Xie in respect of any matter that would reasonably affect Mr. Xie's decision of investing in the Group.

7. Subdivision of share capital of our Company and allotment of Shares to offshore holding companies

Pursuant to the resolutions of the then Shareholders passed on 24 March 2020, the authorised share capital of our Company was sub-divided from US$50,000.00 divided into 50,000 Shares of a par value of US$1.00 each to US$50,000.00 divided into 5,000,000 Shares of a nominal value of US$0.01 each. Accordingly, the one Share held by Wider International was sub-divided into 100 Shares of a par value of US$0.01 each. On the same day, our Company allotted and issued (i) 96,640, (ii) 26,472, (iii) 6,300, (iv) 3,500, (v) 3,315, (vi) 2,728 and (vii) 945 Shares as fully paid at par to (i) Wider International, (ii) Beauty Sources, (iii) Vortex Festive, (iv) Caring Plentiful, (v) Great Winner, (vi) Yuen Sang Tai and (vii) Well Resourced respectively. After such allotment and issuance of Shares, the shareholding of our Company was as follows:

Name of shareholder	Number of shares held	Approximate percentage of shareholding
Wider International	96,740	69.1%
Beauty Sources	26,472	18.9%
Vortex Festive	6,300	4.5%
Caring Plentiful	3,500	2.5%
Great Winner *(Note 1)*	3,315	2.4%
Yuen Sang Tai *(Note 2)*	2,728	1.9%
Well Resourced	945	0.7%
Total	140,000 *(Note 3)*	100%

Notes:

1. Pursuant to a declaration of trust dated 3 November 2023, Ms. Bi Ailing declared that she held 624 out of the 3,315 shares in Great Winner on trust for Mr. Ying Jie, who is an Independent Third Party.

2. Among the entire issued share capital of Yuen Sang Tai, 830 shares of Yuen Sang Tai were owned by Ms. Bi Aliling and 534 shares of Yuen Sang Tai were owned by eight individuals, namely (i) Yang Changqing; (ii) Xu Erhua; (iii) Yang Shichuan; (iv) Wang Yajun; (v) Ouyang Qiong; (vi) Gu Bing; (vii) Gan Jun; and (viii) Wang Qinghua, who were the shareholders of Fujing Agriculture immediately upon the completion of step 5 of Reorganisation. To the best knowledge of our Directors, such eight individuals are Independent Third Parties. RMB534,000 contributed by those eight individuals were represented by 534 shares of Yuen Sang Tai owned by the same group of persons in a ratio of RMB1,000 to one share in Yuen Sang Tai.

3. Immediately after the aforesaid allotment and issuance of Shares on 24 March 2020, there were 140,000 Shares, in view of the registered capital of Fujing Agriculture immediately before the pre-IPO investment by Mr. Xie Xing, the overall conversion ratio was RMB500 for each Share.

8. Incorporation of Xinfujing

Xinfujing was established on 6 May 2020 as a limited liability company under the PRC laws with a registered capital of RMB2.0 million. Since its incorporation, Xinfujing has been a direct wholly-owned subsidiary of Fujing Holdings (HK).

9. Acquisition of equity interest of Fujing Agriculture by Xinfujing

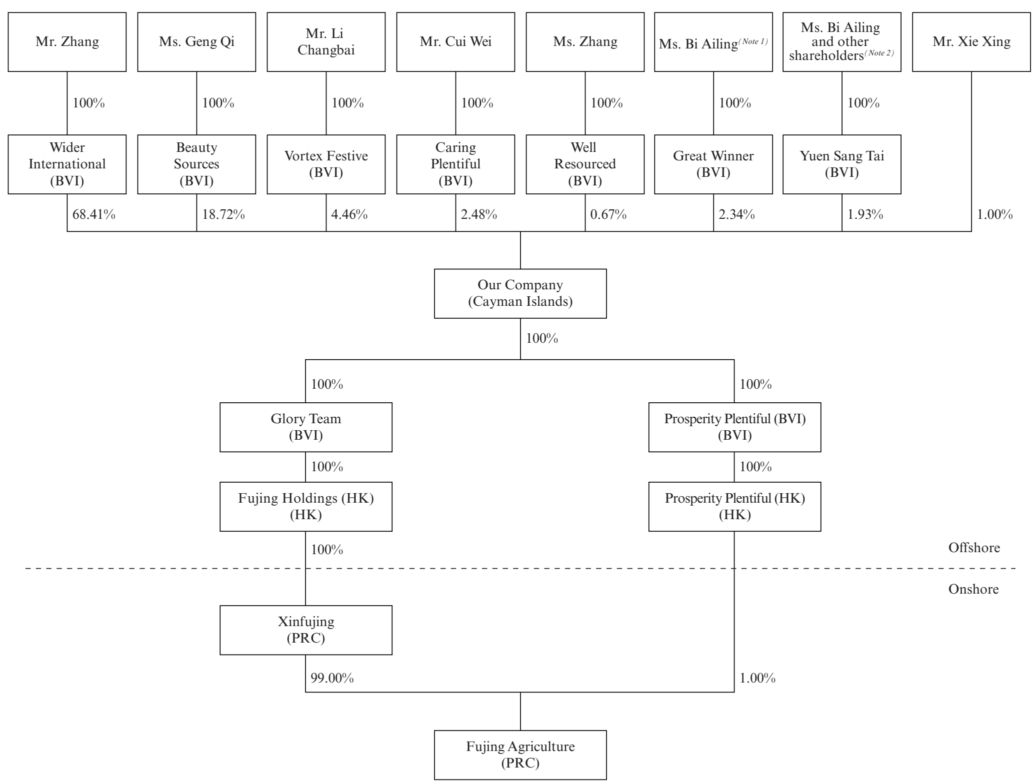
Pursuant to the respective equity transfer agreements entered into by the then equity owners of Fujing Agriculture (excluding Prosperity Plentiful (HK)) and Xinfujing on 27 June 2020 Xinfujing agreed to acquire approximately 99% of the entire equity interest in Fujing Agriculture at the total consideration of RMB70,000,000, which were determined based on their respective contribution to registered capital. Upon the settlement of such consideration and the completion of the above acquisition on 24 December 2020, Fujing Agriculture became owned as to approximately 99% by Xinfujing and approximately 1% by Prosperity Plentiful (HK).

10. Acquisition of entire share capital of Prosperity Plentiful (BVI) by our Company

Pursuant to an agreement dated 8 February 2021 entered into between our Company and Mr. Xie Xing, our Company acquired the entire issued share capital of Prosperity Plentiful (BVI) from Mr. Xie, in exchange of which, our Company allotted and issued 1,414 Shares, representing approximately 1% of the enlarged share capital of our Company, to Mr. Xie. Following such transfers of shares, Prosperity Plentiful (BVI) became a direct wholly-owned subsidiary of our Company and Mr. Xie became a Shareholder of our Company.

Corporate Structure immediately upon the completion of the Reorganisation

The chart below illustrates the shareholding structure of our Group immediately after the Reorganisation but before the completion of the Capitalisation Issue and Share Offer:



Notes:

1. Pursuant to a declaration of trust dated 3 November 2023, Ms. Bi Ailing declared that she held 624 shares in Great Winner on trust for Mr. Ying Jie. Ms. Bi Ailing has also confirmed in writing that she will procure Great Winner to transfer the corresponding portion of the Shares it holds to Mr. Ying Jie if Mr. Ying Jie elects to hold the Shares and enters into a written agreement with Ms. Bi Ailing.

2. "Other shareholders" comprise of Yang Changqing (楊長青), Xu Erhua (徐二華), Yang Shichuan (楊世傳), Wang Yajun (王亞君), Ouyang Qiong (歐陽琼), Gu Bing (顧兵), Gan Jun (甘軍) and Wang Qinghua (王青華) who are the same group of persons under "other shareholders" as set out above under step 5 of the Reorganisation. Save as disclosed above, to the best knowledge of our Directors having made all reasonable enquiries, such persons are (i) are all Independent Third Parties; (ii) are independent from each other; and (iii) did not have any past or present relationships (including business, employment, family, trust or financing relationships) with our Company or any of our subsidiaries, Shareholders, Directors, or senior management or any of their respective associates.

As confirmed by our Directors, our Group does not have any outstanding share options, warrants, convertible instruments, pre-IPO share option or similar rights convertible into our Shares as at the Latest Practicable Date.

POST-REORGANISATION

Increase of authorised share capital

Pursuant to the resolutions of the Shareholders passed on 16 November 2023, the authorised share capital of our Company was increased from US$50,000 divided into 5,000,000 Shares of par value of US$0.01 each to US100,000,000 divided into 10,000,000 Shares of US$0.01 each by the creation of an additional 9,995,000,000 Shares of par value US$0.01 each.

CAPITALISATION ISSUE AND SHARE OFFER

Capitalisation Issue

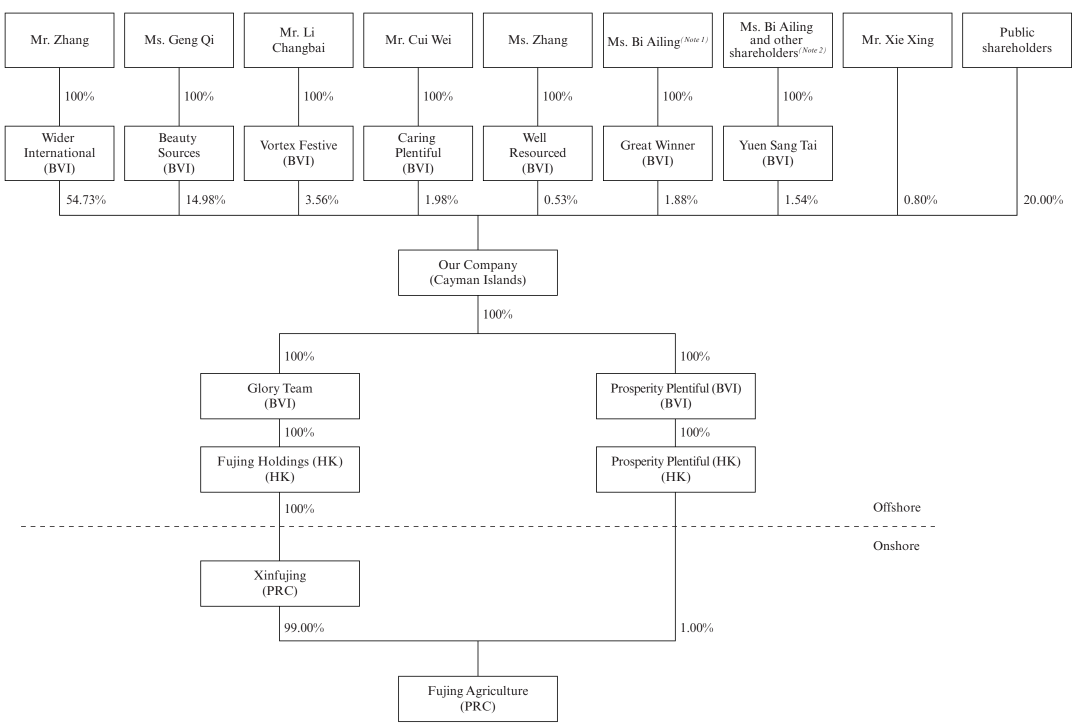
Pursuant to the written resolutions of our Shareholders passed on 11 March 2024, conditional upon the fulfillment or waiver of the conditions set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus and subject to the share premium account of our Company being credited as a result of the issue of the new Shares under the Share Offer, our Directors are authorised to allot and issue a total of 399,858,586 Shares credited as fully paid at par to our Shareholders whose names appear on the register of members of our Company at the close of business on 11 March 2024 in proportion to their respective shareholdings by way of capitalisation of an amount of US$3,998,585.86 standing to the credit of the share premium account of our Company.

Share Offer

The Share Offer comprises the Placing and the Public Offer, involving the issue of a total of 100,000,000 Shares. Under the Placing, 90,000,000 Shares, representing approximately 18.0% of the enlarged issued share capital of our Company upon Listing will be issued and placed. Under the Public Offer, 10,000,000 Shares, representing approximately 2.0% of the enlarged issued share capital of our Company upon Listing, will be offered for subscription by members of the public in Hong Kong.

Corporate Structure immediately after the completion of the Capitalisation Issue and Share Offer

The chart below sets out the shareholding structure of our Group immediately after the Reorganisation and the completion of the Capitalisation Issue and Share Offer (without taking into account any Shares of our Company which may be issued upon the exercise of the Over-allotment Option or any option and/or award which may be granted under the Share Scheme):



Notes:

1. Pursuant to a declaration of trust dated 3 November 2023, Ms. Bi Ailing declared that she held 624 shares in Great Winner on trust for Mr. Ying Jie. Ms. Bi Ailing has also confirmed in writing that she will procure Great Winner to transfer the corresponding portion of the Shares it holds to Mr. Ying Jie if Mr. Ying Jie elects to hold the Shares and enters into a written agreement with Ms. Bi Ailing.

2. "Other shareholders" comprise of eight individual shareholders who are the same group of persons under "other shareholders" as set out above in the paragraph headed "Corporate Structure immediately upon the completion of the Reorganisation" in this section of the prospectus.

SHARE SCHEME

We have conditionally adopted the Share Scheme, summary of the principal terms of which are summarised in the paragraph headed "D. Share Scheme" in Appendix VI to this prospectus. The Company will comply with Chapter 14A of, and other applicable rules under the Listing Rules, for Shares to be issued to connected persons under the Share Scheme after Listing.

PRC REGULATORY REQUIREMENTS

The Rules on the Mergers and Acquisition of Domestic Enterprises by Foreign Investors in the PRC

According to the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC (關於外國投資者併購境內企業的規定) (the "**PRC Regulations on Merger and Acquisition**") jointly issued by the authorities in the PRC on 8 August 2006 and was revised on 22 June 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise.

According to Article 11 of the PRC Regulations on Merger and Acquisition, the merger and acquisition of a domestic company with a related party relationship by a domestic company, enterprise or individual in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise or individual shall be subject to examination and approval by the Ministry of Commerce of the PRC (中華人民共和國商務部). The parties involved shall not use domestic investment by foreign invested enterprises or other methods to circumvent the aforesaid requirements. Pursuant to the Manual of Guidance on Administration for Foreign Investment Access (2008 edition) (外商投資准入管理指引手冊(2008年版)), the transfer of equity interest from Chinese parties to foreign parties in existing foreign-invested enterprises does not refer to the PRC Regulations on Merger and Acquisition, regardless of whether there is any affiliated relationship between the Chinese and foreign parties, and whether the foreign party is the original shareholder or new investor; the subject of merger and acquisition only includes domestic enterprises.

As advised by our PRC Legal Advisers, the PRC Regulations on Merger and Acquisition are not applicable to the acquisition by Xinfujing of the equity interest of Fujing Agriculture, which was then a sino-foreign equity joint venture enterprise. Accordingly, the approval by CSRC or Ministry of Commerce of the PRC was not required under the PRC Regulations on Merger and Acquisition.

Circular 37 and ODI Rules

Pursuant to the Circular 37 promulgated by the SAFE, a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing.

Pursuant to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**Circular 13**"), promulgated by the SAFE which became effective on 1 June, 2015 the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

Pursuant to the Administrative Measures for the Outbound Investment of Enterprises (企業境外投資管理辦法) and the Measures on the Administration of Overseas Investments (境外投資管理辦法) (collectively, the "**ODI Rules**"), promulgated by the National Development and Reform Commission and the Ministry of Commerce respectively, a domestic institution shall undergo approval or record-filing or other procedure with the relevant authorities prior to its overseas investment in accordance with the provisions of the ODI Rules.

PRC Legal Compliance

Our PRC Legal Advisers confirm that all relevant approvals and permits (where applicable) required under the PRC laws and regulations in respect of the Reorganisation as described above have been obtained and the procedures and steps involved are in compliance with relevant PRC laws and regulations.

Our PRC Legal Advisers further advise that our ultimate PRC individual shareholders (as PRC residents as defined under the applicable provisions under SAFE Circular 37 and Circular 13) who were required to undergo registration have completed the registration as at the Latest Practicable Date.

OVERVIEW

We are the largest producer of potted vegetable produce in Shandong province, with a market share of 14.8% in terms of sales revenue in Shandong province in 2022. With a sales revenue of RMB126.7 million, our Group accounted for approximately 3.1% of total sales revenue of potted vegetable producers and less than 0.01% of total sales revenue of vegetable producers in China in 2022. During the Track Record Period, our products were marketed under our brand "富景农业", and included 29 potted vegetable produce species.

In 2022, Shandong province, the largest potted vegetable producing province in the PRC contributed approximately 20.3% and 19.0% in terms of the total sales volume and the total sales revenue of potted vegetable produce of the PRC, respectively. China's vegetable produce market and potted vegetable produce market are both highly fragmented with around one million to two million vegetable producers and thousands of potted vegetable producers, respectively. Total sales revenue of potted vegetable produce accounted for less than 0.1% of total sales revenue of vegetable produce in China in 2022.

We are one of the potted vegetable producers in Shandong province of the PRC which started large scale production of potted vegetable produce with an annual production capacity of more than one million pots in 2016. Our business of cultivation and sales of potted vegetable produce commenced in 2012 in Laixi, Qingdao, Shandong province, and we have since grown into a major potted vegetable producer in the PRC. For ensuring the quality and to meet the relevant safety requirements, all of our potted vegetable produce are grown in greenhouses in our cultivation facilities, and we do not purchase potted vegetable produce from other producers. As at the Latest Practicable Date, we had been accredited with Certificate of Pollution-free Agricultural Products* (無公害農產品證書) issued by Qingdao Agricultural Rural Bureau* (青島市農業農村局) in respect of the potted vegetable produce cultivated at our Laixi Facility. We had also been awarded various awards and certifications for recognition such as Qingdao Green Vegetable Garden* (青島市綠色菜園) in 2018 by Qingdao Agriculture Commission* (青島市農業委員會) and Qingdao Municipal Vegetable Base* (青島市市控蔬菜基地) in 2014 by Bureau of Commerce, Qingdao (青島市商務局).

In recognition of our technical and quality control capabilities, we were selected by Qingdao Association of Standardisation (青島市標準化協會) in 2019 to be involved in the development of the industry standard for the industrial cultivation of potted vegetable produce in the PRC together with the Laixi Potted Vegetable Cultivation Association* (萊西市盤菜種植協會), Qingdao Fugeng Agricultural Machinery Professional Cooperative* (青島富耕農機專業合作社) and Qingdao Institute of Technology and Standards* (青島市技術標準科學研究所).

With Shandong province as our primary geographical market, we extended our geographical coverage by commencing sales of our potted vegetable produce in Xi'an, Shaanxi province and Dalian, Liaoning province in 2019. During FY2020, we further expanded our Laixi Facility by a total site area of approximately 90,000 sq.m. We sell our potted vegetable produce primarily through a network of distributors in the PRC which then on-sell our products to end-user customers in Shandong, Liaoning and Shaanxi provinces in the PRC, the majority of which are hotels and restaurants. These hotels and restaurants end-user customers sell both traditional vegetable produce and potted vegetable produce. However, majority of the potted vegetable produce sold by them was supplied by us.

We combine the use of greenhouses, in-pot cultivation know-how, the use of single use substrates and industrialised production, thereby achieving a stable, all-season cultivation environment unaffected by the negative effects of continuous cropping, and enabling us to cultivate a wide range of vegetable species (including those cold-sensitive species) all-year-round with up to 14 yields per annum.

As a potted vegetable producer, we are at the upstream of the value chain of the potted vegetable market. Due to the labour intensive nature of cultivation of agricultural products, we engage subcontractors to handle simple labour work in the cultivation process under our day-to-day management and supervision. Our employees perform the key processes including monitoring and/or adjusting environment parameters such as temperature, humidity, carbon dioxide density and illumination duration inside our greenhouses, monitoring vegetable's growth progress and performing quality control of our potted vegetable produce. Our subcontractors, which engage in labour subcontracting services and provide labour services to various businesses in a wide range of industries, have no specific knowledge on maintaining greenhouses, performing quality control, monitoring vegetable's growth progress and developing and formulating organic substrates for potted vegetable produce.

The following table sets forth a breakdown of our revenue, sales volume and average selling price by our geographical location and cultivation facilities during the Track Record Period:

	Year ended 31 December												Nine months ended 30 September							
	2020				2021				2022				2022				2023			
	Revenue *RMB'000*	*% of total revenue*	Sales volume *('000 pots)*	Average selling price *(RMB)* *(Note)*	Revenue *RMB'000*	*% of total revenue*	Sales volume *('000 pots)*	Average selling price *(RMB)* *(Note)*	Revenue *RMB'000*	*% of total revenue*	Sales volume *('000 pots)*	Average selling price *(RMB)* *(Note)*	Revenue *RMB'000* (unaudited)	*% of total revenue*	Sales volume *('000 pots)* (unaudited)	Average selling price *(RMB)* *(Note)*	Revenue *RMB'000*	*% of total revenue*	Sales volume *('000 pots)*	Average selling price *(RMB)* *(Note)*
Shandong province																				
Laixi Facility	105,737	87.1	7,045	15.0	141,291	91.2	9,419	15.0	114,468	90.3	7,631	15.0	80,127	90.4	5,342	15.0	111,058	91.6	7,404	15.0
Shaanxi province																				
Xi'an Facility	8,704	7.2	543	16.0	6,206	4.0	388	16.0	5,316	4.2	332	16.0	3,932	4.4	246	16.0	4,517	3.7	282	16.0
Liaoning province																				
Dalian Facility	6,964	5.7	434	16.0	7,449	4.8	466	16.0	6,910	5.5	432	16.0	4,567	5.2	285	16.0	5,719	4.7	358	16.0
Total/overall	121,405	100.0	8,022	15.1	154,946	100.0	10,273	15.1	126,694	100.0	8,395	15.1	88,626	100.0	5,873	15.1	121,294	100.0	8,044	15.1

Note: Average selling price represents total revenue divided by sales volume for the respective period.

Throughout FY2020, FY2021, FY2022 and 9M2023, our average selling price per pot of our potted vegetable produce remained unchanged at RMB15.1. In general, the selling price of vegetable products in the general wholesale market are affected by various factors such as seasonal variations, cultivation volume and market conditions, resulting in unstable prices with significant fluctuations. However, unlike the general wholesale market for vegetable products with a vast number of different producers and purchasers, we maintain long-term relationships with our 12 distributors, which maintain stable relationships with our end-user customers. Any price volatility of our potted vegetable produce poses many uncertainties for customers, particularly hotels and restaurants, in terms of cost control and operational management. Besides, the COVID-19 epidemic lasted from 2020 to 2022, which created uncertainties over the market and business environment. Accordingly, the Group decided to maintain a stable selling price of our products during the Track Record Period in order to maintain a long-term relationship with our distributors. However, we will review the selling price of our products to our distributors from time to time and consider adjusting the selling price if necessary.

The following table sets forth a breakdown of our revenue by sales channels during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
Sales to distributors	121,028	99.7	154,937	100.0	126,692	100.0	88,624	100.0	121,292	100.0
Direct sales to end-user customers *(Note)*	377	0.3	9	—*	2	—*	2	—*	2	—*
Total	121,405	100.0	154,946	100.0	126,694	100.0	88,626	100.0	121,294	100.0

Note: Total revenue attributable to direct sales to end-user customers in each of FY2020, FY2021, FY2022 and 9M2023 includes revenue attributable to the online sales to end-user customers of approximately RMB8,000, RMB9,000, RMB2,000 and RMB2,000, respectively.

* *represents percentage ratio of less than 0.1%.*

As our potted vegetable produce is sold to our customers in pots while still fresh and living, it allows our potted vegetable produce to continue to grow and maintain a longer period of freshness after delivery from our cultivation facilities.

We apply an industrial cultivation method to produce our potted vegetable produce. Such cultivation method requires the use of enclosed greenhouses together with the application of our horticultural know-how and equipment in connection with pest control, heat preservation, ventilation and/or shading of sunlight to adjust parameters such as temperature, humidity, illumination duration and carbon dioxide density during the cultivation process in our greenhouses in order to create an appropriate and ideal microclimate environment for the growth of our potted vegetable produce. Given that our products are potted vegetable produce which are perishable in nature, we strategically targeted to sell our potted vegetable produce to end-user customers in major cities who are geographically proximate to our cultivation facilities in order to shorten delivery time and maintain a high level of freshness of our products when they reach the end-user customers. As at the Latest Practicable Date, we had 140 greenhouses located in three cultivation facilities for cultivating our potted vegetable produce. The following table sets forth the number of greenhouses and their respective approximate total gross floor area by location as at 1 January 2020, 31 December 2020, 31 December 2021, 31 December 2022, 30 September 2023 and the Latest Practicable Date:

	As at 1 January 2020		As at 31 December 2020		As at 31 December 2021		As at 31 December 2022		As at 30 September 2023		As at the Latest Practicable Date	
	Number of greenhouses	Approx. total gross floor area *(sq.m.)*	Number of greenhouses	Approx. total gross floor area *(sq.m.)*	Number of greenhouses	Approx. total gross floor area *(sq.m.)*	Number of greenhouses	Approx. total gross floor area *(sq.m.)*	Number of greenhouses	Approx. total gross floor area *(sq.m.)*	Number of greenhouses	Approx. total gross floor area *(sq.m.)*
Qingdao, Shandong Province	67	72,001	107	139,134	107	139,134	104	136,801	104	136,801	104	136,801
Xi'an, Shaanxi Province	10	10,000	10	10,000	7	7,000	7	7,000	7	7,000	7	7,000
Dalian, Liaoning Province	15	6,000	29	11,600	29	11,600	29	11,600	29	11,600	29	11,600
Total	92	88,001	146	160,734	143	157,734	140	155,401	140	155,401	140	155,401

Our technical department personnel have engaged in testing of cultivation methods and techniques for the refinement of our current cultivation methods and techniques and the optimisation of species selection for our new products.

We have achieved a solid track record of growth in revenue and profit, save for FY2022 and 9M2022 when our results were temporarily and adversely affected by COVID-19 epidemic which seriously affected our Shandong province and Dalian markets during the period. In FY2020, FY2021, FY2022, 9M2022 and 9M2023, we recorded a total revenue of approximately RMB121.4 million, RMB154.9 million, RMB126.7 million, RMB88.6 million and RMB121.3 million, respectively, while our net profit in FY2020, FY2021, FY2022, 9M2022 and 9M2023 was approximately RMB43.8 million, RMB47.3 million, RMB31.8 million, RMB19.7 million and RMB41.1 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have allowed us to achieve sustainable growth and profitability and maintain our leading position and competitiveness in the potted vegetable produce industry:

Leading position in the potted vegetable produce industry in Shandong province with brand recognition and high product quality

Leading market position

We are one of the potted vegetable producer in Shandong province of the PRC which started large scale production of potted vegetable produce with an annual production capacity of more than one million pots in 2016 and we have accumulated more than eight years of experiences in the cultivation of potted vegetable produce. All of our products are mainly marketed under our brand "富景农业" while we also use our registered trademark, , only for conducting online direct sales through our WeMall account. We believe that, by focusing on a brand, it helps to build brand recognition and awareness among our customers. Through consistently promoting our brand, we can increase our brand visibility and make it easier for customers to identify and remember our products. Moreover, we can streamline our marketing efforts, reduce brand development and maintenance costs, and allocate our resources more efficiently. With brand recognition, we have been able to secure a leading market position in the potted vegetable produce industry in Shandong province. We were the largest potted vegetable producer in Shandong province with a market share of 14.8% in terms of sales revenue in Shandong province in 2022. Meanwhile, with a sales revenue of RMB126.7 million, the Group accounted for less than 0.01% of total sales revenue of vegetable producers and approximately 3.1% of total sales revenue of potted vegetable producers in China in 2022. Our market leading position and brand recognition are not only evidenced by our sales performance, but also by the awards and certifications received, such as Qingdao Green Vegetable Garden* (青島市綠色菜園) in 2018 by Qingdao Agriculture Commission* (青島市農業委員會) and Qingdao Municipal Vegetable Base* (青島市市控蔬菜基地) in 2014 by Bureau of Commerce, Qingdao (青島市商務局). For further details of our awards, please refer to the paragraph headed "Awards" in this section of the prospectus.

Reputation of food safety and quality control

To ensure product quality, we have implemented strict quality control measures in our cultivation process. In general, consumers would not be provided with information such as the origin of and the level of pesticides contained in the vegetable produce, whether the vegetable produce is pollution-free or not, and the quality control procedures adopted by the subject vegetable producer. The feature of our potted vegetable produce which is sold while fresh and living in pots printed with our brand, together with our reputation of food safety and quality control, can assure the confidence of consumers who pursue healthy lifestyle that they are paying for quality products. Further, we have a dedicated quality control team to ensure that our internal quality procedures are duly followed.

Certification and recognition

As at the Latest Practicable Date, we had obtained GB/T 19001–2016 idt ISO 9001: 2015 certificate for our quality management system (質量管理體系認證證書), GB/T 24001–2016 idt ISO 14001: 2015 certificate for our environmental management system (環境管理體系認證證書) and GB/T 45001–2020 idt ISO 45001: 2018 certificate for our occupational health and safety system (職業健康安全管理體系認證證書) issued by Qingdao Huazhong Century Certification Co., Ltd.* (青島華中世紀認證有限公司) in April 2020. We had also been accredited with Certificate of Pollution-free Agricultural Products* (無公害農產品證書) issued by Qingdao Agricultural Rural Bureau* (青島市農業農村局) in respect of the potted vegetable produce cultivated at our Laixi Facility. In particular, in order for us to obtain the Certificate of Pollution-free Agricultural Products* (無公害農產品證書), our products are required to fulfil the relevant national standard and requirements in relation to the environment of the product origin, production process and product quality pursuant to the relevant PRC laws and regulations. Please refer to the paragraph headed "Regulatory Overview — Regulations relating to Pollution-free Agricultural Products" in this prospectus for further details.

Accordingly, our Directors believe that obtaining such certificate could strengthen recognition of our brand, increase our customers' confidence in our products and attract potential customers.

Further and as confirmed by Agricultural Rural Bureau of Laixi* (萊西市農業農村局), no administrative punishment had been imposed by Agricultural Rural Bureau of Laixi to the Group for any violation of the relevant rules and regulations on quality and safety of our agricultural produce during the Track Record Period.

In recognition of our technical and quality control capabilities, we were selected by Qingdao Association of Standardisation (青島市標準化協會) in 2019 to be involved in the development of the industry standard for the industrial cultivation of potted vegetable produce in the PRC together with the Laixi Potted Vegetable Cultivation Association* (萊西市盤菜種植協會), Qingdao Fugeng Agricultural Machinery Professional Cooperative* (青島富耕農機專業合作社) and Qingdao Institute of Technology and Standards* (青島市技術標準科學研究所).

We believe the recognition of our brand and our high quality potted vegetable produce will continue to be a main factor driving our future success and we are well positioned to leverage our strength in the potted vegetable produce industry to capture future growth and to tap into new markets.

Well-established distribution network across Shandong province

We have a well-established distribution network across Shandong province consisting of distribution channels operated by distributors. We sell our potted vegetable produce primarily to distributors, which then on-sell our products to end-user customers. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, we had ten distributors for each year/period for selling of our potted vegetable produce over Shandong province and they are all experienced in selling potted vegetable produce and familiar with the market practice. Since potted vegetable produce is a fresh daily consumable, catering service providers such as hotels and restaurants would generally expect a stable supply from the producers or distributors so that the potted vegetable produce would be replenished rapidly after consumption from time to time. Hence, our distributorship model, which allow efficient delivery, is proven to be useful for our existing markets as well as for tapping into new markets in the future. Further, our distribution network allows us to benefit from our distributors' established distribution channels and resources, save cost that would otherwise be required to build up a logistic network across the area and increase the effectiveness of the penetration of our products, allowing us to distribute effectively and efficiently our products at all levels, from cities and urban centres to counties and towns. Our Directors believe that our well-established distribution network in Shandong province constitutes an important element of our strength and success given the perishable nature of our potted vegetable produce which requires speedy distribution to consumers.

Our extensive distribution network in Shandong province is supported by our sales and marketing team who has built up our effective distribution channel management system. Our sales and marketing personnel gather market intelligence from distributors so as to monitor changing market trends, consumer preferences, sales performance of our products on a regular basis, which allows us to anticipate and respond to these changes in a timely manner as well as to facilitate our marketing strategies.

We believe our well-established distribution network will continue to allow us to successfully market and deliver our products to consumers and support our future growth.

Experienced management team with a proven track record to lead our development

Our management team is composed of knowledgeable and experienced personnel with a proven track record in the potted vegetable produce industry. Our senior management team members have extensive operational and management experience in the cultivation of vegetable produce and potted vegetable produce in the PRC. Our management is led by Mr. Zhang (being our founder, chairman of our Board, chief executive officer and our executive Director) and Mr. Pang Jinhong (being our executive Director), both have about 11 years of experience in the potted vegetable produce industry. Further, Mr. Zhang has over 17 years' experience in the industry of cultivation and sales of vegetable produce. Prior to our inception to the potted vegetable produce industry, Mr. Zhang was inspired by the advancement of new cultivation methods and shortcomings of traditional in-ground cultivation method and had decided to convert our business model from traditional in-ground cultivation in open fields to cultivation of vegetable in pots and in greenhouses, which lead to a fast growth and expansion of our Group. Please refer to the section headed "Directors and Senior Management" in this prospectus for details of the biographies of our Directors and senior management.

Our dedicated management team spearheads our business operations and designs our future growth plans. Their experience in, and knowledge of, the potted vegetable produce industry in which we operate also enable us to identify new business opportunities and the change of market taste and demand. Our management team has played a key role in building a corporate culture which encourages consistent delivery of high quality potted vegetable produce. Our management team contributed significantly to our continuous growth during the Track Record Period. We believe our experienced management team is a key to our success in the past and will continue to contribute to our growth of our operations and profitability in the future.

Our potted vegetable produce cultivation method ensures high productivity as compared with traditional in-ground cultivation method

Under our potted vegetable cultivation method, we do not reuse our organic substrates, and could avoid the common problems of continuous cropping. The harmful effects of continuous cropping occur when plants are repeatedly and intensively growing on the same soil for extended periods of time, or without sufficient recovery period, which would lead to the reduction of micronutrients and minerals, distortion of soil microenvironment and the accumulation of pathogenic substances in the soil. Hence, continuous cropping will lead to the reduction of soil fertility and productivity of the land, and will increase the use of fertiliser, pesticides and insecticide.

Since we cultivate our vegetable produce in pots filled with organic substrates in greenhouses and we do not reuse our organic substrates, we could ensure that all our potted vegetable produce is growing in organic substrates with ideal nutrients which are freshly prepared by us and are less likely to be contaminated by pollutants or harmful substances. Further, since we do not reuse our organic substrates, there is no chance for distortion of soil microenvironment and the accumulation of pathogenic substances as compared to continuous cropping. Lastly, the growth of vegetable produce in individual pots provides physical segregation between each of the vegetable produce, which could prevent the spread of crop diseases or pest infestations as it lowered the risk of cross contamination.

Our cultivation method could effectively avoid the harmful effects of continuous cropping that are commonly found in agricultural produce that grown in common fields, leading to a higher productivity compared to traditional in-ground cultivation. As advised by Professor Cui Dejie (崔德杰), our Agricultural Adviser, who is a professor of Qingdao Agricultural University who possesses more than 35 years of experience in research on soil science: (i) for vegetable producers who adopt traditional in-ground cultivation method, they are subject to the problem of continuous cropping which may lead to a significant reduction of productivity in the long run; (ii) with the use of greenhouses, single-use substrates and without being affected by the negative effects of continuous cropping, potted vegetable producers using the in-pot cultivation method will achieve high productivity, in general they are able to cultivate a maximum of ten yields to 14 yields per year, subject to the conditions of greenhouses and the optimal use of cultivation time; and (iii) whereas for traditional in-ground cultivation method, due to the negative effects of continuous cropping, it is common for vegetable producers to adopt a rest period or cultivate other crops for soil recovery between each cultivation, which limits the maximum output per year; the productivity and overall output level will also be lower for those vegetable producers without effective heat insulation facility as many species do not grow in summer or winter. As a result, it is expected that with traditional in-ground cultivation method, vegetable producers can only complete two yields to six yields of cultivation per year. Our cultivation method allows us to stand out from agricultural producers who use traditional in-ground cultivation method as we could cultivate more efficiently throughout the year and yield products with better quality.

The higher requirements and upfront investment costs in cultivation of potted vegetable produce in greenhouses differentiate us from traditional players in the vegetable produce industry

The higher requirements and the demand for significant upfront investments in cultivation of potted vegetable produce in greenhouses excluded certain market players to enter into the potted vegetable produce industry. Our enhanced greenhouses are equipped with various facilities such as rolling sun shading curtains, insulating quilts, fibreglass water duct and vegetable greenhouse environment monitoring system. The development of a large scale cultivation base with these facilities require significant investments. Historically, we invested over RMB100.0 million in developing our greenhouses and our infrastructure, which we believe is an effective entry barrier. Despite the high upfront investment cost, our Directors believe that the higher productivity, stable and all-year-round cultivation and better quality of goods achieved by our cultivation method could provide long-term benefit to our Group. During the Track Record Period, we recorded a gross profit margin of 44.0%, 42.4%, 41.5% and 42.9%, and our Directors believe that the use of specially formulated organic substrates and the application of our cultivation technology will continue to differentiate our Group from the traditional players in the vegetable produce industry and support our future growth.

OUR BUSINESS STRATEGIES

We intend to achieve sustainable growth in sales and profit and further strengthen our leading position in the potted vegetable produce industry in the PRC by implementing the following strategies:

Expansion of our cultivation capacity

1. Improvement and expansion of cultivation facilities in our existing geographical markets

We intend to improve and/or expand on our cultivation capacities in our existing geographical markets including Shandong, Liaoning and Shaanxi provinces in the PRC. Our expansion and improvement plan in our existing geographical market primarily comprise of (i) establishing a new cultivation facility in Jinan, Shandong province (the "**Jinan Facility**"); (ii) expanding our existing cultivation facilities through the construction of additional greenhouses; and (iii) upgrading part of our current greenhouses in our Laixi Facility and Xi'an Facility. Upon completion of the expansion and improvement plan, our Jinan Facility will have 15 enhanced large greenhouses and our Dalian Facility will have an additional of two enhanced large greenhouses. The newly constructed greenhouses in the Jinan Facility and our Dalian Facility will increase an additional 38,667 sq.m. of the total gross floor area of greenhouses. We plan to allocate approximately RMB31.7 million of net proceeds from the Share Offer to expand and improve the cultivation capacity in our existing geographical market. We believe our expansion and improvement plan in our existing geographical market is vital to the expansion of our operations and necessary for the following reasons:

i. Historical growth and latest expansion

We have achieved a solid track record of growth in revenue and profit from the cultivation and sales of potted vegetable produce and achieved significant growth in the sales volume of our potted vegetable produce, save for FY2022 and 9M2022 when our results were temporarily and adversely affected by COVID-19 epidemic which seriously affected our Shandong province and Dalian markets during the period. In FY2020, FY2021, FY2022, 9M2022 and 9M2023, we recorded a total revenue of approximately RMB121.4 million, RMB154.9 million, RMB126.7 million, RMB88.6 million and RMB121.3 million, respectively, while our net profit in FY2020, FY2021, FY2022, 9M2022 and 9M2023 was approximately RMB43.8 million, RMB47.3 million, RMB31.8 million, RMB19.7 million and RMB41.1 million. In particular, between FY2020 and FY2021, our revenue generated from Shandong province, our largest geographical market by revenue, increased from approximately RMB105.7 million to approximately RMB141.3 million, representing an annual growth of 33.6%. In addition, our sales volume increased from approximately 8.0 million pots in FY2020 to approximately 10.3 million pots in FY2021.

The increase in our revenue and sales volume during the Track Record Period was primarily attributable to the expansion of our cultivation capacity. During the Track Record Period, our total gross floor area of greenhouses increased from 88,001 sq.m. at the beginning of FY2020 to 155,401 sq.m. as at the Latest Practicable Date. In particular, the total gross floor area of greenhouses of our Laixi Facility, our largest cultivation facility located in Shandong province, increased from 72,001 sq.m. at the beginning of FY2020 to 136,801 sq.m. as at the Latest Practicable Date. Our Directors believe that our rapid expansion and increase in sales volume during the Track Record Period is an indication of a growing market demand for our potted vegetable produce and a testament to our commitment to the development of our business.

Although our total revenue decreased by approximately RMB28.3 million from approximately RMB154.9 million in FY2021 to approximately RMB126.7 million in FY2022, such decrease in revenue was primarily due to the temporary adverse effect of the resurgence of the COVID-19 cases which seriously affected our Shandong province market in FY2022. Our directors believe that such decrease in revenue was exceptional as a result of the one-off effect of COVID-19 epidemic in Laixi which caused the suspension of our Laixi Facility for more than a month in FY2022. However, in August 2022, we recorded a revenue of approximately RMB17.2 million, which exceeded our revenue of approximately RMB16.1 million in August 2021. In addition, we recorded a revenue of approximately RMB54.2 million from September 2022 to December 2022, which is comparable to the revenue of approximately RMB54.6 million we recorded during the same period in 2021. Our total revenue increased by approximately RMB32.7 million from approximately RMB88.6 million in 9M2022 to approximately RMB121.3 million in 9M2023, such increase in revenue was primarily due to the increase in the volume of our actual cultivation output in the corresponding period as our business operation was no longer affected by COVID-19 epidemic in 9M2023.

In view of our significant growth in Shandong province, we expanded our geographical coverage by commencing sales of our potted vegetable produce in Xi'an, Shaanxi province and Dalian, Liaoning province in 2019. Our revenue generated from Dalian was approximately RMB7.0 million in FY2020, and increased to approximately RMB7.4 million in FY2021. We expect that our growth in Dalian will continue as we further cement our sales network in the respective geographical markets.

Our Directors believe that the significant growth in our revenue in Shandong province during the Track Record Period and our latest successful expansion in Xi'an and Dalian indicates an increasing demand for our potted vegetable produce in the market and a growing need to expand our cultivation capacity to capture future market demand in our existing geographical markets.

ii. Anticipated increase in market demand

Our expansion plan in our existing geographical markets is also formulated in view of an anticipated increase in demand for our potted vegetable produce in Shandong, Liaoning and Shaanxi provinces in the PRC. We have an established presence in the markets in which we operate. We are the largest producer of potted vegetable produce in Shandong province with a market share of 14.8% in terms of sales revenue in Shandong province in 2022. Based on the sales revenue of potted vegetable produce in Xi'an and Dalian in 2022, our market share in Xi'an and Dalian was approximately 9.9% and 6.1% in FY2022, respectively. Although we have already had a leading market position in Shandong province and considerable market share in Xi'an and Dalian, our market share in these markets do not exceed 20%, meaning that there is ample room for future growth to capture the remaining market share.

The sales volume of potted vegetable produce in Shandong province, our largest geographical market by revenue during the Track Record Period, is expected to increase from 48.5 million pots in 2022 to 61.6 million pots in 2027, representing a CAGR of 4.9%. Furthermore, the sales revenue of potted vegetable produce in Shandong province is expected to increase from RMB773.6 million in 2022 to RMB1,102.2 million in 2027, representing a CAGR of 7.3%. Similar growth is also expected in the potted vegetable produce market in Xi'an and Dalian. The sales revenue of potted vegetable produce in Xi'an is expected to increase from RMB53.7 million in 2022 to RMB80.7 million in 2027, representing a CAGR of 8.5%, and the sales revenue of potted vegetable produce in Dalian is expected to increase from RMB112.5 million in 2022 to RMB155.0 million in 2027, representing a CAGR of 6.6%. When formulating our expansion plan, we have also consulted with some of our major existing customers in respect of their anticipated demand for our potted vegetable produce. Up until the Latest Practicable Date, we have entered into five non-legally binding letters of intent with five of our existing customers whose revenue contribution together represented approximately 56.1%, 66.3%, 67.3% and 68.1% of our total revenue in FY2020, FY2021, FY2022 and 9M2023, respectively. Pursuant to the letters of intent, the relevant customers have expressed their intention to continue to purchase potted vegetable produce from us and anticipated an annual increase of approximately 10% in the next three years. Given the anticipated increase in sales volume from our existing customers and the anticipated increase in demand for potted vegetable produce, our Directors believe that the increase in our cultivation capacity will be well-received by the market in the future.

The anticipated increase in demand for potted vegetable produce in China is mainly attributable to the increase in demand for healthier food options as a result of increase concerns for improvements in personal health and well-being. Given that our potted vegetable produce is cultivated with ideal nutrients and in a manner which reduces likelihood of contamination and pollution, our Directors are of the view that the demand for our potted vegetable produce will likely grow in the future. In view of the above, we consider it vital to expand our cultivation capacity in our existing markets to accommodate for the increase in demand for potted vegetable produce.

iii. High utilisation of our existing cultivation facilities

During the Track Record Period, the approximate utilisation rates of our cultivation facilities are as follow:

Cultivation facility	FY2020	FY2021	FY2022	9M2023
Laixi Facility	88.6%	85.8%	74.9% *(Note 4)*	91.3%
Xi'an Facility	74.5%	71.5%	63.4% *(Note 4)*	68.8%
Dalian Facility	67.2% *(Notes 1&2)*	60.8% *(Notes 1,2&3)*	54.7% *(Notes 1,2&4)*	58.5% *(Notes 1&2)*

Notes:

(1) Among the 29 greenhouses at our Dalian Facility, 14 of them are traditional regular greenhouses which led to slightly longer cultivation time per crop in cold weather and the optimised cultivation conditions had not been met. As a result, a slightly lower utilisation rate has been recorded as compared to other cultivation facilities during the Track Record Period.

(2) Our Dalian Facility is located in Liaoning province, which is at a higher latitude as compared to that of our Laixi Facility. Due to the lower average yearly temperature, the cultivation conditions of our Dalian Facility are slightly inferior as compared to other facilities, resulting in a relatively lower utilisation rate during the Track Record Period.

(3) The lower utilisation rate of our Dalian Facility in FY2021 was primarily due to the outbreak of COVID-19 epidemic in Dalian between December 2020 and January 2021. In particular, the lockdown measures of Dalian had led to a temporary suspension of business activities of our Dalian Facility, resulting in a lower utilisation rate in FY2021. For further details, please refer to the paragraph headed "Impact of the outbreak of COVID-19 epidemic" in this section of the prospectus.

(4) The lower utilisation rate of our cultivation facilities in FY2022 was primarily due to the resurgence of COVID-19 cases which affected our business operations. In particular, the lockdown measures in Laixi and Dalian had led to the temporary suspension of business activities of our Laixi Facility and Dalian Facility between March 2022 to April 2022, and the lockdown measures in Xi'an had also affected the business activities of our Xi'an Facility in January 2022, resulting in the lower utilisation rate in FY2022. For further details, please refer to the paragraph headed "Impact of the outbreak of COVID-19 epidemic" in this section of the prospectus.

In FY2020, FY2021, FY2022 and 9M2023, the utilisation rate of our Laixi Facility, our largest cultivation facility, maintained at a high utilisation rate of 88.6%, 85.8%, 74.9% and 91.3%, respectively, despite the COVID-19 epidemic which affected our business in FY2022. The utilisation rate of our Dalian Facility reached 67.2% in FY2020 despite it only commenced operation in November 2019. The utilisation rate of our Xi'an Facility remained consistently above 70% in average in its first two years of operation during the Track Record Period. Our Directors are of the view that the near saturated utilisation rate of our Laixi Facility during the Track Record Period, despite our continuous expansion and the addition of 40 enhanced greenhouses on our Laixi Land Parcels D and Laixi Land Parcel E with an approximate total gross floor area of greenhouses of 67,134 sq.m. (as compared to the approximate total gross floor area of greenhouses of 72,000 sq.m. on our Laixi Land Parcel A, Laixi Land Parcel B and Laixi Land Parcel C immediately prior to our expansion) in the third quarter of FY2020, indicates a consistent demand for our potted vegetable produce and such high utilisation rate would result in inflexibility in scheduling our potted vegetable cultivation and lack of capacity to meet additional purchase orders from existing and potential new customers. Accordingly, our Directors are of the view that there is a need to further expand the cultivation capacity in our existing geographical market. For further details of the utilisation rate of our cultivation facilities during the Track Record Period, please refer to the paragraph headed "Cultivation of our potted vegetable produce — Utilisation of our existing cultivation facilities" in this section of the prospectus.

Our business has recovered from the impact of COVID-19 outbreak in 2023. For the 9M2023, the utilisation rate of our Laixi Facility, Xi'an Facility and Dalian Facility was approximately 91.3%, 68.8% and 58.5%, respectively, while the overall utilisation rate of our three cultivation facilities is approximately 88.1%. In view of the reasons above, we consider it vital to expand the cultivation capacity in our existing geographical markets to meet increasing customer demand for potted vegetable produce as indicated from some of our major distributors. We believe that our expansion plan in our existing geographical markets will enhance our production capacity to meet the expected demand in a timely manner and maintain our competitiveness in the future. We intend to implement the following expansion and improvement plans in our existing geographical markets:

i. Establishing our Jinan Facility

We intend to set up a new cultivation facility in Jinan, Shandong province comprised of 15 enhanced large greenhouses with a total gross floor area of greenhouses of approximately 36,000 sq.m. through a three-year period to supplement and expand our geographical coverage in the central and western part of Shandong province. During the Track Record Period, Shandong province is our largest geographical market in terms of both revenue and sales volume. Our largest cultivation facility, Laixi Facility, is strategically located at Laixi, Shandong province which allows convenient access to prominent markets in eastern and central part of Shandong province, namely Qingdao, Yantai and Weifang. Given the importance of maintaining the freshness and quality of our potted vegetable produce, it is vital for our cultivation facilities to be strategically located near our end-user customers. As such, the establishment of our Jinan Facility will not only strengthen our presence in the central part of Shandong province, namely Weifang, but also allow our Group to reach a greater number of customers in prominent markets in western Shandong province including Jinan and Liaocheng. In preparation of establishing our Jinan Facility, we have communicated with some of our existing customers and potential customers on their potential demand for potted vegetable produce in Jinan and the surrounding area. As at the Latest Practicable Date, we have entered into non-legally binding letters of intent with two existing distributors and one potential distributor for the distribution of our potted vegetable produce in Jinan and the surrounding area. Pursuant to the letters of intent, the distributors have expressed their intention to purchase an aggregate of 800,000 pots of potted vegetable produce in 2024. We intend to allocate approximately RMB17.1 million of the net proceeds from the Share Offer for the construction of the 15 enhanced large greenhouses at our Jinan Facility and we intend to fund the remaining set-up costs through our internal resources. The table below sets forth the details of our Jinan Facility:

Location	Approximate area *(sq.m.)*	Expected number of greenhouses	Approximate gross floor area per greenhouse *(sq.m.)*	Approximate total cultivation capacity
Jinan, Shandong province	36,000 sq.m.	15 enhanced large green houses	2,400	2.9 million pots per year

The estimated lead time from the construction of the premise to the actual commencement of cultivation will be approximately three months. We intend to increase the cultivation capacity of our Jinan Facility by phases and we expect to complete construction of ten enhanced large greenhouses by the second quarter of 2024 and the remaining five enhanced large greenhouses by the second quarter of 2025. Each of the additional enhanced large greenhouses in our Jinan Facility will have an approximate gross floor area of 2,400 sq.m. The following table sets forth an approximate breakdown of the cost items for the construction of an enhanced large greenhouse with a gross floor area of approximately 2,400 sq.m.:

Particulars	Estimated construction cost per greenhouse *(RMB'000)*
Foundation and land works	528
Fitting out and renovation works	5
Installation works	98
Installation of fibreglass water duct	508
Total construction cost per greenhouse	1,139

We intend to rent a parcel of land to set up our Jinan Facility. As at the Latest Practicable Date, we have not identified a parcel of land in Jinan where we will set up our Jinan Facility. The expected breakeven operating period will be around 3 months for our Jinan Facility. The breakeven operating period is the period after which the monthly revenue of the Jinan Facility is at least equal to the monthly expenses. The investment payback period is expected to be around 27 months. Investment payback period refers to the length of time to recover the initial investment cost from the accumulated net cash inflow to be generated from the Jinan Facility since the date of the initial investment cash outflow assuming there will be no material impact on our sales due to fluctuation in market demand, inflations, increase in raw material cost or labour cost.

ii. Expanding our existing cultivation facility through the construction of additional greenhouses

As part of our expansion plan in our existing geographical market, we intend to construct additional greenhouses in Dalian. We intend to construct two enhanced large greenhouses with a total gross floor area of approximately 2,667 sq.m. in our Dalian Facility. We intend to allocate approximately RMB1.5 million of the net proceeds from the Share Offer for the construction of the two additional greenhouses in our Dalian Facility and we intend to fund the remaining set-up costs through our internal resources. The table below sets forth details of our planned additional greenhouses in our Dalian Facility:

Cultivation facility	**Number of additional greenhouses**	**Approximate total gross floor area** *(sq.m.)*	**Approximate gross floor area per greenhouse** *(sq.m.)*	**Approximate total cultivation capacity**	**Estimated total construction cost** *(RMB)*	**Estimated construction cost per greenhouse** *(RMB)*
Dalian Facility	2 enhanced large greenhouses	2,667	1,333	0.2 million pots per year	1.5 million	0.8 million

Given the limited available space in our Dalian Facility, we intend to rent additional parcels of land to construct our additional greenhouses to expand our Dalian Facility. As at the Latest Practicable Date, we have not identified the parcels of land in Dalian on which our additional greenhouses will be constructed. In order to integrate our resources in close proximity, we intend to construct our new greenhouses in parcels of land that are adjacent or located close to our existing cultivation facilities. Each of the additional enhanced large greenhouses in our Dalian Facility will have an approximate gross floor area of 1,333 sq.m. The following table sets forth a breakdown of the cost items for the construction of an enhanced large greenhouse with a gross floor area of approximately 1,333 sq.m.:

Particulars	**Estimated construction cost per greenhouse** *(RMB'000)*
Foundation and land works	411
Fitting out and renovation works	4
Installation works	66
Installation of fibreglass water duct	282
Total construction cost per greenhouse	763

iii. Upgrading our current greenhouses

In addition to expanding the cultivation capacity of our existing cultivation facilities, we also intend to upgrade part of our existing greenhouses through the installation of fibreglass water duct. In order to maintain the freshness and quality of our potted vegetable produce, our potted vegetable produce must be cultivated in an appropriate and ideal microclimate environment within our enclosed greenhouses to reduce exposure to environmental and natural risks. For more information of our cultivation process and growth management, please refer to the paragraph headed "Cultivation of our potted vegetable produce — Cultivation process" in this section of the prospectus. During the Track Record Period, most of our greenhouses were constructed directly on the soil without the fibreglass water duct separating our potted vegetable produce and the ground. As such, our potted vegetable produce will still be vulnerable to the risk of pest infestation as a high level of moisture will build up on the ground when we carry out the irrigation process. Pest infestations is commonly caused by tree or shrub branches grown on soil grounds and excess moisture in the environment. During and after the irrigation process, excess water can be drained as soon as possible through the fibreglass water duct within the greenhouse to avoid build-up of moisture within the greenhouse. By minimising build-up of moisture within the greenhouse, we are able to minimise the risk of pest infestation.

We intend to install the fibreglass water duct in 35 of our existing greenhouses with a total gross floor area of approximately 54,000 sq.m. through a three-year period. The expected total capital expenditure for the installation of fibreglass water duct is approximately RMB11.4 million and we intend to utilise the net proceeds from the Share Offer to fund the upgrade plan. Set forth below are details of the upgrade plan at our Laixi Facility and Xi'an Facility:

Cultivation facility	**Number of greenhouses to install fibreglass water duct**	**Approximate total gross floor area** *(sq.m.)*	**Estimated total construction cost** *(RMB'000)*
Laixi Facility	28	47,000	9,942
Xi'an Facility	7	7,000	1,481

We intend to carry out our expansion and improvement plans in our existing geographical market through a three-year period and expect to complete the expansion plan by end of 2026. Subject to unforeseeable circumstances, the estimated timetable for the set up of our Jinan Facility and the expansion and upgrade of our existing cultivation facilities is as follows:

Timing of completion/ expected completion	**Cultivation facility**	**Event**	**Estimated increase in cultivation capacity**
Third quarter of 2024	Jinan Facility	• Construction of ten greenhouses	2.0 million pots per year
	Laixi Facility	• Upgrade of 10 greenhouses	N/A
	Xi'an Facility	• Upgrading five greenhouses	N/A
Second quarter of 2025	Jinan Facility	• Construction of five new greenhouses	1.0 million pots per year
	Laixi Facility	• Upgrading 7 greenhouses	N/A
	Xi'an Facility	• Upgrading two greenhouses	N/A
	Dalian Facility	• Construction of two new greenhouses	0.2 million pots per year
Third quarter of 2026	Laixi Facility	• Upgrading 11 greenhouses	N/A

We expect that after the completion of the expansion and improvement plan, the maximum cultivation capacity of our Jinan Facility will be 2.9 million pots per year and the cultivation capacity of our Dalian Facility will increase by 0.2 million pots per year.

Our business strategy of improvement and expansion of cultivation facilities in our existing geographical markets will result in an increase in cultivation capacity by 3.2 million pots per year when fully completed by the end of the three-year period in 2026, representing approximately 24.7% increase in capacity when compared with our total expected cultivation output under optimal cultivation conditions for FY2022, or a CAGR of approximately 7.6%. Such 7.6% CAGR is relatively modest when compared with (i) the 27.6% growth in our revenue from FY2020 to FY2021; (ii) the 19.3% CAGR of expected cultivation output under optimal cultivation conditions from the year ended 31 December 2019 to FY2021; (iii) the 7.3% CAGR of expected increase in the sales revenue of potted vegetable produce in Shandong province between 2022 and 2027; and (iv) the 6.6% CAGR of expected increase in the sales revenue of potted vegetable produce in Dalian between 2022 and 2027.

Although we have already had a leading market position in Shandong province and considerable market share in Dalian, our market share in these markets does not exceed 20%, meaning that there is ample room for future growth to capture the remaining market share. We successfully enhanced the competitiveness of our potted vegetable produce by expanding the number of species from 15 species as at 31 December 2018 to 29 species as at 30 September 2023 and significantly improved our capability to cultivate potted vegetable produce in winter. Our Directors believe the broad range of vegetable species we can offer, our ability to supply 27 potted vegetable produce species in all seasons, our established business network and reputation due to our presence in the markets give us significant competitive edge over other potted vegetable producers to capture a higher market share and also the increasing market demand in future. Thus our Directors consider that there is sufficient existing and future demand to meet the increase in cultivation capacity under this business strategy.

2. Establishing a new cultivation facility in new geographical market

As part of our expansion plan, we also intend to expand our geographical reach and business operations by establishing a new cultivation facility in Hebei province. We have identified Langfang, Hebei province as our targeted geographical market to set up our new cultivation facility. Our plans to expand our geographical reach in Langfang, Hebei is based on the following reasons:

(i) Strategic location and estimated increase in market demand for potted vegetable produce

Given the importance of the location of our cultivation facility, Langfang is strategically located near Beijing, the capital city of PRC, which provides plenty of opportunities to expand our market. Accordingly, our Directors are of the view that the prime location of Langfang will allow our Group to introduce our potted vegetable produce in the geographical markets of Beijing. In addition to its close proximity to

Beijing, Langfang itself is also one of the fastest growing economies in Hebei province and we plan to further complement our expansion in the Beijing market by developing sales channel targeting local chain restaurants in Langfang as well.

The aggregated sales revenue of potted vegetable produce in Beijing and Langfang increased from RMB58.2 million in 2017 to RMB140.0 million in 2022. The sales revenue is expected to further increase to RMB217.9 million in 2027, representing a CAGR of 9.3%. Furthermore, there are only approximately 80 to 100 potted vegetable producers in Beijing and Langfang in 2022. With around 6,500 chain restaurants in Beijing and Langfang in 2022, our Directors are of the view that the penetration rate for potted vegetable produce in the market remains relatively low and there is ample room for future growth. Furthermore, since Beijing and Langfang are close to our existing markets in Shandong province and Dalian which are all situated in Northern China, the consumers there share similar dietary habit. In view of the low penetration rate and the similarities to our existing market, we consider Beijing and Langfang are suitable markets for the expansion of our potted vegetable produce.

The anticipated increase in demand for potted vegetable produce is in part due to the rising income level of residents in the above geographical markets. The increase in income level has generally prompted a greater emphasis on personal wellness and food quality and safety. Potted vegetable produce possesses advantages in safety and freshness over vegetable produced in open fields. Given that our potted vegetable produce is cultivated with ideal nutrients and in a manner which reduces likelihood of contamination and pollution as mentioned in previous paragraphs, our Directors take the view that there will be a growing market demand for our potted vegetable produce in the above geographical markets. In view of the favourable location of Langfang and the anticipated increase in market demand for potted vegetable produce in the above geographical markets, our Directors consider our planned expansion in Langfang as a necessary step for the long-term success of our Group. We plan to implement our expansion plan by leveraging on our expertise and experience in cultivation and sales of potted vegetable produce. In preparation of establishing our cultivation facility in Langfang, we began sourcing and identifying potential local distributors in Beijing and Langfang to establish our sales network in the region. As at the Latest Practicable Date, we have entered into non-legally binding letters of intent with two potential distributors in Langfang and one potential distributor in Beijing to distribute our potted vegetable produce upon commencement of our new cultivation facility. Pursuant to the letters of intent, the said distributors have expressed their intention to purchase an aggregate of 950,000 pots of potted vegetable produce in 2024.

(ii) Historical track record of successful expansion in new geographical markets

In view of our significant growth in sales in Shandong province, we expanded our geographical coverage by commencing sales of our potted vegetable produce in Xi'an, Shaanxi province and Dalian, Liaoning province in 2019. Our revenue generated from Xi'an was approximately RMB8.7 million in FY2020, while our revenue generated from Dalian was approximately RMB7.0 million in FY2020. Our net profit generated from Xi'an was approximately RMB3.5 million in FY2020, and our net profit generated from Dalian was approximately RMB3.1 million in FY2020. We were able to achieve relative success in a short span of time as a result of our ability to rapidly establish a sales network in the respective geographical markets by engaging local distributors to distribute our products, which we believe is a testament to the quality of our potted vegetable produce. Given the success we achieved in our recent expansion in Xi'an and Dalian, our Directors are confident we will be able to replicate our success in Langfang.

Location and site selection

In formulating our expansion plan in new geographical markets, we place significant emphasis on identifying a suitable location to establish our cultivation facility as the location of the cultivation facility directly affects our ability to source new potential customers in the surrounding area. Given the importance of the location of our cultivation facilities, we will consider the following factors when determining the location of the cultivation facility:

(i) the size and population of the surrounding area and the potential customer pool;

(ii) the accessibility of the potential site for the cultivation facility; and

(iii) the rental cost of the parcel of land and construction cost for setting up our cultivation facility.

We intend to rent a parcel of land to set up our new cultivation facility. As at the Latest Practicable Date, we have not identified specific sites in Langfang on which our new cultivation facility will be built. Our Directors estimate the typical lead time from the construction of the premises to the actual opening of a cultivation facility will be approximately three months.

Cultivation capacity of our new cultivation facilities

We intend to establish our new cultivation facility in Langfang gradually over a three-year period. We expect to complete construction of eight enhanced large greenhouses by the third quarter of 2024 and the remaining two enhanced large greenhouses by the third quarter of 2025. The table below sets forth the details of our planned new cultivation facility:

Location of proposed cultivation facilities	**Approximate total gross floor area** *(sq.m.)*	**Expected time of commencement of operation**	**Expected number of greenhouses**	**Approximate gross floor area per greenhouse** *(sq.m.)*	**Expected maximum cultivation capacity**
Langfang, Hebei province	24,000	Third quarter of 2024	10 enhanced large green houses	2,400	2.0 million pots per year

We intend to allocate approximately RMB11.4 million of the net proceeds from the Share Offer for the construction of the ten enhanced large greenhouses at our Langfang Facility and we intend to fund the remaining set-up costs through our internal resources. The breakdown of costs for the construction of the enhanced large greenhouses is as follows:

Langfang Facility

Particulars	**Estimated investment cost** *(RMB'000)*
Foundation and land works	5,280
Fitting out and renovation works	49
Installation works	983
Installation of fibreglass water duct	5,077
Total construction cost	**11,389**

The expected breakeven operating period will be around 3 months for our new cultivation facility in Langfang. The breakeven operating period is the period after which the monthly revenue of the cultivation facilities is at least equal to their monthly expenses. The investment payback period is expected to be around 27 months. Investment payback refers to the length of time to recover the initial investment cost from the accumulated net cash inflow to be generated from our new cultivation facilities since the date of the initial investment cash outflow assuming there will be no material impact on our sales due to fluctuation in market demand, inflations, increase in raw material cost or labour cost.

Although our business strategy will result in an increase in cultivation capacity in Langfang by 2.0 million pots per year when fully completed, the expansion is to be made over the 3-year period, meaning that there will be additional capacity of approximately 0.67 million pots per year on average. The average annual increment in cultivation capacity of 0.67 million pots per year represents only approximately 5.3% of our total expected cultivation output under optimal cultivation conditions for FY2022. Given Beijing and Langfang have combined permanent residents of approximately 27.3 million as at 31 December 2022, more than the aggregate permanent residents of approximately 26.8 million of Qingdao, Yantai and Weifang in Shandong province as at 31 December 2022, while the sales volume of our sales to customers in these three cities in Shandong province exceeded 7.6 million pots in FY2022, our Directors consider that the expansion plan in Langfang is modest.

The aggregated sales revenue of potted vegetable produce in Beijing and Langfang is expected to further increase from RMB140.0 million in 2022 to RMB217.9 million in 2027, representing a CAGR of 9.3%. With only approximately 80 to 100 potted vegetable producers and around 6,500 chain restaurants in Beijing and Langfang in 2022, our Directors are of the view that the penetration rate for potted vegetable produce in the market remains relatively low and there is ample room for future growth. Based on the above, our Directors consider that there is sufficient existing and future demand to meet the increase in cultivation capacity under this business strategy.

3. *Setting up a dedicated organic substrates preparation facility*

Our potted vegetable produce is cultivated in pots filled with our specially formulated organic substrates. Using such organic substrates allows our potted vegetable produce to be cultivated with ideal nutrients for healthy growth and reduces the likelihood of contamination and pollution compared to vegetable produce grown in open fields. The organic substrates preparation process includes three stages: (i) the procurement and proportioning of raw materials; (ii) the fermentation of the proportioned raw materials; and (iii) the further processing and fermentation of the proportioned raw materials to turn the same into organic substrates. For further details of our organic substrates preparation process, please refer to the paragraph headed "Cultivation of our potted vegetable produce — Organic substrates preparation process" in this section of the prospectus. During the Track Record Period, we engaged suppliers to handle the first stage of the preparation process involving the procurement of raw materials and proportioning the raw materials according to our formula. Once the proportioned raw materials are delivered to us, we complete the second and third stage of the preparation process at our cultivation facilities. As such, we intend to enhance our existing cultivation capability by establishing our own organic substrates preparation facility in Laixi, Shandong province to complete all three stages of the organic substrates preparation process internally. Our Directors believe that there is an operational need to establish our own organic substrates preparation facility for the following reasons and considerations:

(i) Developing and producing new types of organic substrates which can best suit the growth of the various species of our potted vegetable produce

During the Track Record Period, we procured the proportioned raw materials required for making organic substrates from suppliers who are Independent Third Parties. Our suppliers procure the raw materials needed such as cow manure, fungi residue and peanut shells and then proportion the same according to our own formula and then deliver the proportioned raw materials to our cultivation facilities. We would then ferment repeatedly such proportioned raw materials to eliminate quality risks and then mix them with further raw materials, such as turfy soil and perlite, to process and turn such fermented and proportioned raw materials to the organic substrates required for our cultivation purpose. For further details of our entire cultivation process, please refer to the paragraph headed "Cultivation of our potted vegetable produce — Cultivation process" in this section of the prospectus.

Under the current arrangement, we are restricted to one formula of organic substrates for all of our potted vegetable produce. With the establishment of our own organic substrates preparation facility, we are able to tailor make and proportion different formulas of organic substrate to maximise the quality of different species of vegetable produce. The establishment of the new organic substrates preparation facility will give us the flexibility and ability to develop and produce a variety of organic substrates dedicated for different vegetable species which can best suit the growth of different species of our potted vegetable produce and thus improve the productivity and quality of the same. Furthermore, given the importance of the organic substrate to the cultivation of our potted vegetable produce, the establishment of our own organic substrate preparation facility will allow us to maintain the different formulas designed for different species of vegetables in-house and prevent the dissemination of our formulas to third-parties.

(ii) Improving the quality control of the major raw materials in our cultivation process

We have placed a strong emphasis on product quality and adopted a stringent quality control system in our cultivation process to ensure that we meet our customers' requirements. Since organic substrates are the major raw materials in our cultivation process, we believe we can better control the quality of our potted vegetable produce by controlling the quality of the organic substrates with our own quality control process during organic substrates preparation. Our Directors consider that the quality of our potted vegetable produce depends to a large extent on the quality of the organic substrates used in our cultivation process. By conducting the upstream production, we will be able to have a better control of the cost of our key raw materials and thus can further ensure the quality of our potted vegetable produce and minimise the risks from sourcing low-quality proportioned raw materials produced by our supplier.

(iii) Mitigating potential risk of shortage of supply from our suppliers and hence offering us more flexibility in our cultivation process

With our own organic substrates preparation facility, our Directors believe that we will be able to control the production lead time of organic substrates which is a key raw material for our cultivation process. Further, our Directors believe that having the capability to produce our own organic substrates will mitigate the potential risk of shortage of supply from suppliers and hence give us more flexibility in our cultivation process since we can adjust the quantity of organic substrates to be produced in accordance with our cultivation plan.

(iv) Lowering cultivation cost and achieving economies of scale

By setting up and operating our own organic substrates preparation facility, we will be able to lower the production cost of our potted vegetable produce and increase our gross profit margin. We estimate that the cost of proportioned raw materials for making organic substrates prepared by us (assuming similar specifications as those we purchased from our suppliers for FY2020, FY2021 and FY2022) will be approximately RMB814 per tonne, which is approximately RMB490 per tonne (or 37.6%) lower than our average purchase cost of such proportioned raw materials from our suppliers for FY2020, FY2021 and FY2022. Assuming that the cost of producing such proportioned raw materials internally would be approximately 37.6% less than the cost of purchasing from our suppliers, the cost of producing proportioned raw materials would have been lowered by approximately RMB12.1 million in average per annum if all of such proportioned raw materials were prepared internally and transported to our cultivation facilities rather than purchased from our suppliers for FY2020, FY2021 and FY2022.

As at the Latest Practicable Date, we have identified a potential target premise with a floor area of 3,500 sq.m. in Laixi to set up our organic substrates preparation facility. Set out below are details of the organic substrates preparation facility:

Location	Area	Expected number of machineries and equipment	Expected number of personnel	Estimated annual production capacity
	(sq.m.)			*(tonnes per year)*
Jinling Industrial Park, Jiangshan Town, Laixi, Shandong province	3,500	• Single production line composed of production machinery equipment including primarily automatic dosing machines, granulators and roller conveyer belts. • 10 quality control machinery	31 cultivation and quality control staff, 11 management and administration staff	50,000

We expect the total capital expenditure for setting up our organic substrates preparation facility to be approximately RMB7.4 million, out of which approximately RMB3.9 million will be used for the construction and renovation works, approximately RMB3.0 million will be used for the acquisition of machinery and equipment required for the preparation of organic substrates and approximately RMB0.4 million will be for set-up costs. We intend to utilise the net proceeds from the Share Offer to fund the set up of our organic substrates preparation facility. The breakeven operating period for our new organic substrates preparation facility is expected to be around 3 months while the investment payback period is expected to be around 10 months.

We expect the lead time from the construction of the premise to the actual opening of the organic substrates preparation facility to be approximately three months. We currently plan to begin operation of the organic substrates preparation facility by the fourth quarter of 2024. Upon completion of the organic substrates preparation facility, all of the organic substrates used for the cultivation of our potted vegetable produce will be produced and supplied internally. We intend to engage independent logistics suppliers to deliver our organic substrate to our existing and planned cultivation facilities.

4. *Strengthening our operational efficiency through upgrade of our information technology system*

We plan to strengthen our operational efficiency and organisation through the installation of an ERP system in our operations. Our planned ERP system will include the following components: (i) supply chain management; (ii) production management; (iii) sales management; (iv) financial management; (v) accounting management; (vi) inventory management; and (vii) human resources management. The application of the ERP system will allow us to achieve better control and tracking of information and records in various stages of our operation process. Furthermore, as we begin to expand our operations by setting up new cultivation facilities in different geographical markets and establishing our new dedicated organic substrates preparation facility, the ERP system will provide a centralised and digitalised platform to collect data and records in our procurement, production and sales and marketing stage. Upon the commencement of our organic substrates preparation facility, all of the organic substrates used for the cultivation of our potted vegetable will be produced and supplied internally. With the new ERP system, we will be able to maintain a real time electronic database of the inventory level of our raw materials including organic substrates at different cultivation facilities. Such information allows us to ensure timely replenishment and proper allocation of raw materials, efficient production of the organic substrates and to schedule the delivery of the organic substrates ahead of time. Furthermore, we will be able to maintain an electronic database of the utilisation level of our different cultivation facilities and provide real time information on our sales orders. Our Directors are of the view that the installation of an ERP system and our transition to a centralised and digitalised system will effectively help further improve our operational efficiency and ensure the delivery of consistent and high-quality potted vegetable produce and services to our customers. We plan to utilise approximately RMB4.4 million of the net proceeds from the Share Offer to engage a ERP system supplier for the development, installation and maintenance of our ERP system.

OUR PRODUCTS

We are principally engaged in the cultivation and sales of potted vegetable produce, which is cultivated and sold in pots. During the Track Record Period, our potted vegetable produce was leafy vegetable species which included 29 species, with vegetable species such as crown daisy, rapeseed, Frisée, Indian lettuce, pak choi, lettuce, Chinese celery and tatsoi being our principal products offered in the market during the Track Record Period. All of our potted vegetable produce has similar life cycles and time for maturation until the point of sales ranging from approximately 22 to 31 days as affected by seasonal factors and weather conditions. For details, please refer to the paragraph headed "Seasonality" in this section of the prospectus. The following table sets forth our sales by vegetable species for the years indicated:

	Year ended 31 December									Nine months ended 30 September		
	2020			2021			2022			2023		
Vegetable species	Sales volume *('000 pots)*	*RMB'000*	% of total revenue	Sales volume *('000 pots)*	*RMB'000*	% of total revenue	Sales volume *('000 pots)*	*RMB'000*	% of total revenue	Sales volume *('000 pots)*	*RMB'000*	% of total revenue
Crown daisy (茼蒿)	623	9,430	7.8	517	7,784	5.0	209	3,147	2.5	510	7,674	6.3
Rapeseed (油菜)	608	9,174	7.5	839	12,622	8.1	969	14,625	11.5	854	12,904	10.6
Frisée (苦菊)	567	8,526	7.0	658	9,849	6.4	390	5,847	4.6	76	1,135	0.9
Indian lettuce (油麥菜)	503	7,655	6.3	557	8,427	5.4	281	4,261	3.4	575	8,674	7.2
Pak choi (小白菜)	669	10,151	8.4	906	13,706	8.8	858	12,979	10.2	879	13,244	10.9
Lettuce (生菜)	486	7,356	6.0	440	6,607	4.3	493	7,406	5.8	416	6,250	5.2
Chinese celery (山芹)	339	5,097	4.2	751	11,319	7.3	567	8,554	6.8	788	11,917	9.8
Tatsoi (烏塌菜)	623	9,450	7.8	900	13,622	8.8	713	10,761	8.5	801	12,108	10.0
Purple lettuce (紫生菜)	456	6,919	5.7	418	6,314	4.1	213	3,200	2.5	119	1,790	1.5
Amaranth (莧菜)	150	2,261	1.9	22	327	0.2	94	1,406	1.1	—	—	—
Malabar spinach (木耳菜)	358	5,405	4.4	476	7,189	4.7	471	7,123	5.7	316	4,780	3.9
Water spinach (空心菜)	398	6,006	4.9	498	7,523	4.9	424	6,417	5.1	338	5,096	4.2
Tai cai (苔菜)	361	5,412	4.5	718	10,774	7.0	704	10,601	8.4	630	9,463	7.8
Spinach (菠菜)	233	3,511	2.9	250	3,746	2.4	296	4,442	3.5	200	3,010	2.5
Purple rapeseed (紫油菜)	544	8,208	6.8	759	11,431	7.4	633	9,572	7.6	503	7,586	6.3

	Year ended 31 December									Nine months ended 30 September		
	2020			2021			2022			2023		
Vegetable species	Sales volume *('000 pots)*	*RMB'000*	% of total revenue	Sales volume *('000 pots)*	*RMB'000*	% of total revenue	Sales volume *('000 pots)*	*RMB'000*	% of total revenue	Sales volume *('000 pots)*	*RMB'000*	% of total revenue
Romaine lettuce (綠羅馬生菜)	454	6,902	5.7	576	8,724	5.6	440	6,649	5.2	540	8,146	6.7
Purple Romaine lettuce (紫羅馬生菜)	408	6,173	5.1	433	6,535	4.2	52	822	0.6	35	562	0.5
Panax notoginseng (田七)	51	760	0.6	186	2,786	1.8	142	2,132	1.7	169	2,539	2.1
Sedum aizoon L (養心菜)	46	686	0.6	183	2,750	1.8	147	2,200	1.7	154	2,303	1.9
Ji mao cai (雞毛菜)	54	867	0.7	49	779	0.5	13	208	0.2	—	—	—
Maixiang lettuce (麥香生菜)	22	347	0.3	—##	2	—*	—	—	—	—	—	—
Nai Bai (奶白菜)	62	994	0.8	62	989	0.6	21	337	0.3	—	—	—
Fennel (茴香)	—	—	—	72	1,087	0.7	25	374	0.3	—	—	—
Radish (水蘿蔔)	4	68	0.1	3	54	—*	1	24	—*	2	25	—*
Choi Sum (菜芯)	3	42	—*	—	—	—	—##	4	—*	2	39	—*
Turnip (大頭菜)	—	—	—	—	—	—	80	1,202	0.9	57	850	0.7
Coriander (香菜)	—	—	—	—	—	—	137	2,061	1.6	80	1,199	1.0
Garlic sprout (蒜苗)	—	—	—	—	—	—	13	194	0.2	—	—	—
Purple Tatsoi (紫烏塌)	—	—	—	—	—	—	9	146	0.1	—	—	—
Others *(Note)*	—##	5	—*	—##	—#	—*	—##	—#	—*	—##	—#	—*
Total	8,022	121,405	100.0	10,273	154,946	100.0	8,395	126,694	100.0	8,044	121,294	100.0

* *represents percentage ratio of less than 0.1%.*

\# *represents amount less than RMB1,000.*

\## *represents amount less than 1,000 pots.*

Note: Others consist of our vegetable gift boxes which contain vegetable cultivated by us.

We aim at cultivating our potted vegetable species that fit for the market demand and the changing customer taste. Further, we expand the number of species of our potted vegetable produce by taking advantage of the enhanced heat preservation and temperature regulation function of our enhanced greenhouses. Although the sale of our principal products remained generally stable, we had minor adjustments in our product mix during the Track Record Period. In 2019, we added ten new vegetable species in our product portfolio including those vegetable species that are temperature sensitive, so that our customers would have a greater variety of choice for selection and consumption. Among these ten new vegetable species, purple rapeseed, garden lettuce, Romaine lettuce and purple Romaine lettuce are the best-selling items. Meanwhile, in FY2020, we added two new species, namely radish and choi sum to our product portfolio.

During FY2020, we suspended the cultivation of garlic chives due to its relatively high technical requirements for growth and prolonged maturation period of three to four months. Hence, we have to devote more resources and time in the cultivation of garlic chives, and therefore, the profit margin of garlic chives is lower than other vegetable species despite its higher selling price per pot. We also suspended the cultivation of garden lettuce in FY2020 as we focused on the cultivation of Romaine lettuce which is a similar specie of garden lettuce. In FY2022, we added four new species, namely turnip, coriander, garlic sprout and purple tatsoi to our product portfolio.

Benefited from the continuous investment in our cultivation facilities by constructing more enhanced greenhouses which could provide better regulation in temperature and cultivation conditions during the Track Record Period, we were able to cultivate certain relatively non-cold resistant vegetable species in winter and hence, increase our production capacity, flexibility of our cultivation schedule and species diversity particularly in winter. For further details, please refer to the paragraph headed "Cultivation of our potted vegetable produce — Cultivation facilities" in this section of the prospectus.

Below are sample product photos of our principal products:

Crown daisy

Pak choi

Rapeseed

Lettuce

Frisée

Chinese celery

Indian lettuce

Tatsoi

Our products are offered in the market under our brand "富景农业" during the Track Record Period. As our potted vegetable produce is sold to our customers in pots filled with organic substrates, our potted vegetable produce is sold while still fresh and living and has not been harvested upon sales. Our pots are primarily made of plastic, clay red in colour and printed with our brand "富景农业" with a standard size of approximately 42 cm in length, 23 cm in width and 11 cm in height, which are designed to be used for three years under general conditions. Selling our potted vegetable produce in pots, in contrast to vegetable produce that is harvested before sale, allows our potted vegetable produce to continue growing and maintain a longer period of freshness after delivery from our cultivation facilities.

As at the Latest Practicable Date, we had been accredited with Certificate of Pollution-free Agricultural Products* (無公害農產品證書) issued by Qingdao Agricultural Rural Bureau* (青島市農業農村局) in respect of the potted vegetable produce cultivated at our Laixi Facility. As confirmed by our PRC Legal Advisers, it is a prerequisite for an applicant to have a cultivation area of at least 50,000 sq.m. at the relevant cultivation facility for the application of the Certificate of Pollution-free Agricultural Products. As the cultivation area of each of our Xi'an Facility and Dalian Facility is less than 50,000 sq.m., we are unable to apply for the Certificate of Pollution-free Agricultural Products for our vegetable produce cultivated at these cultivation facilities. Despite the lack of such certificate, our Directors believe that there is no material impact on the demand and pricing of our potted vegetable produce cultivated from our Xi'an Facility and Dalian Facility as we implement standardised measures and procedures in the raw materials procurement, cultivation process, growth management and quality control of our potted vegetable produce across all cultivation facilities in different locations. This can be evidenced by the fact that in FY2022, we were selling our potted vegetable produce to our distributors in Xi'an and Dalian at the price of RMB16.0 per pot under the framework distribution agreements, which is slightly above the average unit price to our distributors in Shandong province (RMB15.0 per pot) and that we have successfully established a presence in the market in Xi'an and Dalian as reflected by the increase in the sales volume in these areas. For further details on our cultivation process and such accreditations, please refer to the paragraphs headed "Cultivation of our potted vegetable produce — Cultivation process" and "Licences, permits and certificates" respectively in this section of the prospectus.

During the Track Record Period, our products were sold to our distributors at selling prices generally ranging from RMB15.0 per pot to RMB16.0 per pot.

DISTRIBUTION AND SALES NETWORK

Our geographical coverage

During the Track Record Period, we sold our products primarily in Shandong province where we derived 87.1%, 91.2%, 90.3% and 91.6% of our revenue during FY2020, FY2021, FY2022 and 9M2023, respectively. We extended our geographical coverage by commencing sales of our potted vegetable produce in Xi'an, Shaanxi province in May 2019, and we further extended our geographical coverage by commencing sales of our potted vegetable produce in Dalian, Liaoning province in December 2019. The table below shows a breakdown of our revenue in terms of the geographical locations of our customers during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
Shandong province										
Qingdao	74,787	61.6	99,547	64.3	81,911	64.6	57,322	64.7	79,601	65.7
Yantai	24,496	20.2	32,726	21.1	26,966	21.3	18,735	21.1	27,429	22.6
Weifang	6,454	5.3	9,018	5.8	5,591	4.4	4,070	4.6	4,028	3.3
Shaanxi province										
Xi'an	8,704	7.2	6,206	4.0	5,316	4.2	3,932	4.4	4,517	3.7
Liaoning province										
Dalian	6,964	5.7	7,449	4.8	6,910	5.5	4,567	5.2	5,719	4.7
Total	121,405	100.0	154,946	100.0	126,694	100.0	88,626	100.0	121,294	100.0

Our customers

We sell our potted vegetable produce primarily through a network of distributors in the PRC, which is consistent with industry practice. Our distributors then on-sell our products to over 1,000 end-user customers in Shandong, Liaoning and Shaanxi provinces in the PRC, the majority of which are restaurants and hotels. These hotels and restaurants end-user customers sell both traditional vegetable produce and potted vegetable produce. However, majority of the potted vegetable produce sold by them was supplied by us. To a lesser-extent, we also sell our products to end-user customers through WeMall.

The following table sets forth a breakdown of our revenue by sales channels during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
Sales to distributors	121,028	99.7	154,937	100.0	126,692	100.0	88,624	100.0	121,292	100.0
Direct sales to end-user customers *(Note)*	377	0.3	9	—*	2	—*	2	—*	2	—*
Total	121,405	100.0	154,946	100.0	126,694	100.0	88,626	100.0	121,294	100.0

Note: Total revenue attributable to direct sales to end-user customers for each of FY2020, FY2021, FY2022 and 9M2023 includes revenue attributable to the online sales to end-user customers of approximately RMB8,000, RMB9,000, RMB2,000 and RMB2,000, respectively.

* *represents percentage ratio of less than 0.1%.*

For FY2020, FY2021, FY2022 and 9M2023, sales to our largest customer in each year/period accounted for approximately 15.3%, 16.3%, 16.5% and 16.7%, of our total revenue, respectively. For the same years/period, our five largest customers in each year/period combined accounted for approximately 56.1%, 66.3%, 67.3% and 68.1%, respectively, of our total revenue. Please refer to the paragraph headed "Risk Factors — Risks relating to our business — We derive a significant portion of our revenue from our five largest customers and any decrease in or termination of our sales to any one of them may have a material adverse effect on our business and financial conditions" in this prospectus for the risk on customer concentration.

During the Track Record Period, none of our five largest customers in each year/period was also our suppliers. As at the Latest Practicable Date, our five largest customers (save for Customer F which was incorporated in April 2019, Customer A which was terminated for being our distributor in July 2020 and Customer G which replaced Customer A) in each year/period during the Track Record Period had maintained business relationship with us for at least eight years. For further details about the termination of the distribution agreement with Customer A, please refer to the paragraph headed "Sales to distributors" in this section of the prospectus. During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with our customers.

The following tables set forth certain information with respect to our five largest customers in each year/period during the Track Record Period:

FY2020

Rank	Customer	Location	Principal business activity of the customer	Role in our sales	Approximate year(s) of business relationship with our Group as at the Latest Practicable Date	Typical credit terms and payment method	Approximate amount of purchase	Approximate percentage of our total revenue
							RMB'000	*(%)*
1	Customer B *(Note 1)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Nine	Four months; bank transfer	18,608	15.3
2	Customer D *(Note 2)*	Yantai, Shandong province	Wholesale of vegetable produce	Distributor	Eight	Four months; bank transfer	14,486	11.9
3	Customer F *(Note 4)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Five	Four months; bank transfer	13,631	11.2
4	Customer E *(Note 3)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Nine	Four months; bank transfer	10,889	9.0
5	Customer G *(Note 5)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Three	Four months; bank transfer	10,503	8.7

FY2021

Rank	Customer	Location	Principal business activity of the customer	Role in our sales	Approximate year(s) of business relationship with our Group as at the Latest Practicable Date	Typical credit terms and payment method	Approximate amount of purchase	Approximate percentage of our total revenue
							RMB'000	*(%)*
1	Customer G *(Note 5)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Three	Four months; bank transfer	25,288	16.3
2	Customer B *(Note 1)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Nine	Three to four months; bank transfer	25,068	16.2
3	Customer D *(Note 2)*	Yantai, Shandong province	Wholesale of vegetable produce	Distributor	Eight	Three to four months; bank transfer	19,482	12.6
4	Customer F *(Note 4)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Five	Three to four months; bank transfer	17,807	11.5
5	Customer E *(Note 3)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Nine	Three to four months; bank transfer	15,003	9.7

FY2022

Rank	Customer	Location	Principal business activity of the customer	Role in our sales	Approximate year(s) of business relationship with our Group as at the Latest Practicable Date	Typical credit terms and payment method	Approximate amount of purchase	Approximate percentage of our total revenue
							RMB'000	*(%)*
1	Customer G *(Note 5)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Three	Four months, bank transfer	20,914	16.5
2	Customer B *(Note 1)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Nine	Three months, bank transfer	20,729	16.4
3	Customer D *(Note 2)*	Yantai, Shandong province	Wholesale of vegetable produce	Distributor	Eight	Three months, bank transfer	16,164	12.8
4	Customer F *(Note 4)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Five	Three months, bank transfer	15,054	11.9
5	Customer E *(Note 3)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Nine	Three months, bank transfer	12,255	9.7

9M2023

Rank	Customer	Location	Principal business activity of the customer	Role in our sales	Approximate year(s) of business relationship with our Group as at the Latest Practicable Date	Typical credit terms and payment method	Approximate amount of purchase	Approximate percentage of our total revenue
							RMB'000	*(%)*
1	Customer G *(Note 5)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Three	Four months, bank transfer	20,234	16.7
2	Customer B *(Note 1)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Nine	Three months, bank transfer	20,077	16.5
3	Customer D *(Note 2)*	Yantai, Shandong province	Wholesale of vegetable produce	Distributor	Eight	Three months, bank transfer	16,103	13.3
4	Customer F *(Note 4)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Five	Three months, bank transfer	14,569	12.0
5	Customer E *(Note 3)*	Qingdao, Shandong province	Wholesale of vegetable produce	Distributor	Nine	Three months, bank transfer	11,661	9.6

Notes:

(1) Customer B, which had 105 to 140 end-user customers and 12 to 16 employees during the Track Record Period, initially traded with us as a sole proprietor and later traded with us as a limited liability company incorporated in the PRC. It is owned as to 99.0% by the same sole proprietor since its incorporation in November 2018.

(2) Customer D, which had 105 to 124 end-user customers and 13 to 17 employees during the Track Record Period, initially traded with us as a sole proprietor and later traded with us as a limited liability company incorporated in the PRC. It is owned as to 99.0% by the same sole proprietor since its incorporation in May 2019.

(3) Customer E, which had 76 to 110 end-user customers and 10 to 12 employees during the Track Record Period, initially traded with us as a sole proprietor and later traded with us as a limited liability company incorporated in the PRC. It is solely owned by the same sole proprietor since its incorporation in March 2019.

(4) Customer F, which had 87 to 102 end-user customers and 11 to 13 employees during the Track Record Period, traded with us as a limited liability company incorporated in the PRC.

(5) Customer G, which had 114 to 150 end-user customers and 17 to 20 employees during the Track Record Period, traded with us as a limited liability company incorporated in the PRC.

To the best knowledge of our Directors, none of our Directors or their associates, or any Shareholders, who owns more than 5% of our issued share capital, had any interest in any of our five largest customers in each year/period for the Track Record Period and up to the Latest Practicable Date.

Sales to distributors

Our major distributors consist of distributors who are principally engaged in the wholesale of vegetable produce and are primarily involved in the on-selling of our potted vegetable produce to end-user customers in their respective designated regions. The end-user customers of our distributors are mainly hotels and restaurants. Each distributor is assigned with an exclusive geographical area to avoid cannibalism and undue competition among our distributors. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, we had 12 distributors, respectively. In FY2020, FY2021, FY2022 and 9M2023, sales to our distributors (which were all based in the PRC) amounted to approximately RMB121.0 million, RMB154.9 million, RMB126.7 million and RMB121.3 million, respectively, representing approximately 99.7%, 100.0%, 100.0% and 100.0% of our revenue during the same periods, respectively. Through our distributors, our potted vegetable produce was sold to over 1,000 end-user customers in Shandong, Liaoning and Shaanxi provinces in the PRC during the Track Record Period, the majority of which are hotels and restaurants. Our distributors generally place their purchase orders every day. The delivery vehicles of our distributors would normally come to our cultivation facilities every day to pick up the potted vegetable produce. To the best knowledge of the Directors, the Group's distributors would generally deliver most of the potted vegetable produce on the delivery vehicles to their hotels and restaurants end-user customers directly from the cultivation facility within the same day or the next day. The following table sets out the major stage of our transaction and the estimated time required for a typical transaction cycle:

Major stage of the transaction:	Estimated time required:
(1) receipt of purchase orders from our distributors	the first day
(2) Our distributors come to our cultivation facility to pick up the potted vegetable produce and deliver the potted vegetable produce to their hotels and restaurants end-user customers	The second/third days after order placing by our distributors
(3) receipt of funds by us from the distributors	2-4 months from the date of order by our distributors (subject to the credit period we granted to the respective distributors)

Throughout the Track Record Period, we engaged 12 distributors, who then on-sell our products to over 1,000 end-user customers. To the best knowledge of our Directors, before the Track Record Period, 7 of our distributors were engaged in the business of distributing traditional agricultural products, 3 of our distributors worked in the catering industry and 3 of our distributors were ex-employees of our Company who are familiar with the potted vegetable produce market. Our distributors build connections with the end-user customers through pre-existing customer relationships, past work experience and visits to end-user customers as a distributor of our potted vegetable produce. All of our distributors have a long standing relationship of three years or more with over 50% of their respective end-user customers. Although some of our distributors were engaged in other business before, all of our distributors currently solely sell our potted vegetable produce. The transitions of our distributors' business scope, to the best knowledge of our Directors, were mainly attributable to the higher profit margin and stable supply of our products and the exclusivity nature of distributing our potted vegetable produce in designated geographical locations.

Reasons for adopting distributorship model

Our potted vegetable produce is a consumable product that is for the daily consumption by the general public and it is quite common that the potted vegetable produce needs to be delivered to customers, such as hotels and restaurants, located in numerous different premises for the consumption by the consumers. As a result, it is an industry practice for vegetable and potted vegetable producers to sell their products through distributors in the PRC.

On the one hand, our end-user customers usually need to prepare a variety of different food ingredients to satisfy the public's needs, but on the other hand, our end-user customers are only able to keep limited stock on food ingredients in order to preserve the freshness. It is typical for them to order from a wide range of suppliers in small quantity per order and require frequent replenishment.

Furthermore, the mass market of the catering industry is notably diverse and scattered, ranging from different style of cuisines and scale of catering service operation. It is also a constantly changing market, where the consumers' taste and preference change rapidly and the demand from each individual hotel and restaurant tightly follows consumers' preference. To liaise with and accommodate the needs of each individual hotel and restaurant will involve substantial cost and efforts.

In addition, since the cultivation facilities of agricultural producers are usually located in suburban area, save for a handful of customers which are located closely proximate to the cultivation facility, it is extremely rare that the operators of hotels and restaurants in the city would attend to the cultivation facility to pick up the products they ordered as it is not cost-effective to do so given the small quantity per order and the frequency of delivery required to maintain freshness of the agricultural produce. As a result, distributorship model is widely adopted in the agricultural industry as it effectively and cost-efficiently connects the agricultural producers and the end-user customers.

Our Directors believe that the adoption of distributorship model in supplying the potted vegetable produce to the market is beneficial to the long term development of our Group after taking into consideration the following factors:

(i) **Frequency of delivery:** our potted vegetable produce needs to reach the end-user customers as soon as possible once reaching maturity and our end-user customers usually request replenishment on a day-to-day basis. Given the need for frequent delivery of small quantity of potted vegetable produce to each individual end-user customer, it would not be cost effective for our Group to establish our own delivery fleet. It is estimated that we will incur an additional transportation cost of RMB2.0 per pot and an initial investment of approximately RMB10.1 million (comprising cost of investment in vehicles of approximately RMB8.6 million and working capital of approximately RMB1.5 million which is equivalent to additional operating expense for one month), based on our business scale in FY2020;

(ii) **Business focus on cultivation and quality of our produces:** as the core competitive strength of our Company is our experience in the cultivation and the quality of our potted vegetable produce, it is considered that such factors should remain as our core focus in the future. During the Track Record Period, we had more than 1,000 active end-user customers from five cities and their subordinate towns. It would be unduly burdensome in reaching out to such vast number of end-user customers. If we conduct direct sales to them, we would have to establish more local offices and recruit more local (i) sales and marketing and (ii) logistic and delivery staff in order to penetrate into and develop our business in these cities and towns;

(iii) **Clientele coverage:** our end-user customers consist of restaurants and hotels which spread over a wide area in different cities that cover an area of over 2,200 sq.km, whilst our sales and marketing team is a small team consisting of four staff members, which is insufficient for establishing a sizeable distribution and sales network. The distributorship model allows our Company to leverage on the client network, local market insights and sales and marketing experience of the distributors and penetrate the products into different geographical regions more quickly and effectively; and

(iv) **Special transportation requirement:** due to the special feature of our products, the use of distributorship model would facilitate the collection of used pots by our distributors from their customers and to reuse the pots in our next round of cultivation. Under the current arrangement, our distributors could coordinate the collection of used pots from their end user customers and return the used pots to us.

By taking advantage of our distributor network which includes their local market knowledge, resources, established distribution and sales channels and concrete commitment to the promotion and expansion of the end-user customer base, we are able to avoid the significant capital investment that would otherwise be required to establish a sizeable distribution and sales network. We believe that our distribution model not only allows us to reach more geographical regions in the PRC and penetrate our products into the market more quickly and effectively, but also minimises operational risk to our Group and allows us to focus on our core competitive strengths in cultivation, despite the extra variable cost of approximately RMB1.3 per pot (derived from the spread that our distributor could earn (i.e. approximately RMB3.3 per pot) in FY2020 minus the additional transportation cost of approximately RMB2.0 per pot), which we would have incurred if we delivered our potted vegetable produce directly to our end-user customers.

Apart from our distribution model, we sell a small percentage of our products through WeMall, a channel which presents online promotion and enhanced brand visibility opportunities for our Group. As the main current purpose of our sales through WeMall is for marketing and branding, it does not contradict with our adoption of the distributorship model. For further details, please refer to the paragraph headed "Sales to end-user customers" in this section of the prospectus.

Criteria for selecting distributors

In view of the advantages of distributorship as discussed above, we engaged local distributors since 2015. Given the nature of the potted vegetable produce that requires frequent delivery of small quantity of potted vegetable produce we expect each distributor to devote focused effort on establishing customer base with a large number of end-user customers in a relatively small region (e.g. one city or even one region within a major city). Thus, our management believes it is in our interests to engage several regional distributors, being sole proprietors in some cases, each of them having local knowledge and networks in their confined regions, rather than to engage a sizable distributor with a provincial coverage. For such reasons, historically we engaged some distributors which were sole proprietors before the Track Record Period. This strategy is proven to be successful, as our Group has recorded a sustainable growth in revenue and profit during the Track Record Period. In year 2019, for the purpose of enhancing corporate governance and better management of our distributors, we encouraged our major distributors to become incorporated entities and required any new distributor to be a limited liability company. Thus, our then major distributors (except for one of these major distributors which was already a limited liability company in 2019) converted from sole proprietors to limited liability companies. As confirmed by the Directors, none of our distributors was a sole proprietor as at the Latest Practicable Date. In China, it is an entrenched tradition that agricultural related activities are conducted by villagers in the capacity of sole proprietor or in the form of small family business. Among the wholesalers of agricultural produce, more than 80% of them are trading as a sole proprietor or registered individual businesses in 2022 in Shandong province. Hence, due to the prevalence of sole proprietorship in the agricultural industry, it is common and practically inevitable, for agricultural producers to engage various sole proprietors for the distribution of their products in the regional market.

We have established an internal system to assess whether a candidate is eligible and suitable to be engaged as a distributor. The key criteria we apply in assessing whether a candidate shall be engaged as our distributor (regardless of whether they are owned or operated by the Independent Third Parties or our ex-employees) are (i) local industry knowledge; (ii) distribution network coverage; (iii) potential client base; (iv) the resources to be devoted in developing the customer base; (v) creditworthiness; (vi) their business track record in catering, sales of agricultural products or related business; and (vii) their plan on how they will establish a customer base for our potted vegetable produce. In the course of our assessment, our senior management enquires with the candidate and requests it to provide all material background information such as its relevant experience in the vegetable industry and clientele for our verification and consideration. We will also further evaluate their distribution capability by reviewing the scale of their distribution workforce and their distribution efficiency. We will only enter into distribution agreement if the candidate can substantially satisfy our requirements under our internal assessment.

We have established an appropriate, adequate and effective internal control measures on engaging distributors, as we (i) have conducted suitable pre-engagement procedures before entering into distributor agreement with our distributors, including conducting interviews with the potential distributors, performing site visits and reviewing the background of the potential distributors; (ii) have internal controls on managing credit terms granted to the distributors, including performing background check, preparing credit assessment form before accepting a distributor, and re-assessing the credit terms for those with long outstanding trade receivable; and (iii) have review the performance of the existing distributors on a regular basis.

We adopt a flexible approach in relation to the expansion of our distributorship network. Factors that we may consider including (i) the geographical location of the potential market, (ii) the expected cultivation output required for the expansion and the remaining cultivation capacity of our existing cultivation facilities, (iii) our financial conditions if capital investment is needed for construction of new greenhouses, (iv) the estimation of demand in the new market by the distributor(s) and us; and (v) the general economy and market conditions. To balance the risk and uncertainty in new geographical market expansion, unless there is clear market demand in the region, as a usual practice, we prefer not to engage too many new distributors at the same time so as to control and mitigate the risk of over expansion.

Change of distributors during the Track Record Period

The following table sets forth the changes in the number of our distributors for the periods indicated:

	Year ended 31 December			Nine months ended 30 September
	2020	2021	2022	2023
Number of distributors at the beginning of the year/period	12	12	12	12
Number of distributors added during the year/period	1	0	0	0
Number of existing distributors terminated during the year/period	(1)	0	0	0
Net increase in the number of distributors during the year/period	0	0	0	0
Number of distributors at the end of the year/period	12	12	12	12

In 2019, we engaged two new distributors in Yantai, one new distributor in Weifang, one new distributor in Xi'an and one new distributor in Dalian. We had one new distributor to replace an old distributor for selling of our potted vegetable produce for FY2020 and nil new distributor for the remaining of the Track Record Period.

Termination of distribution agreement with Customer A in FY2020

In July 2020, we terminated our distribution agreement with Customer A, which is one of our customers during the Track Record Period, under mutual agreement. The termination of distribution agreement with Customer A was due to the violation of the terms of our distribution agreement by Customer A who sold our potted vegetable produce beyond the designed geographical location as stipulated in the distribution agreement. For details about how we identified the breach of the distribution agreement by Customer A, please refer to the paragraph headed "Management of our distributors" in this section of the prospectus.

Due to the incident, we issued a letter to Customer A to notify it our intention to terminate the distribution agreement. However, since we have over nine years of business relationship with Customer A and would like to minimise and mitigate the cost and impact of such termination, instead of unilaterally terminate the agreement with Customer A, we mutually agreed with Customer A that the termination shall be subject to the condition that Customer A agrees to pass to our Group certain market information and its customers list.

While we were advised by our PRC Legal Advisers that we are entitled to file a claim in the relevant court for compensation for the breach of contract, it is uncertain as to the time, the final amount of compensation and the legal cost that could be recovered in legal proceedings. Moreover, unilaterally terminating the agreement with Customer A would bring significant disruption to the business of our Group as neither our Group nor the successor of Customer A was in possession of the full list and all the contact details of the end-user customers of Customer A, and it would take a considerable amount of time to re-establish the clientele at the relevant region. The management of our Group had thoroughly considered the situation and decided that mutual termination is most favourable to our Group as it could alleviate, to the greatest extent, the impact on our business operation and our end-user customers, and could promote a smooth transition for the change of distributors, which was the prime objective in this matter. To the best knowledge of our Directors, such mutual termination arrangement also brings benefits to our Group and Customer A in avoiding significant time and costs to be incurred by both parties in legal proceedings.

In occurrence of such incident, we were exploring a new distributor to replace Customer A and we identified Customer G which subsequently passed our internal evaluation with our assessment criteria as set out in the paragraph headed "Distribution and sales network — Sales to distributors — Criteria for selecting distributors" in this section of the prospectus regardless of whether Customer G will obtain Customer A's assistance or take up the end-user customers of Customer A. Eventually in July 2020, Customer A, Customer G and our Group signed a tripartite agreement in which, Customer A undertook to properly handover and voluntarily assist Customer G in communication with the end-user customers for the change of distributors. In August 2020, our Group signed a distribution agreement with Customer G to take up the designated geographical region for distribution we originally assigned to Customer A. In addition, our sales and marketing personnel had closely followed up and coordinated with Customer G to ensure it ran smoothly at the initial stage of business operation. Both Customer A and Customer G are Independent Third Parties and are independent from each other. Save as disclosed, there was no other side agreement, arrangement or understanding among the Group, Customer A and Customer G, and there was no other relationship between Customer A or its owner with the Group or with Customer G.

From 1 August 2020 to 31 December 2020, the total revenue from Customer G amounted to RMB10.5 million, accounting for approximately 8.7% of our total revenue in FY2020. Since Customer G has taken up the role as one of our distributors in August 2020 and up to December 2021, Customer G sourced 83 new end-user customers which contributed additional revenue of approximately RMB11.0 million to our Group. Between August 2020 and December 2021, our Group generated revenue of approximately RMB35.8 million from Customer G, representing monthly revenue of approximately RMB2.1 million, which is higher than the monthly revenue of approximately RMB1.2 million as generated from Customer A for the FY2020. Thus it is demonstrated that Customer G is capable of sourcing new customers and promoting our potted vegetable produce in the market, and our Directors believe that Customer G has satisfactorily taken over the relevant geographical region of distribution and the termination of distribution agreement with Customer A has no significant impact on the business operation and financial performance of our Group. To the best knowledge of the Directors, Customer A had ceased its business operation for the sale of potted vegetable produce immediately after the said termination of the distribution agreement and it was subsequently deregistered on 8 September 2021.

All of the distributors who ceased to be our distributors, including Customer A, had settled their trade receivables with the Group during the Track Record Period.

Our cooperations with our three ex-employee distributors

During the Track Record Period and up to the Latest Practicable Date, we had three distributors (i.e. Customer E and two other distributors in Shandong province) which were wholly-owned by our ex-employees. We first started our business in cultivation, marketing and sale of potted vegetable produce in 2012. In light of a growing demand of pollution-free potted vegetable produce in the local market which brought about positive business prospects, we decided to expand our business in 2014 by hiring more employees. During the expansion stage in 2014, we had hired a total of 15 employees in 2014. The said three ex-employees were employed by our Group as our sales and marketing representatives in April 2014. In 2015, to cope with our continuous expansion, we decided to adopt the distributorship model to reach more end-user customers and penetrate deeper into existing markets. Seeing that the ex-employees were equipped with in-depth knowledge of our products and were willing to help expand our market presence in the Qingdao area, we were desirous to engage them as our distributors. Thus, we initiated discussion with the said three ex-employees to explore the opportunity for cooperation under the distributorship model. As the said three ex-employees also showed great interest in setting up their own distribution businesses, they left our Group in 2015. We then reached distribution agreements with the said three ex-employees in 2015. Since then they set up their own business for selling vegetable produce and becoming our distributors. Our Directors confirm that our sales to such distributors had been on normal commercial terms which were consistent with the terms offered to other distributors. Our Directors also confirm that none of those ex-employees had ever acted as distributors while still being our employees at the same time. Our Directors believe that engaging these ex-employees, who are familiar with our market practice and possess adequate product knowledge, as our distributors would be beneficial to the business development of our Group. In identifying and assessing whether a candidate shall be engaged as our distributor, we apply the same set of criteria to all candidates regardless of whether they are owned or operated by the Independent Third Parties or our ex-employees.

During the Track Record Period, the total revenue from our said three ex-employee distributors amounted to approximately RMB23.3 million, RMB31.4 million, RMB25.2 million and RMB24.7 million, respectively, accounting for approximately 19.2%, 20.3%, 19.9% and 20.4% of our total revenue, respectively.

To the best knowledge of our Directors, save for the disclosure above, during the Track Record Period and up to the Latest Practicable Date, all of our five largest distributors in each year/period during the Track Record Period were Independent Third Parties, and none of our five largest distributors in each year/period during the Track Record Period was owned by our current or ex-employees.

Designated geographical region

We impose geographical restriction to our distributors by assigning designated areas for distribution in the distribution agreements. We believe there is no potential cannibalisation or undue competition among our distributors because (i) our distributors are prohibited from selling our products in areas beyond the designated geographical areas and we are entitled to unilaterally terminate the distribution agreements with our distributors if they are in breach of such restriction pursuant to the framework distribution agreements; (ii) the designated geographical areas of each distributor do not overlap; (iii) we arrange our sales and marketing personnel to conduct regular on-site inspections on our distributors and keep track of any potential cannibalisation or competition among them; and (iv) we maintain a relatively low number of distributors of 12 as at the Latest Practicable Date considering the extensiveness and size of the potted vegetable produce markets in Qingdao, Yantai, Weifang, Xi'an and Dalian.

Minimum purchase requirement, sales targets and rebates

We set monthly minimum purchase requirements in the framework distribution agreements to our distributors to ensure a minimum amount of purchase of potted vegetable produce from our distributors and we are entitled to unilaterally terminate the distribution agreement with our distributors if they fail to meet the minimum purchase requirements for three consecutive months. Terms of such minimum purchase requirements are negotiated and determined with reference to various criteria, including the past performance of the distributor, the market conditions and our own estimated annual cultivation volume. We do not provide sales targets nor rebates to our distributors in the distribution agreements. During the Track Record Period and as at the Latest Practicable Date, none of our distributors has failed to meet the minimum purchase requirements.

We recognise our revenue from sales at the point of time when control over our products has transferred, being after our distributors' acknowledgment of acceptance of our products. Following the acknowledgement of acceptance of our products, our distributors have full discretion over the manner of distribution within the designated geographical region and price to sell our products, and bears the risks of obsolescence and loss in relation to our products. Our distributors will not be entitled to any recourse, such as obtaining refund or asking for return of products from our Group if they fail to on-sell our products to their customers.

Management of our distributors

We have entered into framework distribution agreements with our distributors to govern our transactions with them and to manage our distributors efficiently in a consistent and systematic manner. Further, we arrange our sales and marketing personnel to conduct surprise spot check from time to time on our distributors and the end-user customers and conduct regular assessments with our distributors to collect, among others, information about inventory levels of our distributors and their distribution network, check whether our distributors distribute our potted vegetable produce within the designated geographical area, monitor the number of distributors in any given area and keep track of any potential competition among our distributors. Through these spot checks and assessments, we seek to ensure that the terms and conditions of the distribution agreements are being complied with throughout our distribution and sales network. In addition, we also arrange our staff to handle complaints and whistleblowers.

We will terminate the distribution agreement if there is any material breach of the agreement by our distributors such as the provisions relating to geographical restrictions and minimum purchase requirements. For instance, in FY2020, we received a complaint that Customer A sold our potted vegetable produce beyond the designated geographical location. In view of such, we arranged our sales and marketing personnel to conduct secret inspections to gather evidence of the said alleged breach of Customer A. As our sales and marketing personnel in the subsequent inspections discovered that Customer A continued to breach the geographical restrictions as to distribution despite our warnings, we terminated our distribution agreement with Customer A in July 2020. Hence, we believe that our current arrangement in respect of our distributors has allowed us to have better credit control and distribution management.

Consistent with market practice, our distributors do not keep material amount of inventories as the distributors will on-sell our products to end-user customers within a short period of time after they receive our products due to the perishable nature of our potted vegetable produce. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material accumulation of stock by our distributors. As confirmed by our five largest customers in each year/period during the Track Record Period, the amount of unsold potted vegetable produce held by each of our five largest customers as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 were not more than 17 pots.

We regularly evaluate the performance of our distributors based primarily on the following factors:

- purchase amount under the distribution agreement;
- payment history; and
- maintenance of their creditworthiness

We normally renew the relevant distribution agreements every one year to two years with the distributors who pass our performance evaluation.

Framework distribution agreements

We enter into legally-binding framework distribution agreements with our distributors, who maintain buyer and seller relationships with us. All distributors purchase our products by making requests to us specifying the type and quantity of products they want from time to time. We are not obligated to accept any return of products that have not been sold by our distributors, and our distributors would bear any loss for unsold products. During the Track Record Period, we did not accept any return of unsold products from our distributors.

The following table sets forth a summary of the principal terms of our framework distribution agreements with our distributors:

Term of agreement	One year to two years
Geographical restriction for distribution	The distributors are only allowed to sell our products within the designated geographical areas stipulated in the agreement
Pricing	Fixed prices stipulated in the agreement
Minimum purchase amount	The distributors promised to order from us for each month not less than a specific amount of our products as stipulated in the agreement
Delivery cost	Distributors bear the cost
Payment method	By bank transfer
Credit terms	60 days to 120 days
Passing of risk	Risk of the goods passes to the distributors upon their acknowledgment of acceptance of the goods
Early termination right	We are entitled to unilaterally terminate the agreement if the distributors (i) fail to meet the minimum purchase requirements for three consecutive months; or (ii) on-sell our products outside the designated geographical area. The agreement is also terminable by either party by giving one month prior notice to the other party and the parties shall liaise and agree with each other for any early termination arrangement
Renewal	No automatic renewal; the parties would have to enter into a separate agreement to continue business relationship upon expiry of the agreement

Our framework distribution agreements do not impose any restriction on our distributors on how they fix the selling price of our potted vegetable produce. To the best knowledge of our Directors, our distributors were generally selling our potted vegetable produce to their customers at an average price of RMB18.4 per pot in FY2020 and RMB18.5 per pot in FY2021, FY2022 and 9M2023, with a price range of approximately RMB17 per pot to RMB22 per pot during the Track Record Period.

Our framework distribution agreements do not impose any restriction on our distributors from selling vegetables which are supplied to them by other vegetable producers (including potted vegetable produce and/or vegetable produce cultivated by other cultivation methods). As the end-user customers of our potted vegetable produce are mainly restaurants and hotels which purchase a wide variety of vegetable produce on a daily basis, we believe that there is an on-going demand for vegetable produce of different kinds, and thus it would not cause material impact to our business if our distributors sell other vegetable species. Moreover, our potted vegetable produce and other vegetable produce cultivated using traditional in-ground cultivation methods are highly differentiable as our potted vegetable produce is sold while still fresh and living, often displayed in restaurants to arouse consumers' interest. Further, we believe that our ability to supply 27 potted vegetable produce species all-year-round gives us significant competitive edge over other potted vegetable producers. Although there is no such restriction on our distributors from selling vegetable produce supplied by other vegetable producers, to the best knowledge of our Directors, our distributors did not sell any potted vegetable produce from other vegetable producers during the Track Record Period and up to the Latest Practicable Date.

As confirmed by the Directors, all of our distributors only sold the Group's potted vegetable produce but not other agricultural produce during the Track Record Period. To the best knowledge of the Directors, due to (i) the leading position of the Group in the potted vegetable produce market in Shandong province; (ii) the different sale and delivery requirement of potted vegetable produce; (iii) the limited resources of the distributors who would like to focus on a subsector (i.e. the potted vegetable industry) which is more profitable and less competitive as compared to traditional vegetable market; and (iv) the lack of synergetic effects of selling ordinary vegetable or other food at the same time, it is commercially reasonable for all of our distributors to rely on the Group as their sole supplier during the Track Record Period. To the best knowledge of the Directors, save as disclosed in this prospectus, there were or are no other past or present relationship or dealings (including family, business, employment, trust, fund flow, financing or otherwise) between our Group and each of our distributors, their respective shareholders, directors or senior management or any of their respective associates. Our Directors also confirmed that, they had not, and none of their family members and/or any of their investee entities had, directly or indirectly, provided any financing or guarantees/security in respect of any financing arrangement (whether past or present), for the funding of the establishment or operation of the Group's distributors.

Financial impact of adopting distributorship model

In FY2020, FY2021, FY2022 and 9M2023, the spread between the wholesale price (i.e. the average price at which our Group sells to our distributors) and the retail price (i.e. the average price at which our distributors sell to hotel and restaurants) were approximately RMB3.3 per pot, RMB3.4 per pot, RMB3.4 per pot and RMB3.4 per pot on average, respectively. The market price spread generally ranges between RMB2.0 per pot to RMB5.0 per pot. Based on this, our Directors are of the view that the said price spread was in line with the market range. Should the Company decide to deliver our potted vegetable produce to end-user customers by its own fleet and employees, it is estimated that our Group will incur an additional transportation cost of RMB2.0 per pot, and need to make an initial investment cost of approximately RMB10.1 million (comprising cost of investment in vehicles of approximately RMB8.6 million and working capital of approximately RMB1.5 million which is equivalent to additional operating expense for one month), based on the scale of operation in FY2020. Considering the transportation cost of RMB2.0 per pot and the investment cost of approximately RMB10.1 million, our Group is of the view that the profit margin of our distributors is slim and reasonable, as they have to make substantial investment, maintain a large number of distribution workforce and to bear the various business risks. Having considered (i) the various reasons for adopting distributorship model as explained in the paragraph headed "Distribution and Sales Network — Sales to distributors — Reasons for adopting distributorship model" in this section above; (ii) the saving of cost and investment in adopting distributorship model; and (iii) the lower business risks which are born by our distributors, our Directors are of the view that adopting distributorship model is in the interests of our Company and our Shareholders as a whole.

Customer concentration

For FY2020, FY2021, FY2022 and 9M2023, our revenue attributable to our five largest customers in each year/period amounted to approximately 56.1%, 66.3%, 67.3% and 68.1%, while our revenue attributable to our largest customer in each year/period for the corresponding period amounted to approximately 15.3%, 16.3%, 16.5% and 16.7%, respectively. To diversified our customer base in Yantai, we expanded our geographical coverage to other regions, such as Weifang, Dalian and Xi'an since 2019 by appointing new distributors in these regions.

In respect of our top five largest customers, the concentration of credit risk associated with them was 58.8%, 63.1%, 69.1% and 69.2% of the total gross trade receivables and among which, only 14.0%, 18.1%, 18.6% and 21.9% was due from the Group's largest customer as at 31 December 2020, 2021, 2022 and 30 September 2023, respectively. As of the Latest Practicable Date, the five customers with the largest trade receivables balance aging over 90 days as of 30 September 2023 had fully settled their respective outstanding trade receivables as of 30 September 2023. Based on the above and the fact that we have internal controls policies in place to manage our customers, we consider the risk of default to be limited. Our management considers that there was no significant concentration of credit risk with any single customer as of 30 September 2023. There has been no material change in credit risk since 30 September 2023 and the amount of trade receivables that have been settled as of 30 September 2023 was in line with our management's expectations, having taken into consideration of the enterprise customers' ongoing business activities, market conditions, as well as their financial strength and shareholder background. Based on the actual repayment pattern exhibited by our customers during the Track Record Period and up to the Latest Practicable Date, the recoverability of the trade receivables was in line with the management's expectation and we did not have material collection issues with any of our customers, thus there was no material deviation that indicates an adjustment in expected credit loss rate for trade receivables.

Reasons for our customer concentration

Our Directors consider that our customer concentration during the Track Record Period is contributed by a combination of the following key factors:

(1) Our Group is able to maintain a stable and mutual beneficial relationship with our major distributors

Save for Customer F which was incorporated in April 2019 and Customer G which replaced Customer A, which was terminated for being our distributor in July 2020, our Group maintained over eight years business relationship with our five largest customers in each year/period during the Track Record Period as at the Latest Practicable Date. Our Directors believe that the long term business relationship and stable demand from our five largest customers demonstrate that our five largest customers and their respective end-user customers are satisfied with our products and therefore continued to place orders to us. Despite our reliance on the distribution network of our five largest customers, our five largest customers are also mutually dependent on our Group for the supply of potted vegetable produce. To the best knowledge of our Directors, our Group is the sole supplier of potted vegetable produce and the major supplier of vegetable produce of our five largest customers in each year/period during the Track Record Period. Further, since our potted vegetable produce is perishable in nature and needs to be delivered to a large number of different premises for the consumption by the consumers, it is necessary for our five largest customers to maintain a high business turnover in order to attain a reasonable profit margin. Hence, our stable and large quantity of supply would enable our five largest customers to achieve economies of scale. Our Directors believe that our five largest customers treat our Group as their valued business partner, and that we have established a long-term strategic relationship with them and such relationship will have mutual benefits. As such, our Directors believe that it would be commercially sensible for our five largest customers to continue to place orders for our products and the likelihood of termination of our relationship with our five largest customers is low.

(2) Our Group strategically focused on Shandong province market, which has growing demands on potted vegetable produce

We have been focusing on Shandong province potted vegetable market since our commencement of cultivation of our potted vegetable produce in 2012. Our largest cultivation facility is strategically located at Laixi, which allows convenient access to prominent markets at major cities in Shandong province. The sales volume of potted vegetable produce in Shandong province increased from 23.7 million pots in 2017 to 48.5 million pots in 2022, representing a CAGR of approximately 15.4%. Further, the sales volume of potted vegetable produce in Shandong province is expected to reach 61.6 million pots in 2027, representing a CAGR of approximately 4.9% from 2022 to 2027. During the Track Record Period, all our five largest customers in each year/period were our distributors for the Shandong province market. Our Directors believe that we had built up a business network and reputation in Shandong province market which fostered our foundation to maintain our market share and capture future growth.

Sustainability of our business model

Our Directors believe that our business model is sustainable and we are not reliant on any single distributor despite such customer concentration due to the following reasons:

(1) Shandong province is still a fast-growing market

The sales volume of potted vegetable produce in Shandong province is expected to reach 61.6 million pots in 2027, representing a CAGR of approximately 4.9% from 2022 to 2027, and the sales of potted vegetable produce in Shandong province is likely to maintain a growing trend with a CAGR of approximately 7.3%, reaching

RMB1,102.2 million in 2027. Our Directors believe that we would be able to leverage on our abundant experience and the business network in Shandong province market to strive for maintaining the market share there.

(2) We have been expanding our geographical coverage to other regions in the PRC

We are expanding our geographical coverage to other regions in the PRC. In 2019, we engaged two new distributors in Yantai, one new distributor in Weifang, one new distributor in Xi'an and one new distributor in Dalian.

Before Track Record Period, we have extended our geographical coverage by commencing sales of our potted vegetable produce in Xi'an, Shaanxi province and Dalian, Liaoning province in 2019. As a result, the proportion of our revenue contribution from our five largest customers had declined from the year ended 31 December 2019 to FY2020. The aggregated revenue contribution from our five largest customers accounted for 70.1% of our total revenue in the year ended 31 December 2019, which was reduced to 56.1%, 66.3%, 67.3% and 68.1% of our total revenue in FY2020, FY2021, FY2022 and 9M2023.

Going forward, we will continue endeavour to broaden our customer base and geographical coverage by establishing a new cultivation facility in Langfang, Hebei province. For details, please refer to the paragraph headed "Business — Our business strategies — Expansion of our cultivation capacity — 2. Establishing a new cultivation facility in new geographical market".

(3) We are able to replace our distributors if they are in violation of the terms of the distribution agreement

We generally maintained good relationships with our five largest customers in each year/period during the Track Record Period. As confirmed by our Directors, we did not receive any material complaints from our five largest customers in each year/period during the Track Record Period and as at the Latest Practicable Date. Further, we aim to develop long term business relationship with our distributors or potential distributors in both existing and new markets. In order to properly manage our distributors, we perform regular inspections on our distributors to ensure that they comply with the terms of our distribution agreement. During FY2020, we terminated the distribution agreement with Customer A, one of our customers during the Track Record Period, who violated the terms of the distribution agreement by selling our potted vegetable produce beyond the designated geographical location as stipulated in the distribution agreement. Since we have signed a distribution agreement with a new distributor to take up the designated geographical region for distribution originally assigned to Customer A immediately upon the termination with Customer A, the termination of distribution agreement with Customer A has no significant impact on the business operation and financial performance of our Group. For further details, please refer to the paragraph "Sales to distributors" in this section of the prospectus.

Sales to end-user customers

To a lesser-extent, we also directly sell our potted vegetable produce to end-users customers. For FY2020, FY2021, FY2022 and 9M2023, our direct sales to end-users customers amounted to approximately RMB0.4 million, RMB9,000, RMB2,000 and RMB2,000, respectively, representing 0.3%, less than 0.1%, less than 0.1% and less than 0.1% of our total revenue during the same periods, respectively. To the best knowledge of our Directors, during the Track Record Period and as at the Latest Practicable Date, all of our end-user customers were Independent Third Parties.

Our Group initially conducted direct sales to the end-user customers such as hotels and restaurants at the beginning of our business operations. Since the potted vegetable produce is a small segment of the traditional vegetables market, we granted a longer credit period to such end-user customers to facilitate the sale of our products to them. Such practice continued to apply to such end-user customers in FY2020 and, accordingly, 180 days credit period was granted to them in FY2020. From 2021 onwards, we discontinued our direct sales to hotels and restaurants. This was primarily driven by the increased maturity and proven efficiency of the distributorship model, which our Group had adopted in 2015.

Apart from conducting direct sales to the end-user customers such as hotels and restaurant, our Group sells our products to consumers through an online platform, WeMall. Selling potted vegetable produce directly to consumers through WeMall presents online promotion and enhanced brand visibility opportunities for our Group. This enables individual consumers to experience the fresh and living potted vegetable produce by purchasing directly from our Group. Such business model does not contradict with the distributorship model as the main purpose of selling the products through WeMall is for marketing and brand building.

During the Track Record Period, we generated total revenue of approximately RMB8,000, RMB9,000, RMB2,000 and RMB2,000 for each of FY2020, FY2021, FY2022 and 9M2023 respectively from selling to end-users customers online by using WeMall. We signed a service contract with an independent e-commerce provider in November 2018 for the sale of our potted vegetable produce at a fixed service fee via WeMall for a term of three years, and we extended the service contract by one year in November 2021 and further extended the service contract by two years in December 2022.

Pricing policy

Our sales and marketing department determines the selling prices of our products on the basis of cost-plus method. In determining our pricing strategies, we primarily consider factors such as the market demand and supply of our products, cost of our raw materials and cultivation overheads. We review the selling prices of our products occasionally based on these factors and other general market conditions and adjust the selling prices if necessary.

We have limited control over the prices at which our customers are willing to purchase our products as prices are driven mainly by economic factors such as demand and supply. We also do not have control over the prices at which our distributors on-sell our products to their customers.

Payment terms and credit terms

Except for online end-user customers of WeMall who pay immediately upon purchase, during the Track Record Period, we grant a credit period of around 60 days to 120 days to our distributors and a credit period of around 180 days to our end-user customers, depending on their credit history, relationship with us and business scale. At the beginning of the Track Record Period, a longer credit period of 120 days was granted to our distributors, in line with the relatively long credit period that our distributors granted to their respective end-user customers. As the potted vegetable produce was a pricey and high-end segment to the traditional vegetable produce market and those end-user customers a relatively long credit period was initially granted by our distributors to expand the customer base. As such, our Group agreed to grant a longer credit period to these distributors for the benefit of the Group. Because of the relatively high profit margin of our Group, our Directors believe that our Group is able to continue to offer more competitive and longer credit terms to our distributors so that our distributors can secure the relationships with more respective end-user customers. Our Group in such scenario can ultimately develop our distributorship network and thus strength our position in the potted vegetable produce market in the PRC.

We regularly review our credit term with our distributors from time to time. During the Track Record Period, having considered that the distributors have gained larger bargaining power over their respective end-user customers with an enlarged customer base of over 1,000 hotels/restaurants, our Group gradually shortened the credit period granted to most of our distributors from 120 days in FY2020 to the range of 60 — 120 days for FY2021, FY2022 and 9M2023, with 12, 6, 4 and 4 of our distributors granted credit terms of 120 days, nil, 4, 6 and 6 of our distributors granted credit terms of 90 days, and nil, 2, 2 and 2 of our distributors granted credit terms of 60 days as at 31 December 2020, 2021, 2022 and 30 September 2023 respectively. In addition, our distributors had also shortened the credit period granted to their customers when we gradually shortened the credit period we granted to them during the Track Record Period. The overall credit period granted by our distributors to their respective end-user customers were lowered gradually from 90 — 120 days in FY2020 to 60 — 120 days in FY2021, FY2022 and 9M2023. Our credit term policy has been enforced throughout the Track Record Period except in FY2022 when we have been more flexible in enforcing our credit terms for distributors in light of the uncertainty over the business environment in relation to the lockdown measures in various regions in China during the COVID-19 epidemic. Therefore our average trade receivables turnover days for FY2022 was 144.3 days and was higher than our credit term range. As the PRC government has substantially lifted its COVID-19 prevention and control policies since December 2022, we have urged our distributors for faster settlement of trade receivables and enforced our credit terms in 2023. However, since the third quarter of the year is our peak season, we recorded a monthly average revenue of approximately RMB16.7 million in the third quarter of 2023, as compared to the monthly average revenue of approximately

RMB13.5 million for 9M2023. As a result, our trade receivable balance increased from approximately RMB53.4 million as at 31 December 2022 to approximately RMB58.4 million as at 30 September 2023. Due to the increase in revenue in 9M2023, our trade receivables turnover days decreased slightly to 126.1 days in 9M2023. However, it is still higher than our credit terms for distributors which ranged from 60 to 120 days mainly because of our high trade receivable balances as at 31 December 2022 which led to higher average trade receivable balances for the 9M2023.

The trade receivable recovery period of vegetable suppliers in the PRC generally ranges from one to six months in general, and the credit period granted by our Group was within the range of and in line with the general practice of the catering industry and comparable to the norm of the potted vegetable industry in the PRC.

Further, considering that (i) we do not offer a lower selling price for shorter credit term granted to our distributors; and (ii) the credit period granted to our distributors generally range from 60 to 120 days during the Track Record Period, which is less than one year, our Directors consider, and the Reporting Accountants concur, the said credit term granted to our distributors does not constitute financing from our Group and no financing income has been recognised in accordance with HKFRS 15.

For each of FY2020, FY2021, FY2022 and 9M2023, our trade receivables turnover days were approximately 99.2 days, 93.0 days, 144.3 days and 126.1 days, respectively. Our finance and accounting department carries out monthly reconciliation exercise of all outstanding accounts receivables and produces receivables reconciliation reports every month. If a distributor or end-user customer does not settle its outstanding receivables when they are due, our sales and marketing personnel will contact such customer by telephone, issue demand letters and/or visit such customer's premises to follow up on the overdue debts. In the event that such customer continues to be delinquent, we would take legal enforcement action to recover the relevant debts. Our finance and accounting department monitors our receivable balances on an ongoing and regular basis and considers whether bad or doubtful debt provisions are necessary. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, our allowance for doubtful debts was approximately RMB1.2 million, RMB1,000, RMB0.2 million and RMB0.1 million, respectively, representing approximately 1.0%, less than 0.1%, 0.1% and 0.1% of our respective revenue. For these reasons, our Directors consider our credit management policy as appropriate and do not consider there being any material liquidity risk associated with our credit policy. For further details regarding our credit control policy, please refer to the paragraph headed "Financial Information — Analysis of selected statement of financial position items — Trade receivables" in this prospectus.

Product return, warranty and after-sales service

All of our framework agreements do not provide for product returns or warranty periods. As our distributors and end-user customers conduct inspections on our products before acknowledging acceptance, we generally do not accept any return of our products nor do we accept any warranty claims once such customer has acknowledged acceptance of the products sold and at such point, all titles and risks in connection with our products will be passed to the customer. During the Track Record Period, we did not record any amount of sales return from our customers. Further, we did not incur any expenses as a result of providing any after-sales services or receive any requests for after-sales services from our customers during the Track Record Period.

Seasonality

During the Track Record Period, we experienced seasonality in the cultivation of our potted vegetable produce due to weather conditions. As we rely on natural heat and light sources in the regulation of our greenhouse climate, our cultivation volume decreased during colder seasons as the temperature inside our greenhouses is lower and the illumination inside our greenhouses decreases with the shorter length of insolation duration during colder seasons, which in turn leads to slower maturation and longer growth cycles of our potted vegetable produce in colder seasons. For further details on our industrial cultivation method and greenhouses, please refer to the paragraphs headed "Cultivation of our potted vegetable produce — Cultivation process" and "Cultivation of our potted vegetable produce — Cultivation facilities" in this section of the prospectus.

During the Track Record Period, we also experienced seasonal fluctuations in sales of our potted vegetable produce due to customers' purchase patterns. We recorded higher revenue from the sale of our potted vegetable produce in the third quarter of the year. For specific regional markets, the potted vegetable market may show seasonality fluctuations in line with the catering market. For example, the catering market in Qingdao generally gains larger revenue in summer and autumn due to the growing number of visitors attracted by various festivals including the Qingdao beer festival in August. Hence, the demand for our potted vegetable produce generally increases during this period in line with the growing catering market.

We recorded lower revenue from the sale of our potted vegetable produce in the first quarter of the year, which was in line with the industry norm. Since the end-user customers of our distributors are mainly hotels and restaurants, their operation time will affect the demand of our potted vegetable produce. Most of the restaurants will be temporarily closed for business for around seven days during the Chinese New Year holidays and therefore, the reduction of demand from restaurants during this period may lead to a lower revenue from sale of potted vegetable produce in the first quarter of the year. Moreover, potted vegetable producers in Shandong province generally record a lower sales revenue in the first quarter of the year due to the lower cultivation volume in winter as a result of the longer growth cycle of potted vegetable produce caused by the lower temperature and shorter illumination duration in the region.

The following table sets forth a breakdown of our revenue by quarters for the periods indicated:

	Year ended 31 December					
	2020		2021		2022	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
First quarter	21,342	17.6	28,763	18.6	19,204 *(Note 2)*	15.2
Second quarter	24,132	19.9	42,224 *(Note 1)*	27.3	23,443 *(Note 2)*	18.5
Third quarter	38,676	31.8	46,243	29.8	45,979	36.3
Fourth quarter	37,255	30.7	37,716	24.3	38,068	30.0
Total	121,405	100.0	154,946	100.0	126,694	100.0

Notes:

(1) There was a significant increase in revenue generated in the second quarter of 2021 as compared to that of 2020, mainly due to the conversion of traditional regular greenhouses to enhanced large greenhouses during the third quarter of 2020 in our Laixi Facility which enabled us to cultivate more potted vegetable produce during the winter season in 2020 and, therefore, contributed to the increase in revenue in the second quarter of 2021.

(2) Operation of Laixi Facility, our largest cultivation base, was suspended for more than a month between March and April 2022, which caused the temporary suspension of our production and sales activities leading to a decrease in revenue in the first two quarters of 2022.

MARKETING AND PROMOTIONAL ACTIVITIES

We believe we attract and retain our customers through the quality and safety of our potted vegetable produce and the reliability of our supply. We invite our distributors and end-user customers to visit our cultivation facility to demonstrate our industrial cultivation method, cultivation scale and quality control procedures. To promote recognition of our brand "富景农业", enhance the visibility and marketability of our products and expand our customer base, we have engaged in a variety of marketing and promotional activities, such as attending trade shows and exhibitions relating to our industry and we have also engaged in advertising our products on our website. We intend to continue to participate in various trade shows and exhibitions of our industry to further increase the awareness of our brand in the markets and make our products more visible to potential customers as well as allowing us to collect updated information on market trends and consumer preferences.

Our sales and marketing personnel are generally experienced in sales and marketing activities. They are primarily responsible for approaching and liaising with potential and existing customers, promoting our products, formulating and implementing our marketing strategies, gathering market information including market trends and estimates, conducting regular inspections and collecting information on our distributors.

For FY2020, FY2021, FY2022 and 9M2023, we incurred advertising and promotional expenses of RMB12,000, RMB8,000, nil and RMB1,000, respectively, representing less than 0.1%, less than 0.1%, nil and less than 0.1% of our total revenue during the same periods, respectively.

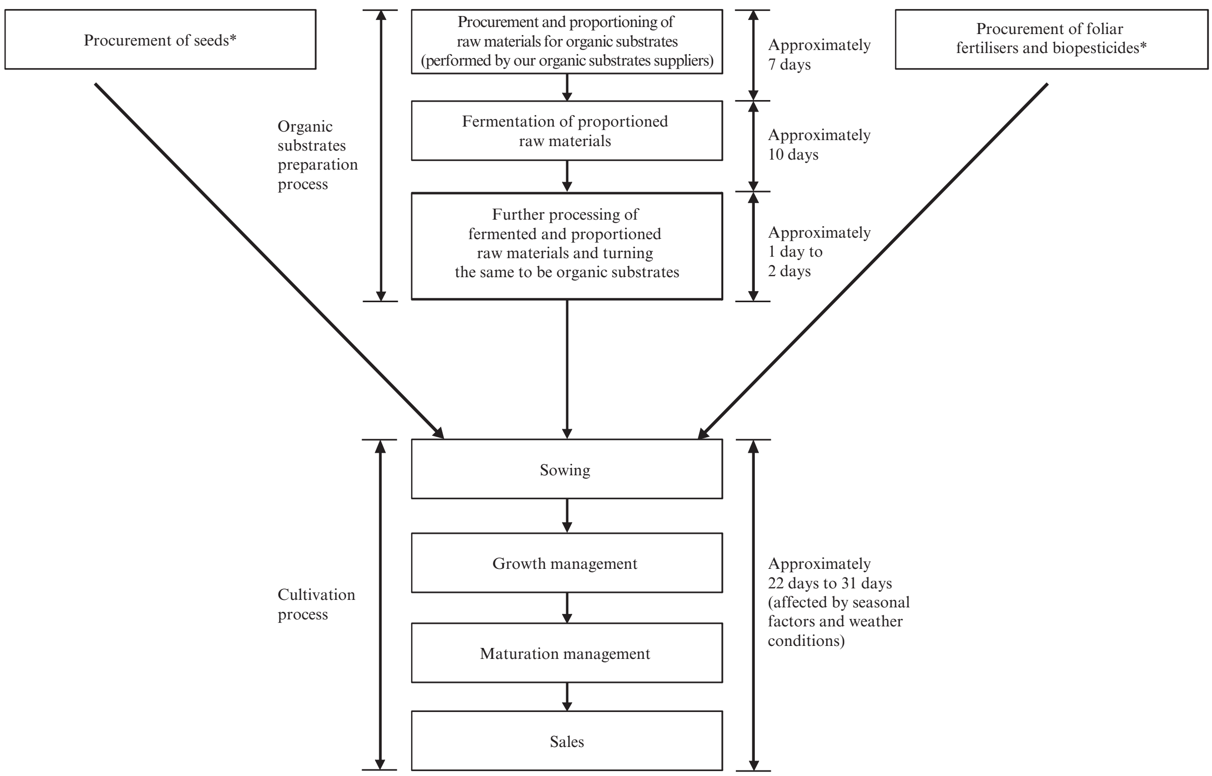
CULTIVATION OF OUR POTTED VEGETABLE PRODUCE

Cultivation process

We cultivate our vegetable produce in greenhouses and in pots filled with our specially formulated organic substrates, which are made primarily from raw materials such as cow manure, fungi residue and peanut shells that are proportioned, mixed and processed through high-temperature fermentation. Using such organic substrates allows our potted vegetable produce to be cultivated with ideal nutrients for healthy growth, and reduces the likelihood of contamination and pollution compared to vegetable produce grown in open fields.

We apply an industrial cultivation method to produce our potted vegetable produce. Such cultivation method requires the use of enclosed greenhouses together with the application of our horticultural know-how and equipment in connection with pest control, heat preservation, ventilation and/or shading of sunlight to adjust parameters such as temperature, humidity, illumination duration and carbon dioxide density during the cultivation process in our greenhouses in order to create an appropriate and ideal microclimate environment for the growth of our potted vegetable produce. Our industrial cultivation method standardises cultivation process, stabilises vegetable yield, improves product quality and reduces exposure to environmental and natural risks. As a result, it makes all-year-round cultivation of our potted vegetable produce possible and allows us to cultivate potted vegetable produce that is of superior quality with desirable appearance, freshness and size.

The entire cultivation process of potted vegetable produce commencing from procurement of raw materials to delivery takes approximately 40 days to 50 days, depending on the species of vegetable produce cultivated and the season of cultivation. We have adopted horticultural techniques and have developed proprietary horticultural know-how for our cultivation process. The chart below illustrates the major steps of cultivation of our potted vegetable produce:



* *Since we procure seeds, foliar fertilisers and biopesticides on regular occasions during our cultivation process in accordance to our cultivation schedule and the remaining inventories level, the procurement of seeds, foliar fertilisers and biopesticides usually will not take up additional time.*

Organic substrates preparation process:

Procurement and proportioning of raw materials for organic substrates:	Our supplier sources the raw materials needed, such as cow manure, fungi residue and peanut shells and then proportion the same according to our formula. The supplier will then supply the proportioned raw materials for our organic substrates to us for our fermentation.
Fermentation of proportioned raw materials:	We ferment repeatedly at our cultivation facility the proportioned raw materials which we procure from our supplier. The fermentation temperature is required to reach a minimum of 65 ℃ in order to eliminate quality risks from harmful pathogens, insect eggs and weed seeds.

Further processing of fermented and proportioned raw materials and turning the same to be organic substrates:	Further raw materials, such as turfy soil and perlite, are added to the fermented and proportioned raw materials, which are then mixed evenly and preserved to turn the same to be organic substrates.

Cultivation process:

Sowing:	Sower machine is used for filling pots with organic substrates and sowing seeds. We vary the sowing density, sowing depth and water content according to our horticultural know-how on the different ideal growth conditions across vegetable species.
Growth management:	After two to three days from sowing, seedlings sprout from the seeds. Growth of the seedlings are then managed according to our horticultural know-how by controlling cultivation conditions.

For our enhanced regular greenhouses and enhanced large greenhouses, we regulate (i) temperature inside our greenhouses by using insulating quilts to trap heat inside our greenhouses (especially during the cold winter) and through adjusting the air vents to control the inflow and outflow of air; and (ii) the level of illumination by rolling sun shading curtains over the roofs of our greenhouses to block excessive sunlight as well as to lower the greenhouses' temperature especially during the hot summer.

For certain of our enhanced regular greenhouses, we utilise a vegetable greenhouse environment monitoring system to monitor parameters such as pH value of organic substrates, temperature, humidity, carbon dioxide density and illumination duration inside our greenhouses. Our vegetable greenhouse environment monitoring system consist of various sensors and electronic displays which provide real-time data on the temperature and humidity in our greenhouses, the intensity of illumination, carbon dioxide density and the pH value in our organic substrate. Our cultivation staff monitor these important parameters and manually adjust the equipment in our greenhouses, such as air vents, sun shading curtains and insulation quilts if necessary according to the changing circumstances for the purpose of effectively and efficiently maintain the optimal cultivation condition.

	We also manage water application on our potted vegetable produce through irrigation systems and we apply foliar fertilisers and biopesticides if necessary. Similar to other agricultural produce in general, our potted vegetable produce is vulnerable to infestations of pests and we rely on a comprehensive pest control system which is operated by our staff to protect our potted vegetable produce. Our comprehensive pest control system comprises pest killer lamps, insect traps and physical barrier such as insect proof nets. Further, the cultivation of vegetable produce in greenhouses also prevents the invasion of pests such as crickets and diamondback moths as the translucent plastic greenhouse films or glass structures would serve as an effective physical barrier to the pests from the external environment. In addition, our cultivation personnel would also conduct regular inspection to check our pest control level and may adjust our pest control measures or apply biopesticides if necessary.
Maturation management:	When the vegetable produce have reached maturity, withered and damaged leaves are removed from the vegetable produce.
Sales:	The matured vegetable produce is sold and delivered to our customers.

Cultivation facilities

As at the Latest Practicable Date, we had three cultivation facilities in operation for cultivating our potted vegetable produce, comprising of (i) Laixi Facility; (ii) Xi'an Facility; and (iii) Dalian Facility. The aggregate land area of our cultivation facilities covers approximately 431,605 sq.m..

At the commencement of the Track Record Period, our Laixi Facility initially comprised (i) the Laixi Land Parcel A; (ii) the Laixi Land Parcel B; and (iii) the Laixi Land Parcel C. In 2019, we entered into lease agreements with Independent Third Parties to lease the lands and the greenhouses for our Xi'an Facility and Dalian Facility. To cope with our recent expansion, in the third quarter of 2020, we further leased from the People's Government of Rizhuang Town of Laixi the Laixi Land Parcels D and from an Independent Third Party the Laixi Land Parcel E which are geographically proximate to our Laixi Land Parcel A, Laixi Land Parcel B and Laixi Land Parcel C for cultivation of potted vegetable produce. For further details of the above properties, please refer to the paragraphs headed "Properties — Owned properties", "Properties — Leased properties" and "Properties — Other property interests in relation to the Laixi Land Parcel C" in this section of the prospectus.

The table below sets forth the location, size and the year of commencement of operation of our existing three cultivation facilities as at the Latest Practicable Date:

Cultivation facilities	Address	Total owned land area	Total leased land area	Other land area	Number of greenhouses	Total gross floor area of greenhouses	Year of commencement of operation	Expiry date of leasehold/right of use
		(sq.m.)	*(sq.m.)*	*(sq.m.)*		*(sq.m.)*		
Laixi Facility	Laixi, Qingdao, Shandong Province	148,137 *(Note 1)*	N/A	N/A	23	38,000 *(Note 4)*	2010 *(Note 5)*	N/A
		N/A	121,801 *(Note 2)*	N/A	41	70,468 *(Note 4)*	2010 for Laixi Land Parcel B, 2020 for Laixi Land Parcels D and Laixi Land Parcel E *(Note 5)*	26 December 2060, 30 June 2030 and 1 October 2029, respectively, for the Laixi Land Parcel B, the Laixi Land Parcels D, and the Laixi Land Parcel E
		N/A	N/A	128,334 *(Note 3)*	40	28,333 *(Note 4)*	2010 *(Note 5)*	16 June 2056
Xi'an Facility	Gaoling District, Xi'an, Shaanxi Province	N/A	13,333	N/A	7	7,000	2019	31 July 2025
Dalian Facility	Jinzhou District, Dalian, Liaoning Province	N/A	20,000	N/A	29	11,600	2019	30 September 2028
		148,137	155,134	128,334	140	155,401		

Notes:

(1) The total owned land area of approximately 148,137 sq.m. of our Laixi Facility (i.e. the Laixi Land Parcel A) excludes a parcel of slopy land of approximately 66,667 sq.m. we leased to an Independent Third Party for a term of five years since 1 April 2019 for planting of trees. Please refer to the paragraph headed "Properties — Owned properties" in this section of the prospectus for further details about the land.

(2) The total leased land area of our Laixi Facility consists of three parts (i) the land with a site area of approximately 34,467 sq.m. (i.e. the Laixi Land Parcel B) we leased from the People's Government of Rizhuang Town of Laixi since December 2010; (ii) the land with a site area of approximately 76,667 sq.m. (i.e. the Laixi Land Parcels D) we leased from the People's Government of Rizhuang Town of Laixi since July 2020; and (iii) the land with a site area of approximately 13,333 sq.m. (i.e. the Laixi Land Parcel E) we leased from an Independent Third Party since July 2020. The site area of Laixi Land Parcel E was slightly reduced to approximately 10,667 sq.m. in FY2022 due to the resumption of land by the government for road widening works adjacent to our Laixi Land Parcel E.

(3) Other land area of our Laixi Facility refers to the land (i.e. the Laixi Land Parcel C) that our Group obtained the land use rights under the Land Reservation Agreement we entered into with the People's Government of Rizhuang Town of Laixi. Please refer to the paragraph headed "Properties — Other property interests in relation to the Laixi Land Parcel C" in this section of the prospectus for further details.

(4) The total gross floor area of greenhouses of our Laixi Facility is approximately 136,801 sq.m., which is smaller than its total land area of approximately 398,272 sq.m. by approximately 261,471 sq.m., because the total land area includes areas of greenery, ponds, storage and roads, etc at our Laixi Facility. As confirmed by our Directors, some land parcels at our Laixi Facility (i.e. Laixi Land

Parcel A, Laixi Land Parcel B and Laixi Land Parcel C) consist of greenery areas of approximately 73,667 sq.m., fragmented areas between greenhouses of approximately 37,933 sq.m., storerooms and office of approximately 13,333 sq.m., roads of approximately 40,000 sq.m., slopy lands of approximately 9,667 sq.m. and water channel and ponds of approximately 41,333 sq.m.. Thus, the unusable land area amounts to approximately 215,933 sq.m.

(5) The year of commencement of operation refer to the time that we have commenced cultivation of non-potted vegetable produce at our Laixi Facility.

In determining the location of our cultivation facilities, we primarily take into account the market demand and the proximity to the location of our potential customers, in order to shorten delivery time and maintain a high level of freshness of our products when they reach the location of our customers. Our largest cultivation facility is strategically located at Laixi, which allows convenient access to prominent markets at major cities in eastern part of Shandong province, namely Qingdao, Yantai and Weifang. The following map shows the location of our Laixi Facility and our major markets in Shandong province:

As we adopt an industrial cultivation method to produce our potted vegetable produce, the greenhouses in our cultivation facilities play an important role in our cultivation process. All of our greenhouses (including our traditional greenhouses and enhanced greenhouses) offer basic protection to our potted vegetable produce by avoiding direct exposure to external environment, and therefore our potted vegetable produce is less susceptible to the damage that may be caused by adverse weather (such as rainstorm or typhoon) and pest infestation. Our greenhouses are also designed with venting features which allow the staff in our cultivation facilities to regulate the temperature, humidity, airflow and carbon dioxide density by adjusting the air vents during the day if so required. Over the years since we commenced our potted vegetable cultivation business in 2012, we acquired the know-how and technique to improve our greenhouse facilities to fit the environment optimal for planting our potted vegetables. Since 2012, we developed our enhanced greenhouses that are made to our specifications and equipped with rolling sun shading curtains and insulating quilts for the regulation of illumination duration and temperature inside our greenhouses to protect our perishable vegetables. These features in our greenhouses, along with other facilities/equipment and the application of our horticultural know-how, are essential in providing an appropriate and ideal microclimate environment for the growth of our potted vegetable produce.

As at the Latest Practicable Date, the greenhouses in our cultivation facilities can be categorised into (i) traditional regular greenhouse; (ii) traditional large greenhouse; (iii) enhanced regular greenhouse; and (iv) enhanced large greenhouse. The table below illustrates the basic characteristics of our different greenhouses:

Type	**Features/facilities/equipment**	**Principal functions**	**Approximate gross floor area per greenhouse** *(sq.m.)*	**Approximate construction cost per greenhouse** *(RMB'000)*
Traditional regular greenhouse	Steel frame structure with translucent plastic films, air vents and thermometer	Basic greenhouse functions (e.g. rain-water proof and natural ventilation)	400	N/A *(Note 1)*
Traditional large greenhouse	Glass structure, sidewall vents, mechanical ventilation fan and thermometer	(i) Basic greenhouse functions (e.g. rain-water proof and natural or mechanical ventilation); and (ii) temperature regulation	1,333 or 3,333 *(Note 2)*	1,066 and 1,920
Enhanced regular greenhouse	Concrete and steel frame structure with translucent plastic films, air vents, thermometer, rolling sun shading curtains and insulating quilts	(i) Basic greenhouse functions (e.g. rain-water proof and natural ventilation); (ii) illumination duration regulation; and (iii) enhanced heat preservation and temperature regulation	400 or 667	348 *(Notes 3&4)*
	Additional features in some of the enhanced regular greenhouses: fibreglass water duct and vegetable greenhouse environment monitoring system	Additional functions in some of the enhanced regular greenhouses: (i) Weeds and moisture prevention; (ii) electronic temperature and humidity monitoring; (iii) illumination intensity detection; (iv) carbon dioxide density sensing; and (v) pH detection for organic substrate		

Type	Features/facilities/equipment	Principal functions	Approximate gross floor area per greenhouse *(sq.m.)*	Approximate construction cost per greenhouse *(RMB'000)*
Enhanced large greenhouse	Concrete and/or steel frame structure with translucent plastic films, air vents, thermometer, rolling sun shading curtains and insulating quilts	(i) Basic greenhouse functions (e.g. rain-water proof and natural ventilation); (ii) illumination duration regulation; and (iii) enhanced heat preservation and temperature regulation	800 to 3,533	203 to 925

Notes:

1. As at the Latest Practicable Date, we have 14 traditional regular greenhouses at our Dalian Facility which were rented from Independent Third Party, hence, the estimation of construction cost per greenhouse is inapplicable.

2. As at the Latest practicable Date, we have two traditional large greenhouses at our Laixi Facility. 3,333 sq.m. is the cultivation area of our larger tradition large greenhouse. The gross area of the larger traditional large greenhouse is in fact larger than 3,333 sq.m. as it contains an area of approximately 500 sq.m. for the operation of our automatic sowing machine.

3. The construction cost per greenhouse refer to the estimated construction cost of the enhanced regular greenhouses which were constructed by us at our Laixi Facility. The gross floor area of each of these greenhouses is approximately 667 sq.m. The enhanced regular greenhouses at our Dalian Facility were rented from Independent Third Party, and the enhanced regular greenhouses on our Laixi Land Parcel E were acquired from Independent Third Party, therefore, these greenhouses are not included in the estimation of construction cost per greenhouse.

4. The construction cost per greenhouse does not include the cost of installation of fibreglass water duct and vegetable greenhouse environment monitoring system in those enhanced regular greenhouses that equipped with these latest features. This is because fibreglass water duct and vegetable greenhouse environment monitoring system are not standard basic features and are only installed in some enhanced regular greenhouses and thus the cost of installation of such facilities is not included in the calculation of the construction cost per greenhouse.

Before the Track Record Period, our Group invested an aggregate sum of approximately RMB96.5 million in improving the infrastructure at our Laixi Facility. The improvement works include, for example, levelling of land and/or site formation, building of roads, and setting up utilities on the levelled land at our Laixi Facility. After completion of these infrastructure works in around 2017, we started expanding our greenhouses in the Laixi Facility. In 2018, the total gross area of our greenhouses in the Laixi Facility increased by 44% from approximately 68,000 sq.m. as at 1 January 2018 to approximately 98,001 sq.m. as at 31 December 2018.

As at 1 January 2018, we were operating 98 traditional regular greenhouses, which represents approximately 79.7% of the total number of greenhouses that we have at our Laixi Facility and Chengyang Facility at that time. Due to the simple structure and flexibility of our traditional regular greenhouses, we constructed certain traditional regular greenhouses on the vacant lands at our Laixi Facility during 2018 to increase our production capacity quickly for meeting the market demand for the peak season. However, our Directors understand the limitations of our traditional regular greenhouses and their insufficiency in heat preservation and temperature regulation. Therefore, for the long term benefits of our Group, we started to develop more enhanced greenhouses since 2018 for the purpose of increasing our cultivation capacity particularly for the colder seasons. During 2018, our Group had constructed 32 enhanced regular greenhouses at our Laixi Facility and the said construction had costed us an investment sum of approximately RMB11.2 million. From 1 January 2018 to 31 December 2018, we had a net increase of 29 enhanced regular greenhouses at our Laixi Facility as we phased out three enhanced regular greenhouses which were in dilapidated condition. As at 1 January 2019, we were operating a total number of 167 greenhouses, among them 112 were the traditional regular greenhouses located at our Laixi Facility, which represents approximately 67.1% of our total number of greenhouses. The reduction in percentage of our traditional regular greenhouses during the year were primarily due to our gradual transformation of our operation from traditional regular greenhouses to enhanced regular greenhouses at our Laixi Facility.

In order to further reduce reliance on traditional regular greenhouses, during 2019, we gradually demolished our traditional regular greenhouses and started the construction of 22 enhanced large greenhouses which commenced operation in the last quarter of 2019. The construction of these 22 enhanced large greenhouses had costed us approximately RMB13.1 million in total. The commencement of operation of these 22 enhanced large greenhouses had contributed to the increase of cultivation capacity at our Laixi Facility. By 1 January 2020, we had closed down most of our traditional regular greenhouses.

In FY2020, we constructed a total of 31 enhanced large greenhouses on our Laixi Land Parcels D with an investment cost of approximately RMB15.0 million and we acquired from an Independent Third Party two enhanced regular greenhouses and seven enhanced large greenhouses on our Laixi Land Parcel E with consideration of approximately RMB3.0 million. During FY2021, we phased out three enhanced large greenhouses at our Xi'an Facility which were in dilapidated condition. During FY2022, we closed down a total of three greenhouses (i.e. two enhanced regular greenhouses and one enhanced large greenhouse) on our Laixi Land Parcel E due to the resumption of land by the government for road widening works adjacent to our Laixi Land Parcel E. The owner of Laixi Land Parcel E had paid to us compensation in the sum of approximately RMB0.4 million for the said land resumption in FY2022.

The following table sets forth the types and numbers of greenhouses and their respective approximate total gross floor area at each of our cultivation facilities as at 1 January 2020, 31 December 2020, 31 December 2021, 31 December 2022, 30 September 2023 and as at the Latest Practicable Date:

	As at 1 January 2020		As at 31 December 2020		As at 31 December 2021		As at 31 December 2022		As at 30 September 2023		As at the Latest Practicable Date	
	Number of greenhouses	Approximate total gross floor area (*sq.m.*)	Number of greenhouses	Approximate total gross floor area (*sq.m.*)	Number of greenhouses	Approximate total gross floor area (*sq.m.*)	Number of greenhouses	Approximate total gross floor area (*sq.m.*)	Number of greenhouses	Approximate total gross floor area (*sq.m.*)	Number of greenhouses	Approximate total gross floor area (*sq.m.*)
Qingdao, Shandong Province:												
Laixi Facility												
Traditional large greenhouse	2	4,667	2	4,667	2	4,667	2	4,667	2	4,667	2	4,667
Enhanced regular greenhouse	43	28,667	45	30,000	45	30,000	43	28,667	43	28,667	43	28,667
Enhanced large greenhouse	22	38,667	60	104,467	60	104,467	59	103,467	59	103,467	59	103,467
Total of Qingdao, Shandong Province	67	72,001	107	139,134	107	139,134	104	136,801	104	136,801	104	136,801
Xi'an, Shaanxi Province — Xi'an Facility												
Enhanced large greenhouse	10	10,000	10	10,000	7	7,000	7	7,000	7	7,000	7	7,000
Dalian, Liaoning Province — Dalian Facility												
Traditional regular greenhouse	0	0	14	5,600	14	5,600	14	5,600	14	5,600	14	5,600
Enhanced regular greenhouse	15	6,000	15	6,000	15	6,000	15	6,000	15	6,000	15	6,000
Sub-total:	15	6,000	29	11,600	29	11,600	29	11,600	29	11,600	29	11,600
Total:	92	88,001	146	160,734	143	157,734	140	155,401	140	155,401	140	155,401

The following table sets forth the aggregated number of greenhouses at all of our cultivation facilities by types and their respective approximate total gross floor area as at 1 January 2020, 31 December 2020, 31 December 2021, 31 December 2022, 30 September 2023 and as at the Latest Practicable Date:

	As at 1 January 2020		As at 31 December 2020		As at 31 December 2021		As at 31 December 2022		As at 30 September 2023		As at the Latest Practicable Date	
	Number of greenhouses	Approximate total gross floor area (sq.m.)	Number of greenhouses	Approximate total gross floor area (sq.m.)	Number of greenhouses	Approximate total gross floor area (sq.m.)	Number of greenhouses	Approximate total gross floor area (sq.m.)	Number of greenhouses	Approximate total gross floor area (sq.m.)	Number of greenhouses	Approximate total gross floor area (sq.m.)
All of our cultivation facilities:												
Traditional regular greenhouse	0	0	14	5,600	14	5,600	14	5,600	14	5,600	14	5,600
Traditional large greenhouse	2	4,667	2	4,667	2	4,667	2	4,667	2	4,667	2	4,667
Sub-total:	2	4,667	16	10,267	16	10,267	16	10,267	16	10,267	16	10,267
Enhanced regular greenhouse	58	34,667	60	36,000	60	36,000	58	34,667	58	34,667	58	34,667
Enhanced large greenhouse	32	48,667	70	114,467	67	111,467	66	110,467	66	110,467	66	110,467
Sub-total:	90	83,334	130	150,467	127	147,467	124	145,134	124	145,134	124	145,134
Total:	92	88,001	146	160,734	143	157,734	140	155,401	140	155,401	140	155,401

Benefited from the improved heat preservation and temperature regulation abilities of the enhanced regular greenhouses and the enhanced large greenhouses, we are able to cultivate our potted vegetable produce in our enhanced greenhouses all-year-round and certain relatively non-cold-resistant vegetable species that could not tolerate cold temperature in winter at our traditional regular greenhouse are now cultivable at our enhanced regular greenhouses or enhanced large greenhouses, and hence, it diversified the vegetable species that we can offer during the colder season. The following table sets forth the cultivation capabilities of different types of greenhouses in different seasons:

	All seasons except for winter:	**Winter:**
Enhanced greenhouses *(Note)*	All of our vegetable species can be cultivated.	27 vegetable species can be cultivated. Water spinach and Malabar spinach are not cultivable or unfavourable to growth in winter since they are cold sensitive.
Traditional greenhouses *(Note)*	All of our vegetable species can be cultivated. However, since the ventilation of traditional greenhouses is less sophisticated than our enhanced greenhouses, the growth rate of certain heat sensitive species in summer in traditional regular greenhouses is lower than the same growing in enhanced greenhouses as the cultivation conditions in traditional regular greenhouses are not favourable to certain heat sensitive species during the hot summer.	We may have to temporarily close down our traditional regular greenhouses during winter since agricultural products generally cannot tolerate and survive in low temperature in the traditional regular greenhouses. Although our traditional large greenhouses can still be open during the winter season, given that we have less control over the temperature regulation function of such greenhouses as it is largely dependent on the heat preservation nature of the glass structure of such greenhouses, the usage of such greenhouses during the winter will cause uncertainty to our cultivation schedule.

Note: The approximate number of species cultivable in our enhanced greenhouses and traditional greenhouses are determined based on the past cultivation experience of our Group and as confirmed by our Directors, the actual number of species cultivable in the relevant seasons (in particular, for traditional greenhouses) may be affected by weather conditions of the year.

Due to the above reasons, we prefer to grow our potted vegetable produce in our enhanced greenhouses as the temperature and cultivation conditions are better regulated in enhanced greenhouses throughout the year.

Utilisation of our existing cultivation facilities

The table below sets forth the expected annual cultivation output under optimal cultivation conditions, actual cultivation volume and utilisation rate of our cultivation facilities for the period indicated.

	FY2020		
Cultivation facility	**Expected cultivation output under optimal cultivation conditions for FY2020** *(Note 1)*	**Actual cultivation output in FY2020**	**Approximate utilisation rate** *(Note 2)*
	(pots) *('000)*	*(pots)* *('000)*	*(%)*
Laixi Facility	8,254	7,315	88.6
Xi'an Facility	757	564	74.5
Dalian Facility	683	459	67.2 *(Notes 3&4)*
Overall	9,694 *(Note 7)*	8,338	86.0

	FY2021		
Cultivation facility	**Expected cultivation output under optimal cultivation conditions for FY2021** *(Note 1)*	**Actual cultivation output in FY2021**	**Approximate utilisation rate** *(Note 2)*
	(pots) *('000)*	*(pots)* *('000)*	*(%)*
Laixi Facility	11,395	9,774	85.8
Xi'an Facility	573	410	71.5
Dalian Facility	835	508	60.8 *(Notes 3, 4&5)*
Overall	12,803 *(Note 7)*	10,692	83.5

Cultivation facility	FY2022 Expected cultivation output under optimal cultivation conditions for FY2022 (Note 1) *(pots) ('000)*	Actual cultivation output in FY2022 *(pots) ('000)*	Approximate utilisation rate (Note 2) *(%)*
Laixi Facility	11,284	8,455	74.9 (Note 6)
Xi'an Facility	573	363	63.4 (Note 6)
Dalian Facility	835	457	54.7 (Notes 3,4&6)
Overall	12,692 (Note 7)	9,275	73.1 (Note 6)

Cultivation facility	9M2023 Expected cultivation output under optimal cultivation conditions for 9M2023 (Note 1) *(pots) ('000)*	Actual cultivation output in 9M2023 *(pots) ('000)*	Approximate utilisation rate (Note 2) *(%)*
Laixi Facility	8,403	7,671	91.3
Xi'an Facility	430	296	68.8
Dalian Facility	636	372	58.5 (Notes 3&4)
Overall	9,469	8,339	88.1

Notes:

(1) The expected cultivation output under optimal cultivation conditions for the respective financial years during the Track Record Period is calculated by assuming that (i) the maximum number of 3,900 pots is cultivated in each mu, as derived by actual measurement; and (ii) the potted vegetable produce is growing under optimised cultivation conditions such that a maximum of 14 yields are cultivated in each year/period as advised by the Agricultural Adviser. The expected cultivation output of each greenhouse under optimal cultivation conditions equals to the gross floor area of the greenhouse in mu multiplied by (i) 3,900 pots cultivable per unit of cultivation area in mu in each cultivation cycle; (ii) 14 yields in the relevant year; and (iii) the time proportion the relevant greenhouse was actually in use during the relevant year.

(2) The approximate utilisation rate is calculated by dividing the actual cultivation volume by the expected cultivation output under optimal cultivation conditions multiplied by 100%.

(3) Among the 29 greenhouses at our Dalian Facility, 14 of them are traditional regular greenhouses which led to slightly longer cultivation time per crop in cold weather and the optimised cultivation conditions had not been met. As a result, a slightly lower utilisation rate has been recorded as compared to other cultivation facilities during the Track Record Period.

(4) Our Dalian Facility is located in Liaoning province, which is at a higher latitude as compared to that of our Laixi Facility. Due to the lower average yearly temperature, the cultivation conditions of our Dalian Facility are slightly inferior as compared to other facilities, resulting in a relatively lower utilisation rate during the Track Record Period.

(5) The lower utilisation rate of our Dalian Facility in FY2021 was primarily due to the outbreak of COVID-19 epidemic in Dalian between December 2020 and January 2021. In particular, the lockdown measures of Dalian had led to a temporary suspension of business activities of our Dalian Facility, resulting in a lower utilisation rate in FY2021. For further details, please refer to the paragraph headed "Impact of the outbreak of COVID-19 epidemic" in this section of the prospectus.

(6) The lower utilisation rate of our cultivation facilities in FY2022 was primarily due to the resurgence of COVID-19 cases which affected our business operations. In particular, the lockdown measures in Laixi and Dalian had led to the temporary suspension of business activities of our Laixi Facility and Dalian Facility between March 2022 to April 2022, and the lockdown measures in Xi'an had also affected the business activities of our Xi'an Facility in January 2022, resulting in the lower utilisation rate in FY2022. For further details, please refer to the paragraph headed "Impact of the outbreak of COVID-19 epidemic" in this section of the prospectus.

(7) The increase of expected annual cultivation output under optimal cultivation conditions during the Track Record Period was primarily due to the increase of the total gross floor area of our greenhouses from approximately 88,001 sq.m. as at 1 January 2020 to approximately 155,401 sq.m. as at the Latest Practicable Date, as a result of the significant capital expenditures of approximately RMB44.4 million, RMB14.4 million and RMB1.5 million for FY2020, FY2021 and FY2022, respectively.

Equipment

Our cultivation facilities are equipped with a variety of cultivation equipment for carrying out the cultivation process of our potted vegetable produce and most of them are sourced from suppliers located in the PRC. As at 30 September 2023, the principal cultivation equipment used during the cultivation process of our potted vegetable produce comprised the following:

Name of equipment	Principal function(s)	Number of unit(s)	Estimated average useful life (Note 1) (years)	Estimated average remaining useful life as at the Latest Practicable Date (Note 2) (years)
Fully automatic sowing machine	Filling pots and sowing	1	10	3
Semi-automatic sowing machine	Filling pots and sowing	1	10	1
Sowing machine	Filling pots and sowing	6	10	8
Substrate crusher	Breaking down of proportioned raw materials for organic substrates	4	10	5
Curtain rolling machine	Extending and retracting sun shading curtains	6	10	2
Pesticide residue monitor	Quality control testing	3	10	4
Excavator	Transporting proportioned raw materials for organic substrates	3	10	5
Water irrigation system	Water irrigation	1	10	3
Submersible pump	Water extraction	3	10	2
Bulldozer	Transporting proportioned raw materials for organic substrates	1	10	7
Seed germinating container	Seed germination	1	10	2

Notes:

(1) The average useful life is the average number of years an equipment is considered usable before its value is fully depreciated. As per the accounting policies adopted by our Group, depreciation of our equipment is calculated using straight-line method.

(2) Calculation of remaining useful life is based on the average useful life minus the year of the acquisition of the relevant equipment.

Our technical department is responsible for equipment maintenance. Our technical department personnel are responsible for carrying out weekly inspections and routine daily cleaning and maintenance of our cultivation equipment. During the Track Record Period and up to the Latest Practicable Date, our Directors consider that our existing equipment was generally in good operating condition, and we also had not experienced any material or prolonged interruptions to our cultivation process due to equipment or machinery failure during the Track Record Period.

RAW MATERIALS, SUPPLIERS AND SUBCONTRACTORS

Raw Materials

Our raw materials primarily include (i) components of organic substrates; (ii) seeds; and (iii) fertilisers (such as foliar fertilisers) and biopesticides (such as matrine). The following table sets forth the cost of the components of organic substrates, seeds and fertilisers and biopesticides and their percentage of our cost of sales for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*% of cost of sales*	*RMB'000*	*% of cost of sales*	*RMB'000*	*% of cost of sales*	*RMB'000* (unaudited)	*% of cost of sales*	*RMB'000*	*% of cost of sales*
Components of organic substrates	31,267	46.0	40,100	45.0	32,727	44.1	22,920	43.0	31,258	45.1
Seeds	1,265	1.9	1,549	1.7	1,386	1.9	1,013	1.9	988	1.4
Fertilisers and biopesticides	834	1.2	1,069	1.2	873	1.2	612	1.1	834	1.2
Total	33,366	49.1	42,718	47.9	34,986	47.2	24,545	46.0	33,080	47.7

Our Directors believe that the fluctuations of the prices of the primary raw materials we used in the cultivation of our products during the Track Record Period are dependent primarily on the supply of and demand for such raw materials in the PRC during the relevant period.

We are generally able to pass on increases in cost of raw materials of our products to our customers by increasing the prices of our products accordingly. When the prices of certain raw materials are expected to fluctuate significantly, our procurement personnel are required to report to other relevant departments in time and take precautionary measures accordingly. For further details of the sensitivity of our net profit during the Track Record Period in relation to movements in our cost of raw materials, please refer to the paragraph headed "Financial Information — Description of selected statements of profit or loss items — Cost of sales" in this prospectus.

Our procurement policy adopts the following cost control measures: (i) collecting market data on the prices of our raw materials on a regular basis and analysing the same to predict potential changes in the market prices of our raw materials; (ii) negotiating and determining the purchase prices of raw materials with our suppliers, with reference to the market data collected and analysed; and (iii) identifying alternative raw materials suppliers who may provide more competitive and stable prices. By adopting these cost control measures, our Directors believe that we are able to obtain a more comprehensive and better understanding on the trends and reasons for price fluctuation of our raw materials, and increase our bargaining power to obtain more competitive prices when negotiating purchase agreements framework with our suppliers.

Our procurement personnel procure raw materials according to our procurement plan, which is formulated according to our cultivation schedule prepared by our cultivation personnel based on market information collected by our sales and marketing department. Our procurement personnel then contact suppliers who can meet our raw materials requirements. We source various raw materials of the same product from different suppliers to compare prices and increase our negotiation leverage with suppliers. We believe this comparative procurement system enables us to obtain more competitive prices.

Suppliers

We maintain a qualified suppliers list, from which we typically select our suppliers for purchasing raw materials. As the quality of our products are heavily dependent on the quality of our primary raw materials, before engaging new suppliers, we adopt an internal supplier evaluation procedure which contains a stringent set of criteria, including quality, price, service, quality control, production capability and credibility. Before engaging new suppliers, we will also make on-site inspection of the supplier's premises and conduct assessments on the quality of sample raw materials to be supplied in accordance with our quality requirements. We annually evaluate each of our existing suppliers on the quality of their raw materials supplied. We will only engage suppliers who can satisfy all our internal selection criteria. We did not experience any significant problems with the quality of raw materials provided by our suppliers during the Track Record Period and up to the Latest Practicable Date.

We typically enter into purchase agreement frameworks with our suppliers on an annual basis. The following table sets forth a summary of the principal terms of our purchase agreement frameworks with our suppliers:

Type of the goods	Product description
Pricing	Fixed prices stipulated in the agreement
Minimum purchase amount	We promised to order from the supplier not less than a specific amount of the goods
Credit terms	15 days to 20 days

During the Track Record Period, we did not encounter any shortage of supply of our raw materials.

All of our raw materials are procured in the PRC. Under the purchase agreement frameworks, our suppliers are responsible for arranging delivery of the raw materials to our cultivation facilities at their own cost. During the Track Record Period, we did not encounter any delay in delivery of raw materials by our suppliers that significantly affected our cultivation process. Upon receiving the raw materials, we would perform quality checks and are entitled to return raw materials which fail to meet our quality standards to our suppliers. For further details of our quality control measures on our raw materials, please refer to the paragraph headed "Product safety and quality control — Raw materials quality control" in this section of the prospectus.

In FY2020, FY2021, FY2022 and 9M2023, our cost of raw materials (including seeds, components of organic substrates and fertilisers) was the largest component of our cost of sales accounting for approximately 49.1%, 47.9%, 47.2% and 47.7% of our total cost of sales. Hence, cost control on raw materials is important in maintaining our competitiveness in the market. In this regard, we constantly obtain quotations from different raw materials suppliers and conduct regular appraisal on their competitiveness.

Shandong province is an agricultural oriented province which has an ample supply with numerous suppliers of the raw materials used in our production (i.e. components of organic substrates, seeds, fertilisers and biopesticides) and thus the agricultural raw material supply market of Shandong province is buyer-led, competitive and fragmented. For instance, there were approximately 6,000, 5,000 and 3,000 suppliers of seeds, fertilisers and component of organic substrates respectively in Shandong province in 2022. Hence, we can procure the same or substitutable raw materials from different suppliers and thus have the flexibility to switch to procure from different suppliers with no impact on our operations. Therefore, in general, our Group does not enter into any long term agreement with our suppliers of raw materials, which is in line with the industry practice. As a result of the above, our raw materials suppliers changed each year during the Track Record Period and the length of the relationship between our suppliers and us was relatively short. Among our five largest suppliers for each of FY2020, FY2022 and 9M2023, we only maintained approximately one year of business relationship with two, one and one suppliers, respectively.

In operation, we would keep monitoring the price of raw materials and obtain at least 2 quotations regularly from our various shortlisted suppliers before making a procurement decision. While we are price sensitive in procuring raw materials, we would also take into account of other factors, including quality, service and credibility to work out the most competitive offer. That said, our Directors confirm that the fact that our suppliers for raw materials changed each year during the Track Record Period did not affect our cultivation and operation, or cause any delay in delivery of raw materials that affect our cultivation process.

For FY2020, FY2021, FY2022 and 9M2023, purchases from our largest supplier in each year/period accounted for approximately 70.3%, 62.9%, 50.8% and 40.6%, respectively, of our total purchases. For the same periods, our five largest suppliers in each year/period combined accounted for approximately 94.3%, 99.7%, 99.7% and 98.7%, respectively, of our total purchases. Please refer to the risk in the paragraph headed "Risk Factors — Risks relating to our business — We are dependent on our major suppliers, and our business, financial conditions and results of operations could be adversely affected if our relationships with these major suppliers are terminated, interrupted, or modified in any way adverse to us" in this prospectus. Our purchase from Supplier G, our largest supplier in FY2020, amounted to approximately RMB26.4 million (or 70.3% of our total purchase) in FY2020. We purchased components of organic substrates in bulk from Supplier G throughout FY2020 as in the course of monitoring the price of raw materials, we worked out that the offer from Supplier G in respect of the components of organic substrates was the most competitive. That said, our Directors consider that our Group is not overly reliant on Supplier G and could seek alternate suppliers where appropriate. For this reason, in

FY2021, we shifted to purchase more of the components of organic substrates in bulk from Supplier L, who is our second largest suppliers in FY2020 and our largest supplier in FY2021, as its offer was the most competitive as compared to the others. Despite such concentration of suppliers during the Track Record Period, our Directors consider that we are not overly reliant on any single supplier including Supplier G and Supplier L and thus there is no material risk arising from such concentration because:

(i) we maintain a list of qualified suppliers, which is reviewed and updated by us periodically. We procure from a number of suppliers for certain materials and in the event that a supplier ceases to supply to our Group, we could select qualified suppliers from the list as replacement to prevent disruption to the supplies and ensure the quality thereof; and

(ii) our Directors consider that the supplies of the raw materials used in our production are ample in the market with numerous suppliers, and that our Group can seek alternative suppliers as and when appropriate in the market without material limitations.

During the Track Record Period, none of our five largest suppliers in each year/period was also our customers.

The following tables set forth certain information with respect to our five largest suppliers in each year/period during the Track Record Period:

FY2020

Rank	Supplier	Location	Business activities of our supplier	Approximate year(s) of business relationship with our Group as at the Latest Practicable Date	Type(s) of products provided to our Group	Typical credit terms and payment method	Approximate amount of purchase	Approximate percentage of our total purchases
							RMB'000	*(%)*
1	Supplier G *(Note 1)*	Laixi, Shandong province	Retail of seeds, organic substrates and fertilisers	One	Components of organic substrates	Within 15 days after delivery; bank transfer	26,365	70.3
2	Supplier L *(Note 1)*	Laixi, Shandong province	Sale of organic substrates	Two	Components of organic substrates	Within 15 days after delivery; bank transfer	5,501	14.7
3	Supplier J *(Note 1)*	Laixi, Shandong province	Wholesale of groceries and pots	One	Pots	Within 15 days after delivery; bank transfer	1,406	3.8
4	Supplier D *(Note 1)*	Laixi, Shandong province	Sale of seeds and fertilisers	Six	Vegetable seeds	Within 15 days after delivery; bank transfer	1,193	3.2
5	Supplier I *(Note 1)*	Laixi, Shandong province	Wholesale and retail of pesticides and fertilisers	Six	Foliar fertilisers and biopesticides	Within 15 days after delivery; bank transfer	850	2.3

FY2021

Rank	Supplier	Location	Business activities of our supplier	Approximate year(s) of business relationship with our Group as at the Latest Practicable Date	Type(s) of products provided to our Group	Typical credit terms and payment method	Approximate amount of purchase	Approximate percentage of our total purchases
							RMB'000	*(%)*
1	Supplier L *(Note 1)*	Laixi, Shandong province	Sale of organic substrates	Two	Components of organic substrates	Within 15 days after delivery; bank transfer	28,151	62.9
2	Supplier O	Laixi, Shandong province	Sale of organic substrates	Three	Components of organic substrates	Within 15 days after delivery; bank transfer	8,863	19.8
3	Supplier P	Laixi, Shandong province	Sale of organic substrates	Three	Components of organic substrates	Within 15 days after delivery; bank transfer	5,021	11.2
4	Supplier D *(Note 1)*	Laixi, Shandong province	Sale of seeds and fertilisers	Six	Vegetable seeds	Within 15 days after delivery; bank transfer	1,542	3.4
5	Supplier I *(Note 1)*	Laixi, Shandong province	Wholesale and retail of pesticides and fertilisers	Six	Foliar fertilisers and biopesticides	Within 15 days after delivery; bank transfer	1,077	2.4

FY2022

Rank	Supplier	Location	Business activities of our supplier	Approximate year(s) of business relationship with our Group as at the Latest Practicable Date	Type(s) of products provided to our Group	Typical credit terms and payment method	Approximate amount of purchase	Approximate percentage of our total purchases
							RMB'000	*(%)*
1	Supplier O	Laixi, Shandong province	Sale of organic substrates	Three	Components of organic substrates	Within 15 days after delivery; bank transfer	20,292	50.8
2	Supplier P	Laixi, Shandong province	Sale of organic substrates	Three	Components of organic substrates	Within 15 days after delivery; bank transfer	15,702	39.3
3	Supplier Q	Qingdao, Shandong province	Sale of groceries and pots	One	Pots	Within 15 days after delivery; bank transfer	1,500	3.8
4	Supplier D *(Note 1)*	Laixi, Shandong province	Sale of seeds and fertilisers	Six	Vegetable seeds	Within 15 days after delivery; bank transfer	1,407	3.5
5	Supplier I *(Note 1)*	Laixi, Shandong province	Wholesale and retail of pesticides and fertilisers	Six	Foliar fertilisers and biopesticides	Within 15 days after delivery; bank transfer	910	2.3

9M2023

Rank	Supplier	Location	Business activities of our supplier	Approximate year(s) of business relationship with our Group as at the Latest Practicable Date	Type(s) of products provided to our Group	Typical credit terms and payment method	Approximate amount of purchase	Approximate percentage of our total purchases
							RMB'000	*(%)*
1	Supplier P	Laixi, Shandong province	Sale of organic substrates	Three	Components of organic substrates	Within 15 days after delivery; bank transfer	13,496	40.6
2	Supplier O	Laixi, Shandong province	Sale of organic substrates	Three	Components of organic substrates	Within 15 days after delivery; bank transfer	10,226	30.7
3	Supplier R	Laixi, Shandong province	Sale of organic substrates	One	Components of organic substrates	Within 15 days after delivery, bank transfer	7,289	21.9
4	Supplier D *(Note 1)*	Laixi, Shandong province	Sale of seeds and fertilisers	Six	Vegetable seeds	Within 15 days after delivery; bank transfer	996	3.0
5	Supplier I *(Note 1)*	Laixi, Shandong province	Wholesale and retail of pesticides and fertilisers	Six	Foliar fertilisers and biopesticides	Within 15 days after delivery; bank transfer	832	2.5

Note:

(1) represents suppliers who traded with us as registered individual businesses* (個體工商戶) in the PRC.

To the best knowledge of our Directors, none of our Directors or their associates, or any Shareholders, who owns more than 5% of our issued share capital, had any interest in any of our five largest suppliers in each year/period during the Track Record Period and up to the Latest Practicable Date. We did not have any material dispute with our suppliers during the same period.

Subcontractors

As we expanded the scale of our operation in the Laixi Facility throughout the Track Record Period, and established our new Xi'an Facility and Dalian Facility in 2019, we required more labour in carrying out the cultivation work in three provinces and there was an increasing need for recruitment, monitoring, coordination and supervision of work. We believe that engaging subcontractors to handle the simple labour work such as sowing and watering in the cultivation process would provide us with more flexibility in management, reduce our administrative workload and allow us to manage effectively our cultivation process and meet our demand for workforce in a timely manner to cope with our recent expansion. It also allows our experienced staff to focus on the quality control procedures to uphold the quality of our products and conduct testing for the refinement of our current cultivation methods and techniques which are our core competitive advantages. We engage subcontractors by entering into standard labour subcontracting agreements (勞務外包合作協議書) with companies engaging in labour supply services which are Independent Third Parties and completely outsourced all of our simple labour work since the Track Record Period. In fact, it is an industry practice for potted vegetable producers in the PRC to engage subcontractors to assist in cultivation.

The division of work between our employees and subcontracting labours are set forth in the following table:

Nature of work	Our employees	Subcontracting labours
Supervising and monitoring our subcontractors and subcontractors labour	Yes	No
Maintenance and operation of our cultivation facilities	Yes	No
Performance of quality control of our raw materials and potted vegetable produce	Yes	No
Monitoring vegetable's growth progress, adjusting the use of fertilisers, biopesticides, etc.	Yes	No

Nature of work	Our employees	Subcontracting labours
Monitoring and/or adjusting environment parameters such as pH value of organic substrates, temperature, humidity, carbon dioxide density and illumination duration inside our greenhouses	Yes	No
Managing greenhouse spaces, determining species to be planted	Yes	No
Pest and crop disease control in greenhouses	Yes	Yes
Sowing and watering our potted vegetable produce	No	Yes
Transporting our potted vegetable produce within our cultivation facilities	No	Yes

During the Track Record Period, we have engaged seven, five, five and four subcontractors. As confirmed by our Directors, as at the Latest Practicable Date, the total number of subcontracting workforce involved in our cultivation process is approximately 300 labours. As confirmed by our Directors, there was no injury claim against us by any subcontracting labour during the Track Record Period.

The following table sets forth a summary of the principal terms of the labour subcontracting agreement:

Term of agreement:	Typically one year
Obligations of the subcontractor:	The subcontractor is required to supply qualified workers to work at our cultivation facility according to our demands, comply with our internal guidelines including guidelines on production safety and occupational hygiene, and keep our trade secrets confidential. The subcontractor is also responsible for procuring the employment related insurance and be responsible for any work-related injury claims and labour dispute for their own subcontracting labours.

Subcontracting fees:	Subcontracting fees are settled on a monthly basis to be calculated based on the quality passing rate of each batch of potted vegetable produce cultivated by our subcontractors. If the subcontractors achieve a quality passing rate between 85% to 95%, they will be entitled to the basic subcontracting fee per pot for the batch they cultivate. If the quality passing rate is above 95%, the subcontractors will be entitled to an additional subcontracting fee of RMB0.5 per pot on top of the basic subcontracting fee for the batch they cultivate. If the quality passing rate is below 85% (except due to force majeure events), the subcontractors will not be entitled to any subcontracting fee.
Early termination right:	If the subcontractor provides false qualification certifications (i.e. an invalid business operation licence) and does not have legal qualifications to carry out the agreement, or if it breaches other relevant PRC laws or terms in the agreement, we have a right to terminate the agreement. If we fail to pay the subcontractor within the stipulated timeline, the subcontractor has a right to terminate the agreement.

The quality passing rate of the batch of potted vegetable cultivated by the subcontractor is determined by the inspection conducted by our cultivation staff. During the inspection, our staff will check the potted vegetable produce based on a set of internal specifications for different vegetable species, for example, colour and appearance, any withered or damaged leaves, number of leaves/stems and the overall volume of the vegetable, etc. to determine whether the products can pass our inspection. We will then count the total number of potted vegetable produce that can pass our inspection to calculate the quality passing rate.

The tables below set out the basic information of our five largest labour subcontractors in each year/period engaged during the Track Record Period:

FY2020

Rank	Name of the subcontractor	Location	Background and principal business of the subcontractor	Approximate year(s) of business relationship with our Group as at the Latest Practicable Date	Major services procured from the subcontractor	Typical credit terms and payment method	Approximate amount of subcontractor charge	Approximate percentage of total subcontractor charge
							(approximately RMB'000)	*(%)*
1	Labour subcontractor B *(Note 1)*	Qingdao, Shandong province	A private company engaged in the labour dispatch and labour subcontracting services	Four	Labour subcontracting services	One month; bank transfer	14,587	50.4
2	Labour subcontractor A	Qingdao, Shandong province	A private company engaged in the labour dispatch and labour subcontracting services	Five	Labour subcontracting services	One month; bank transfer	7,053	24.4
3	Labour subcontractor E	Qingdao, Shandong province	A private company engaged in the labour dispatch and labour subcontracting services	Three	Labour subcontracting services	One month; bank transfer	3,967	13.7
4	Labour subcontractor C	Xi'an, Shaanxi province	A private company engaged in the labour dispatch and labour subcontracting services	Five	Labour subcontracting services	One month; bank transfer	1,928	6.7
5	Labour subcontractor G	Dalian, Liaoning province	A private company engaged in the labour dispatch and labour subcontracting services	Three	Labour subcontracting services	One month; bank transfer	592	2.0

FY2021

Rank	Name of the subcontractor	Location	Business activity of the subcontractor	Approximate year(s) of business relationship with our Group as at the Latest Practicable Date	Major services procured from the subcontractor	Typical credit terms and payment method	Approximate amount of subcontractor charge	Approximate percentage of total subcontractor charge
							(RMB'000)	*(%)*
1	Labour subcontractor A	Qingdao, Shandong province	A private company engaged in the labour dispatch and labour subcontracting services	Five	Labour subcontracting services	One month; bank transfer	13,508	36.2
2	Labour subcontractor B *(Note 1)*	Qingdao, Shandong province	A private company engaged in the labour dispatch and labour subcontracting services	Four	Labour subcontracting services	One month; bank transfer	13,406	36.0
3	Labour subcontractor E	Qingdao, Shandong province	A private company engaged in the labour dispatch and labour subcontracting services	Three	Labour subcontracting services	One month; bank transfer	7,388	19.8
4	Labour subcontractor G	Dalian, Liaoning province	A private company engaged in the labour dispatch and labour subcontracting services	Three	Labour subcontracting services	One month; bank transfer	1,520	4.1
5	Labour subcontractor C	Xi'an, Shaanxi province	A private company engaged in the labour dispatch and labour subcontracting services	Five	Labour subcontracting services	One month; bank transfer	1,443	3.9

FY2022

Rank	Name of the subcontractor	Location	Business activity of the subcontractor	Approximate year(s) of business relationship with our Group as at the Latest Practicable Date	Major services procured from the subcontractor	Typical credit terms and payment method	Approximate amount of subcontractor charge	Approximate percentage of total subcontractor charge
							(RMB'000)	*(%)*
1	Labour subcontractor A	Qingdao, Shandong province	A private company engaged in the labour dispatch and labour subcontracting services	Five	Labour subcontracting services	One month; bank transfer	19,948	62.3
2	Labour subcontractor E	Qingdao, Shandong province	A private company engaged in the labour dispatch and labour subcontracting services	Three	Labour subcontracting services	One month; bank transfer	5,107	15.9
3	Labour subcontractor B	Qingdao, Shandong province	A private company engaged in the labour dispatch and labour subcontracting services	Four	Labour subcontracting services	One month; bank transfer	4,305	13.4
4	Labour subcontractor G	Dalian, Liaoning province	A private company engaged in the labour dispatch and labour subcontracting services	Three	Labour subcontracting services	One month; bank transfer	1,390	4.3
5	Labour subcontractor C	Xi'an, Shaanxi province	A private company engaged in the labour dispatch and labour subcontracting services	Five	Labour subcontracting services	One month; bank transfer	1,277	4.0

9M2023

Rank	Name of the subcontractor	Location	Business activity of the subcontractor	Approximate year(s) of business relationship with our Group as at the Latest Practicable Date	Major services procured from the subcontractor	Typical credit terms and payment method	Approximate amount of subcontractor charge	Approximate percentage of total subcontractor charge
							(RMB'000)	*(%)*
1	Labour subcontractor A	Qingdao, Shandong province	A private company engaged in the labour dispatch and labour subcontracting services	Five	Labour subcontracting services	One month; bank transfer	26,738	92.4
2	Labour subcontractor C	Xi'an, Shaanxi province	A private company engaged in the labour dispatch and labour subcontracting services	Five	Labour subcontracting services	One month; bank transfer	1,032	3.6
3	Labour subcontractor G	Dalian, Liaoning province	A private company engaged in the labour dispatch and labour subcontracting services	Three	Labour subcontracting services	One month; bank transfer	923	3.2
4	Labour subcontractor H	Dalian, Liaoning province	A private company engaged in the labour dispatch and labour subcontracting services	One	Labour subcontracting services	One month, bank transfer	238	0.8

Note:

(1) Labour subcontractor B consists of two limited liability companies owned by a common controlling shareholder.

Before engaging our subcontractors, we adopt an internal evaluation procedure which involves consideration of a set of criteria such as their reputation, productivity, production quality, occupational safety and credibility. We conduct reviews on our subcontractors from time to time to ensure they continue to satisfy our internal requirements. We require our subcontracting workers to undergo training conducted by us to ensure that they understand our potted vegetable cultivation and operational standards. We have also implemented quality control procedures to ensure the quality of the potted vegetable produce cultivated by our subcontractors. For further details on our quality control procedures, please refer to the paragraph headed "Product safety and quality control — Production process quality control" in this section of the prospectus.

As at the Latest Practicable Date, we engaged four subcontractors, who were all Independent Third Parties. Our Group has maintained good relationships with our subcontractors and we have renewed the contracts of our subcontractors who satisfied our internal requirements. In FY2020, FY2021, FY2022 and 9M2023, the total amount of subcontracting fees amounted to approximately RMB28.3 million, RMB37.2 million, RMB30.3 million and RMB29.0 million, which represents approximately 41.6%, 41.7%, 40.9% and 41.8% of our total cost of sales for the same period, respectively. Our Directors consider that there is no over-reliance on any individual subcontractor and no material risk of disruption to our normal operations since (i) we maintain a list of qualified subcontractors which is updated by us periodically, and (ii) there are many subcontracting companies of comparable size and quality available in the market. Our Directors believe that we can replace one subcontractor with another with no undue difficulty.

During the Track Record Period, we did not experience any material issue or dispute in relation to product quality with any of our subcontractors.

To the best knowledge of our Directors, none of our Directors or their associates, or any Shareholders, who owns more than 5% of our issued share capital, had any interest in any of our five largest subcontractors in each year/period during the Track Record Period and up to the Latest Practicable Date.

PRODUCT SAFETY AND QUALITY CONTROL

To ensure the quality of our potted vegetable produce, we have established stringent quality control measures over our entire production process, from selection of suppliers and sourcing of raw materials to our cultivation process, inspection of finished products and inventory storage. Our quality control department is responsible for formulating our quality control system in accordance with the relevant PRC laws and regulations, and monitoring our entire production process at each key stage to ensure our products meet the required quality standards. Further, our quality control department reviews the implementation of our quality control system on a regular basis to recommend improvement procedures and ensure continuous improvement in the quality of our products.

Our quality control department is led by our quality control department manager who has more than seven years of relevant experience in implementing quality control measures in cultivation of our potted vegetable produce as at the Latest Practicable Date. Our quality control department personnel are required to acquire relevant knowledge in relation to product quality assessment.

In recognition of our technical and quality control capabilities, we were selected by Qingdao Association of Standardisation (青島市標準化協會) in 2019 to be involved in the development of the industry standard for the industrial cultivation of potted vegetable produce in the PRC together with the Laixi Potted Vegetable Cultivation Association* (萊西市盤菜種植協會), Qingdao Fugeng Agricultural Machinery Professional Cooperative* (青島富耕農機專業合作社) and Qingdao Institute of Technology and Standards* (青島市技術標準科學研究所).

Raw materials quality control

As the quality of our potted vegetable produce is heavily dependent on the quality of our primary raw materials, we have implemented stringent procedures in the selection of our suppliers. Please refer to the paragraph headed "Raw materials, suppliers and subcontractors — Our suppliers" in this section of the prospectus for further details.

In addition, we have also implemented an inspection and testing procedure whereby raw materials delivered to our cultivation facilities are sampled for inspection and testing in accordance with our quality requirements before they are accepted. For example, we will conduct visual examination on the seeds supplied by our suppliers to ensure that they are not adulterated with other wild seeds that are not required for our cultivation. Moreover, as our internal quality control measures, we will conduct searches to check whether our seeds producers possess valid qualification certificate. We will also examine the packaging of the seeds, foliar fertilisers and biopesticides to check their manufacturing date to ensure that no near-expiry goods are delivered to us by the suppliers. We will also conduct sample testing on the seeds' germination rate with the organic substrates prepared and fermented from the raw materials supplied by our suppliers to examine whether the raw materials they provided could yield the organic substrates with satisfactory quality and be able to cultivate our potted vegetable produce efficiently. We have also implemented storage control procedures in relation to the storage of raw materials. Please refer to the paragraph headed "Inventories and logistics — Inventories management" in this section of the prospectus for the details of our raw materials storage.

Production process quality control

Our cultivation process is closely monitored by our quality control department, which conducts quality sample testing and inspection on our potted vegetable produce at various stages of our cultivation process. Our quality control department is responsible for ensuring that (i) our cultivation procedures, including the use of raw materials, follow our internal production guidelines; (ii) the size and appearance of our potted vegetable produce are satisfactory in accordance with our internal standards; (iii) there is no contamination and pollution of our products; and (iv) our products meet our quality standards. Only those products which pass our quality checks can be sold to our customers.

In order to ensure our potted vegetable produce is growing in an environment that is free from hazardous chemicals and pollutants and to minimise the risk of contamination and pollution from the environment, we have implemented certain control measures in respect of the growing environment of our potted vegetable produce. These measures include the careful selection of water source and suppliers for the raw materials of our organic substrates. We have also engaged a third party inspection institution to conduct sample testing on our organic substrates and water for irrigation to ensure their qualities in respect of their pH value and residual level of heavy metals comply with the environmental requirements for origin of pollution-free agricultural products. We have been accredited with Certificate of Origin of Pollution-free Agricultural Products* (無公害農產品產地認定證書) from Qingdao Agriculture Commission* (青島市農業委員會) in December 2017.

According to the Measures for the Management of Pollution-free Agricultural Products (2007 Amendment) (無公害農產品管理辦法 (2007修正)) (the "**Management Measures**"), pollution-free agricultural products are unprocessed or pretreated edible agricultural products which passed the relevant national standards and requirements in relation to the environment of origin, production process and product quality, and the products will be certified and allowed to use the pollution-free agricultural products logos. Our Group has standard procedure in cultivation to ensure that our Group's potted vegetable produce is in compliance with the relevant requirements set out in the Management Measures; fertilisers (such as foliar fertilisers) and biopesticides (such as matrine) will only be applied by our Group in cultivation if necessary in strict compliance with the Management Measures. As confirmed by our Directors, our Group has not applied any restricted chemicals or any material or substance in cultivation that would lead to the residual levels of the restricted chemicals exceeding the prescribed limits in the potted vegetable produce. Our Group had conducted sample checking and the independent third party inspection institution engaged by us had not detected any restricted chemicals that exceeded the prescribed limits in our Group's potted vegetable produce.

We have implemented quality control procedures to ensure the quality of the potted vegetable produce cultivated by our subcontractors. Pursuant to the labour subcontracting agreements, we require our subcontractors to comply with our internal production requirements on production safety and occupational hygiene. Our quality control department closely monitors our subcontractors' cultivation process and provide guidance at various stages. We are responsible for procuring and providing raw materials to our subcontractors, who utilise such raw materials in accordance with our instructions and training provided to them. Further, we calculate the subcontracting fees on a monthly basis based on the quality passing rate of each batch of potted vegetable produce cultivated by our subcontractors, the subcontractors would be entitled to receive a higher subcontracting fee per pot of potted vegetable produce if they could achieve a higher quality passing rate for the batch they cultivate.

Finished product quality control

We perform sample-tests and inspections on our matured potted vegetable produce to ensure that the relevant quality standards have been met. We conduct sample testing on our potted vegetable with pesticide residue testing machines to ensure that our potted vegetable produce would not contain residual pesticide that exceeds the safety limits. For our Laixi Facility, the pesticide residue testing machine is connected to Qingdao Agricultural Rural Bureau* (青島市農業農村局), and the testing results were reported back to Qingdao Agricultural Rural Bureau. We have also engaged a third party inspection institution to conduct sample testing on our potted vegetable produce for checking the residue level of (i) heavy metals such as cadmium and lead; and (ii) pesticides such as carbofuran, omethoate and phorate in accordance with the relevant national standards mentioned in the guideline issued by the Ministry of Agriculture of the PRC. The investigation result revealed that none of the samples of our potted vegetable produce had been detected with the heavy metals or pesticides that exceed the safety limits set out in the relevant national standards. We have been granted with Certificate of Pollution-free Agricultural Products* (無公害農產品證書) by Qingdao Agricultural Rural Bureau* (青島市農業農村局) in respect of the potted vegetable produce cultivated at our Laixi Facility as at the Latest Practicable Date.

INVENTORIES AND LOGISTICS

Inventories management

Our inventories primarily consist of pots and agricultural materials which mainly include seeds, fertilisers and biopesticides which were not utilised at the end of each of the Track Record Period. We utilise a computerised enterprise inventories management system to record the incoming and outgoing inventories. Such system allows us to monitor levels of inventories on a regular basis in order to maintain adequate quantities of our pots and agricultural materials.

Our cultivation facility employees regularly conduct stock-take of our agricultural materials and are required to prepare monthly records on our inventory levels. We keep an adequate level of inventories in accordance with the cultivation schedule of our potted vegetable produce. During the Track Record Period, we did not experience any shortage of inventories.

Each of our cultivation facilities has a storeroom for storage of our agricultural materials. Our agricultural materials are stored in designated areas within our storerooms according to their product categories. Our storerooms are maintained to be dry and well-ventilated in order to prevent deterioration of our agricultural materials. We also undertake fire safety and pest control measures to minimise fire hazards and risk of damage to our agricultural materials.

Logistics

For sales to our distributors, we are not responsible for the delivery of our products and our distributors will arrange for their own delivery from our cultivation facilities to their premises or customers at their own cost. Any risk of liability relating to transportation accidents, delivery delays and losses in respect of delivery to our distributors will be borne by our distributors.

For sales to our end-user customers, we generally arrange for delivery of our products to their premises using our own fleet of delivery vehicles. Any risk of liability relating to transportation accidents, delivery delays and losses in respect of delivery will be borne by us.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant delay in delivery that materially affected our business operations.

AWARDS

We have been granted a number of awards and certificates in recognition of our business development, details of which are set forth as follows:

Year of grant	Award/Accreditation	Awarding Body
2020	GB/T 19001-2016 idt ISO 9001: 2015 Certificate of Quality Management System (質量管理體系認證證書)	Qingdao Huazhong Century Certification Co., Ltd.* (青島華中世紀認證有限公司)
2020	GB/T 24001-2016 idt ISO 14001: 2015 Certificate of Environmental Management System (環境管理體系認證證書)	Qingdao Huazhong Century Certification Co., Ltd.* (青島華中世紀認證有限公司)
2020	GB/T 45001-2020 idt ISO 45001: 2018 Certificate of Occupational Health and Safety Management System (職業健康安全管理體系認證證書)	Qingdao Huazhong Century Certification Co., Ltd.* (青島華中世紀認證有限公司)
2018	Qingdao Green Vegetable Garden* (青島市綠色菜園)	Qingdao Agriculture Commission* (青島市農業委員會)
2015	March 15 — the Most Socially Trustworthy Brand* (3 • 15最具社會誠信品牌)	Peninsula Metropolitan Newspaper* (半島都市報社)
2014	Qingdao Municipal Vegetable Base* (青島市市控蔬菜基地)	Bureau of Commerce, Qingdao (青島市商務局)

KNOW-HOW AND INTELLECTUAL PROPERTY RIGHTS

Our potted vegetable cultivation business is different from typical crop cultivation and requires a body of specialised knowledge including seed and specie selection, substrate development and greenhouse facility management. Over the years since we commenced our potted vegetable cultivation business in 2012, through our operation experience and continuous testing efforts, we have accumulated knowledge and experience in relation to the cultivation of potted vegetable produce in terms of method, process and organic substrate formula which are part of our essential proprietary technical know-how. Our technical department personnel have engaged in continuous testing for the refinement of our current cultivation methods and techniques and the optimisation of species selection for new products. As a result of our continuous testing of cultivation method, the number of species we cultivated has grown from 15 species as at 31 December 2018 to 29 species as at 30 September 2023. Hence, the accumulation and effective protection of proprietary information and technical know-how are essential to our operations. As some of our proprietary information and know-how are not patented, we are vulnerable to unauthorised disclosure of such proprietary information to our competitors.

Through our past experience, we also acquired the know-how and technique to improve and utilise our greenhouse facilities to develop the environment optimal for planting our potted vegetables. We developed our enhanced greenhouses that are made to our specifications and equipped with a combination of facilities or equipment for monitoring and improving the cultivation environment such as thermometer, rolling sun shading curtains, insulating quilts, fibreglass water duct and vegetable greenhouse environment monitoring system.

As at the Latest Practicable Date, we had ten registered patents. The details of the ten registered patents which represent the equipment developed or invented by us for improving the operation of potted vegetable cultivation are set out below:

Name of invention	Type of invention	Place of registration	Expiry date
Vegetable greenhouse environment monitoring system* (一種蔬菜大棚環境監測系統)	Invention patent (發明專利)	PRC	1 January 2037
Automatic sowing machine* (自動播種機)	Invention patent (發明專利)	PRC	27 February 2039
Automatic sowing machine* (自動播種機)	Utility model patent (實用新型專利)	PRC	27 February 2029
Sun blocking curtain device* (遮陽網捲簾裝置)	Utility model patent (實用新型專利)	PRC	21 February 2029
New type of watering device* (一種新型灌溉裝置)	Utility model patent (實用新型專利)	PRC	26 December 2028
Greenhouse vent opening and closing device* (大棚通風口開閉裝置)	Utility model patent (實用新型專利)	PRC	22 May 2029
New type of planting device* (一種新型種植裝置)	Utility model patent (實用新型專利)	PRC	25 February 2031
Automatic blending and feeding machine* (一種自動攪拌上料機)	Utility model patent (實用新型專利)	PRC	25 February 2031
New type of sowing machine* (一種新型播種機)	Utility model patent (實用新型專利)	PRC	25 February 2031
New type of planting tray* (一種新型種植盤)	Utility model patent (實用新型專利)	PRC	25 February 2031

As at the Latest Practicable Date, we also had (i) nine registered trademarks and two trademark registration applications in the PRC; (ii) two registered trademarks in Hong Kong; and (iii) two registered domain names. For details of our intellectual properties, please refer to the paragraph headed “B. Further information about business of our group — 2. Intellectual property rights of our Group” in Appendix VI to this prospectus.

During the Track Record Period, we did not register “富景农业” as a trademark in the PRC. To safeguard the Group’s legal rights in our brand “富景农业”, we have submitted the application for trademarks “富景农业” and “ ” on 13 November 2023, and the estimated time to complete the application is approximately 12 to 18 months, which is in line with the typical time required for trademark registration. Our PRC Legal Advisers are of the view that, in the absence of unforeseen circumstances, there is no administrative or legal impediment to complete the registration of such trademarks for the following reasons:

(i) according to the search conducted on the official website of the Trademark Office, “富景农业” or “富景農業” has not been registered as a trademark under Class 31 (cereals and agricultural, horticultural, and forestry products not falling within other categories; live animals; fresh fruits and vegetables; seeds; plants and flowers; animal feed; malt) in the PRC;

(ii) according to the search conducted on the Trademark Office’s online database, there are two registered and currently valid trademarks that contain “富景” under Class 31 in the PRC. To the best of our Directors’ knowledge, the business operated by us and the owners of the registered and currently valid trademarks that contain “富景” are different. Based on the understanding of the businesses of the owners of these registered trademarks through telephone communication, the owners do not operate business related to vegetables. Therefore, the registered and currently valid trademarks that contain “富景” are not for use on goods identical with or similar to those offered by us; and

(iii) the registered and currently valid trademarks that contain “富景” are text-graphic combination trademarks and each of them has an overall layout arrangement and combination and cannot be used separately. Our brand “富景农业” is only a text mark without graphic combination. There is an obvious difference in the overall vision. Therefore, our brand “富景农业” is not identical with or similar to these registered trademarks according to Articles 14 and 15 of the Notice by the China National Intellectual Property Administration of Issuing the Trademark Infringement Judgment Standard (國家知識產權局關於印發〈商標侵權判斷標準〉的通知) and will not cause confusion.

Based on the above, our Directors and the PRC Legal Advisers are of the view that our continuous use of the brand “富景农业” will not infringe the intellectual property rights of any third parties, and the risk of we facing any related trademark disputes or potential disputes is remote, and the businesses operated by these owners do not pose a threat to our business.

For details of the risks associated with the non-registration of "富景农业" as a trademark in the PRC, please refer to the paragraph headed "Risk Factors — We did not register "富景农业" as a trademark in the PRC during the Track Record Period and there is no assurance that the trademark application will be successful. Our ability to compete may be hampered if our rights to our brand are infringed by third-parties or, on the other hand, if we are alleged or found to have infringed the intellectual property rights of others".

We rely on intellectual property laws in the PRC to protect our intellectual property rights. We also rely on a combination of trade secrets, confidentiality procedures and contractual provisions to protect our know-how and intellectual property rights. Our employees who have access to our confidential information are generally required to enter into confidentiality agreements with us, pursuant to which our employees undertake to keep our trade secrets confidential during and after the termination of their employment with us. Moreover, we have entered into confidentiality agreements with our current suppliers of components of organic substrates in order to protect our rights in relation to the formula of our organic substrates. In respect of our engagement of subcontractors, although our subcontractors only involve in simple labour work, we have included a confidentiality clause in our labour subcontracting agreements which require our subcontractors to keep our trade secrets confidential. If any infringement of our intellectual property rights is found, we will seek to take appropriate action to defend our rights. In addition, we participate in the Qingdao Agricultural Produce Safety Monitoring Platform* (青島市農產品質量安全監管平台) provided by Qingdao Agriculture Commission* (青島市農業委員會) by affixing QR code on some of the pots in every batch of our potted vegetable produce cultivated in Laixi Facility. Consumers may identify the cultivation particulars of the batch and the name of producer and prove the genuineness of our potted vegetable produce by scanning the QR code on the pots. Our Directors believe that the implementation of the said identification and tracking system could avoid counterfeiting of our products and protect our intellectual property rights.

Our testing expenses for testing of cultivation methods and techniques and developing our know-how amounted to approximately RMB1.1 million, RMB1.7 million, RMB0.2 million and RMB0.1 million representing approximately 0.9%, 1.1%, 0.1% and 0.1% of our revenues in FY2020, FY2021, FY2022 and 9M2023, respectively. Our testing expenses mainly represent substrates and raw materials used in testing our cultivation methods.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any infringement of our intellectual property rights having a material adverse effect on our business, and we were not involved in any actual or alleged dispute, litigation or legal proceedings for violation of intellectual property rights of third parties. Please refer to the paragraph headed "Risk Factors — Risks relating to our business — We are exposed to possible infringements of our intellectual property rights, or we could face claims for infringement of the intellectual property rights of others, which may materially and adversely affect our sales, reputation, business operations and financial performance" in this prospectus.

EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 33 full-time employees in the PRC, of whom 24, 5 and 4 were based in our Laixi Facility, Xi'an Facility and Dalian Facility respectively. The following table sets forth a breakdown of our employees by function as at the Latest Practicable Date:

Function	Number of employees
Procurement	1
Sales and marketing	1
Cultivation	11
Quality control	3
Technical	5
Finance and accounting	8
Human resources	1
Management and administration	3
Total	33

None of our full-time employees hired during the Track Record Period and up to the Latest Practicable Date was hired through employment agencies. Our recruitment policy is based on a number of factors including the level of knowledge and experience we require of our staff. We provide introductory training at the time when members of our staff first join us and thereafter regular on-the-job training, depending on his or her role. In addition, it is our policy to provide training to our staff on an as-needed basis to enhance their technical and industry knowledge. We believe such initiatives have contributed to the increased employee productivity.

Pursuant to the relevant PRC regulations, we are required to participate in various employee benefit plans including social insurance and housing provident funds for our employees (except for direct casual labour). Save for the non-compliance incidents relating to social insurance contributions and housing provident fund contributions during the Track Record Period as disclosed in the paragraph headed "Non-compliance" in this section of the prospectus, we are advised by our PRC Legal Advisers that we have complied with the applicable labour laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

We enter into a standard employment contract with all our employees which set out terms such as remuneration and period of employment. During the Track Record Period, our staff cost (including directors' emoluments and the fees to subcontractors) was approximately RMB31.6 million, RMB40.1 million, RMB34.8 million and RMB30.7 million in FY2020, FY2021, FY2022 and 9M2023, respectively.

Although we have a relatively small number of employees during the Track Record Period, we are relatively small in scale and have subcontracted all our labour work. As such, we have internal control in place to ensure the proper segregation of duties and risk management in each business function. There is no employee responsible for overseeing and performing multiple business functions. For the routine business functions, the responsibilities of different business functions will be borne by different Executive Directors for ensuring proper segregation of duties while for the non-routine business decisions will involve board of Directors for a balanced decision and if any conflict of interest arises, the respective Director will abstain from voting in the respective resolution. There are also regular meetings held between the Executive Directors to review and monitor the business and financial performance against the targets, the progress of receipts from customers and payments to suppliers, the efficiency in the use of resources in comparison to the budgets, and the operational matters to ensure we have complied with the regulations that have material impact to our business. The aim is to enhance the communication and accountability of the Executive Directors so that significant strategic, financial, operational and compliance risks or potential deviations are timely and properly identified and dealt with in a proper manner, while significant issues are reported to the Board for their attention. The management also compiles monthly reports to the Board to update the latest financial performance, position and prospects of our Group. For further details, please refer to the section headed "Directors and Senior Management" in this prospectus.

For the three business functions each with only one employee (i.e. procurement, sales and marketing and human resources), we require the employee to have a high requirement on the relevant experience and competency. Specifically, the three relevant employees of procurement, sales and marketing and human resources functions have worked with the Group for over five years and all of them (i) possess at least 15 years of relevant work experience; (ii) completed relevant occupational training for at least 10 hour per year; and (iii) obtained university degrees or professional certificate. The three relevant employees are capable of performing their routine daily work duties based on our Directors' belief and are also required to report from time to time and obtain approvals from the Executive Director(s) who are responsible for their respective functions. Nevertheless, our Executive Directors are heavily involved in monitoring the performance of these employees to ensure their works are in order and the smooth operation of these business functions. Since the establishment of the Group in 2006, the Group had not experienced any operational difficulty or hindrance in managing our business functions notwithstanding a relatively small number of employees during the Track Record Period.

During the Track Record Period, there was no material dispute with our employees in the course of our operations. We believe that we maintain a positive working relationship with our employees.

COMPETITION

China's vegetable produce market and potted vegetable produce market are both highly fragmented with around one million to two million vegetable producers and thousands of potted vegetable producers, respectively. In 2022, our Group, with a sales revenue of RMB126.7 million, accounted for approximately 3.1% of total sales revenue of potted vegetable producers in China and less than 0.01% of total sales revenue of vegetable producers.

Entry barriers and the competitiveness of the potted vegetable produce market largely lie in brand recognition, potted vegetable produce cultivation know-how, capital requirements and logistics capabilities. Our Directors believe that we are able to compete by leveraging our strengths as a market leader in Shandong province's potted vegetable produce market, our well-established distribution network and our developed techniques in the potted vegetable produce cultivation. We will also further solidify our status in the market through continuous efforts in testing cultivation methods and techniques and improving our product quality.

For further details on our competitive landscape, please refer to the paragraph headed "Industry Overview — Competitive landscape of China's vegetable produce and potted vegetable produce markets" in this prospectus. For further details on our risks related to competition, please refer to the paragraph headed "Risk Factors — Risks relating to the industry which we operate in — We operate in a highly fragmented and competitive industry and may face increasing competition, which may affect our market shares and profit margins" in this prospectus.

ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY

We are committed to promoting corporate social responsibility and sustainable development and integrate them into our business operations. Our Directors believe that other than being responsible for the interests of our Shareholders and maximising profits, our Company must also assume responsibility for the society in order to achieve a cohesive and sustainable relationship between our Company, the economy and the society. Accordingly, our Company has adopted a series of policies in relation to environmental protection, occupational health and safety and employee trainings. We plan to set targets for Environmental, Social and Governance (the "**ESG**") issues and to review our key performance on a regular basis.

Our ESG Governance Structure

We regard ESG commitments as part of its responsibilities and is committed to take ESG considerations into account in its decision-making process. We take a top-down approach to ESG issues. The Board has overall responsibility for the our ESG approach and strategy and has delegated certain execution of ESG strategy to a working group as explained below. It is responsible for ensuring the effectiveness of the our risk management and internal controls, assessing, prioritizing and managing significant ESG-related issues, adopting ESG strategies and targets, and semi-annually reviewing progress in achieving our targets.

To enhance the effectiveness of the our ESG efforts, we have established an ESG working group (the "**Working Group**") and hire ESG consultant (the **"ESG Consultant**"). The Working Group comprises core members from different departments of the Company including head of sales, production, human resource, finance department and ESG Consultant and is responsible for collecting and analyzing ESG-related information, determining and assessing the ESG risks of the Company, reviewing and implementing ESG-related policies, guidelines and measures, and semi-annually reviewing the progress of related targets. The Working Group also identifies, evaluates and prioritizes important ESG issues through materiality assessments, which are further reviewed and approved by the Board. In addition, the Working Group will report regularly to the Board on ESG-related issues for the Board's evaluation and subsequent implementation or revision of our ESG strategy and management approach, and to ensure that appropriate risk management is applied to the ESG issues.

For any material ESG issue was identified by the Working Group, the ESG Consultant, would perform:

- Risk ranking process involves analysing the inherent likelihood and impact of the material identified ESG risk in order to facilitate the management to prioritise the identified ESG risk items and identify the responsible risk owners. The Working Group is responsible for this function of the Company.

- Risk acceptance is a formal decision to accept the ESG risk. In this step, the ESG Consultant should analyse the measures that put in the risk response table based on risk priorities. Starting point is the risk priority number as calculated from probability and severity and the risk threshold as defined at the risk assessment process.

- Once the decision to mitigate the significant ESG risk has been made and the strategy is identified, a mitigation plan should be formulated.

There are also regular meetings held between the Board, Working Group and the ESG Consultant to review and monitor both the qualitative and quantitative performance against the ESG targets, the efficiency in the use of our resources, and the operational matters to ensure we have complied with the regulations that have material impact to our business.

Environmental protection

Our operations are subject to the current environmental protection laws and regulations promulgated by the PRC government. For details, please refer to the section headed "Regulatory Overview — Laws and regulations relating to environmental protection" in this prospectus. We are committed to minimising the effect of pollution as a result of our operation. For example, we recycle and reuse pots for growing our potted vegetable produce. Our overall environmental protection efforts are managed by our guideline and we believe that our environmental protection measures are effective in reducing the negative environmental impact.

There is no assurance that the relevant environmental laws and regulations will remain unchanged. If the PRC government imposes more stringent environmental protection laws and regulations, we may need to spend additional capital to upgrade our system to remain in compliance or our cultivation operation may be interrupted. For more details, please refer to "Risk Factors — Risks relating to the industry which we operate in — We are subject to environmental regulations and may be exposed to liability and potential cost for environmental compliance" in this prospectus.

As advised by our PRC Legal Advisers, we had complied with the relevant PRC laws and regulations in relation to environmental protection in all material aspects during the Track Record Period and up to the Latest Practicable Date.

Emission and consumption

Air emission

The table below sets forth a breakdown of our gas emission from use of our motor vehicles during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September
	2020	**2021**	**2022**	**2023**
	(kg)	*(kg)*	*(kg)*	*(kg)*
Gas emissions				
Nitrogen oxides*(Note 1)*	140.273	127.851	101.244	64.360
Sulphur oxides*(Note 1)*	0.424	0.325	0.257	0.165
Particulate matter*(Note 1)*	13.441	12.251	9.701	6.167
Total	**154.138**	**140.427**	**111.202**	**70.692**
Emission density*(Note 2)*	1.270	0.906	0.878	0.558

Notes:

(1) Refers to the gas emissions resulting from the consumption of fuel in our Group's daily operations, taking into account the relevant emission rates and driving distances.

(2) Refers to the emission of gas per million of revenue in the corresponding years/period.

Our Group emits gas amid our daily operations from the consumption of gaseous fuels, such waste gas mainly include pollutants such as nitrogen oxides (NOx) and sulphur oxides (SOx), and respiratory suspended particles such as particulate matter. In FY2020, FY2021, FY2022 and 9M2023, our Group emitted a total of approximately 154.138 kg, 140.427 kg, 111.202 kg and 70.692 kg of waste gas, respectively. The increase in air emission in FY2020 are mainly due to use of more vehicles for our operation.

The decrease in air emission in FY2021 and FY2022 are mainly due to the use of vehicles with lower emissions.

The emission density has decreased since FY2020 mainly due to i) the use of vehicles with lower emissions, and ii) the enjoyment of economic benefits resulting from increasing revenue.

The table below sets forth a breakdown of our greenhouse gas emission during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September
	2020	**2021**	**2022**	**2023**
	(kg of CO_2e)	*(kg of CO_2e)*	*(kg of CO_2e)*	*(kg of CO_2e)*
Greenhouse gas emissions				
Scope 1: Direct emission *(Note 1&2)*	77,868	59,281	45,948	29,410
Scope 2: Indirect emission *(Note 1&3)*	152,921	169,743	167,670	128,182
Scope 3: Other indirect emission *(Note 1&4)*	8,936	11,926	10,077	6,978
Total	**239,725**	**240,950**	**223,695**	**164,570**
Emission density *(Note 5)*	1,975	1,555	1,766	1,357

Notes:

(1) The above greenhouse gas emissions are applicable to our Group and are classified into three scopes according to the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

(2) Scope 1 emission refers to direct emissions from operations that are owned or controlled by our Group.

(3) Scope 2 emission refers to energy indirect emissions resulting from the generation of purchase or acquired electricity, heating, cooling and steam consumed within our Group.

(4) Scope 3 emission refers to all other indirect emissions that occur outside our Group including both upstream and downstream emissions.

(5) Emission density refers to the emission of greenhouse gas per million of revenue in the corresponding years.

Our Group generates direct and indirect emissions of greenhouse gases due to consumption of fuel and electricity, usage of paper and business travel by our employees. In FY2020, FY2021, FY2022 and 9M2023, there was approximately 239,725 kg, 240,950 kg, 223,695 kg and 164,570 kg of carbon dioxide equivalent greenhouse gases emitted from our Group's operation, respectively.

The increase in total greenhouse gas emissions in FY2020 and FY2021 are mainly due to the expansion of the cultivation facilities during FY2020 and FY2021.

The decrease in the total greenhouse gas emissions for FY2022 is mainly due to the more effective adoption of waste management and resource consumption policies. However, as the emission is mainly due to the consumption of stationary electricity for administrative purposes, therefore, when our revenue decreases, emissions density increases. Hence, the emission density is lower in FY2021 as we recorded higher revenue in FY2021.

Energy consumption

The table below sets forth a breakdown of our energy consumption during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September
	2020	**2021**	**2022**	**2023**
	(kWh)	*(kWh)*	*(kWh)*	*(kWh)*
Electricity consumed	137,990	153,170	151,299	115,667
Gasoline consumed	270,476	184,533	146,130	93,179
Diesel consumed	8,970	29,883	23,661	15,599
Total	**417,436**	**367,586**	**321,090**	**224,445**
Energy consumption density *(Note 1)*	3,438.51	2,372.36	2,534.38	1,850.42

Note:

(1) Refers to the consumption of energy per million of revenue in the corresponding years.

In FY2020, FY2021, FY2022 and 9M2023, our consumption of energy was approximately 417,436 kWh, 367,586 kWh, 321,090 kWh and 224,445 kWh, respectively. The increase in energy consumption in FY2020 and FY2021 are mainly due to the continuous increase in the scale of our operation.

The decrease in the electricity consumption for FY2022 is mainly due to the more effective adoption of resource consumption policy.

However, as the emission is mainly due to the consumption of stationary electricity for administrative purposes. Therefore, when our revenue decreases, the emissions density increases.

Waste management

There are three major types of wastes produced during cultivation: i) unsold vegetable; ii) used pots; and iii) used organic substrates.

Unsold vegetable

Wastage of unsold vegetable from daily operation mainly came from i) defects and ii) unnecessary movement during transportation. To reduce the waste of overproduction and defects, we create and implement standard production procedures so that our planting team have guidance for each task and do not spend more than the recommended time and usage of materials on any one step. Also, our planting team are well trained to know the right methods and quality expected. Furthermore, we have scheduled regular maintenance for devices and machines. To reduce waste of transport, our staff at cultivation facilities should keep aisles and the site clutter-free so that transport vehicles can drive freely and staff do not have to find alternative routes. In general, our scrap rate is between 3%-5%.

Unlike the first lockdown in 2020 when our cultivation facilities were still in operation and our distributors were able to pick up potted vegetable produce from us and sold them to residents in local residential estates through property management companies, during the lockdown in 2022 distributors were not allowed to pick up potted vegetable produce from us and no sales took place during the lockdown, resulting in direct loss of unsold vegetable produce of approximately 557,000 pots during the lockdown. Most of the unsold potted vegetable produce from our Laixi Facility was donated to the government for the distribution to the local residents for their consumption during the lockdown period of the COVID-19 epidemic in FY2022. Other unsold vegetables will be reused by feeding the vegetable waste to livestock or giving the vegetable culls to local food banks.

Used pots

We regularly reuse our pots by collecting them from our customers and cleaning them for reuse. We also require our customers to return used pots to us, reducing the amount of waste that ends up in landfills. There are insignificant amount of pots are damaged and not reusable due to wear and tear. Broken pots are returned to the pot manufacturer for recycling.

Used organic substrates

Organic substrates are made primarily from raw materials such as cow manure, fungi residue and peanut shells that are proportioned, mixed and processed through high temperature fermentation. Organic substrates have long storage time. In addition, the production of organic substrates is based on sales orders, and we maintain a low level of inventory of organic substrates. Our use of organic substrates is based on our cultivation plan and we do not have any waste of organic substrates. We regularly collect used organic substrate when collecting pots. We will send the used organic substrate to a recycler for recycling. Our recycler is engaged in the tree planting business. It provides us with free recycling of used organic substrates services by collecting used organic substrates from us for free and extracting and reusing useful materials from the substrates. No income or expense is generated or incurred by us for sending the used organic substrates to recycler.

The table below sets forth details of our waste during the Track Record Period:

	Wastage			
	Year ended 31 December			Nine months ended 30 September
	2020	2021	2022	2023
Pots (unit)	84,948	94,333	92,168	76,829
Scrap rate of pots	1.0%	0.9%	1.1%	0.9%
Unsold vegetable due to overproduction, or defects or damaged (pot)	316,233	419,301	331,304	295,025
Unsold vegetable due to lockdown and travel restriction (pot)	—	—	556,954	—
Scrap rate of unsold vegetable	3.8%	3.9%	10.2%	3.5%

Water consumption

Our business is subject to environmental protection laws and regulations promulgated by the PRC government. For example, we are required to meet appropriate standards for the sake of prevention of the pollutions of soil, underground water and agricultural products, and to discharge water pollutants in accordance with national and local standards. We must discharge water pollutants in accordance with national and local standards. For details, please refer to the section headed"Regulatory Overview — Laws and regulations relating to environmental protection" in this prospectus. If we breach any environmental-related laws and regulations, or faces any accusation of negligence in environmental protection, in addition to the potential fines and penalties, such incidents may also adversely affect reputation and creditability of the Company. The environmental related costs may increase, and the expansion of the production capacity may be constrained if PRC's environmental protection laws become more onerous, and any non-compliance with relevant environmental protection laws could lead to the imposition of fines and penalties.

In almost every agricultural operation, irrigation is an indispensable process for crops to flourish, the Company's agricultural business is no exception to this necessity. In order to avoid excessive or unnecessary irrigation, we regularly check the moisture level in the soil. Our main water supply for irrigation at Laixi Facility is water from the Chanzhi Reservoir, while the main water supply for irrigation at Xi'an Facility and Dalian Facility is from public supply of drinking water in Xi'an and Dalian.

According to the information published by the Shandong Provincial People's Government, water resources in Shandong province are insufficient and unevenly distributed. According to the Shandong Province Water Resources Bulletin 2022, the water consumption per capita in Shandong province was approximately 214 m^3, on the other hand, the local water supply per capita in Shandong province only amounted to approximately 140 m^3 (which include local surface water and underground water of approximately 72 m^3 and approximately 68 m^3 respectively), demonstrating that water resources generated from Shandong province is insufficient to meet the local demand.

Notwithstanding the scarcity of water resources in Shandong province, our Directors consider the water supply for our cultivation in Laixi Facility is not affected as Laixi Facility is strategically situated immediately next to and directly connected to the Chanzhi Reservoir, the second largest reservoir in Shandong province with maximum capacity of approximately 402 million m^3. In general, water supply of Chanzhi Reservoir will be primarily for users with close proximity. Chanzhi Reservoir serves multiple purposes such as flood control, irrigation and water supply, etc. Testing of the water quality of Chanzhi Reservoir is regularly performed by Laixi Branch of the Qingdao Municipal Ecological and Environment Bureau* (青島市生態環境局萊西分局), and the water quality exceeds the agricultural level and meets the drinking water level according to the Surface Water Environmental Quality Standards* (地表水環境質量標準) (GB3838–2002). Hence, our Directors considered that the risk of water pollution that may affect the quality of water supply in our Laixi Facility is low.

During the Track Record Period, our maximum annual water consumption for Laixi Facility was approximately 330,000 m^3, representing only a minimal portion of the capacity of Chanzhi Reservoir of approximately 402 million m^3. The quality of water extracted from the Chanzhi Reservoir exceeds the agricultural level as explained above. In light of the proximity of our Laixi Facility to a stable supply of high quality water resources for our cultivation and regular testing of water quality performed by the government authority, our Directors consider that the risk of potential water shortage and water pollution in Shandong province on our business is minimal. In addition, taking into account (i) the water resources per capita in Shaanxi province and Liaoning province are approximately 925 m^3 and 1,333 m^3 respectively, which are higher than the water demand per capita in Shaanxi province and Liaoning province are approximately 240 m^3 and 300 m^3 respectively in 2022; and (ii) in respect of water environment quality ranking according to the Ministry of Ecology and Environment (生態環境部), both Shaanxi province and Liaoning province rank higher on water quality than Shandong province in 2022, our Directors considered that the risks of potential water shortage and water pollution that may affect our Xi'an Facility and Dalian Facility are minimal.

To further mitigate the risks of water shortage and water pollution in Shandong province, we have also:

— retained a water pond in our Laixi Facility for collecting rain water which can be further filtered and used as our additional water supply in case of severe water shortage, which the water pond is sufficient to cover the water consumption of our Laixi Facility for approximately seven months;

— built a well our Laixi Facility for extracting underground water in case of severe water shortage, which the well is sufficient to cover the water consumption of our Laixi Facility for approximately two days; and

— engaged and will continue to engage a third-party inspection institution to conduct testing of water quality. The purpose of this test is to ensure that the pH value and residual level of heavy metals in our irrigation water comply with the environmental requirements for producing pollution-free agricultural products. It is our internal control policy to conduct regular testing of the water quality.

The water consumption during the Track Record Period are as follows:

	KPI			
	Year ended 31 December			Nine months ended 30 September
	2020	**2021**	**2022**	**2023**
	m^3	*m^3*	*m^3*	*m^3*
Water consumed *(Note 1)*	280,778	359,660	293,661	182,745
Water consumption density *(Note 2)*	2,312	2,320	2,318	1,507

Notes:

1. The water consumed for the Laixi Facility was approximately 247,000 m^3, 330,000 m^3, 267,000 m^3 and 164,000 m^3 for each of the FY2020, FY2021, FY2022 and 9M2023 respectively.

2. Refer to the consumption of energy per million of revenue in RMB in the corresponding years/period.

Goal target achievement

Our Board will set targets for each material KPI at the beginning of each financial year in accordance with the disclosure requirements of Appendix C2 to the Listing Rules and other relevant rules and regulations upon the Listing. The relevant targets on material KPI will be reviewed on an annual basis. In setting targets for the KPIs, our Group has taken into account their respective historical levels during the Track Record Period, and has considered our future business expansion in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development. The Working Group is responsible for semi-annually reviewing progress in achieving our targets.

We strive to improve the utilization rate of energy and resources, undertake energy saving and consumption reduction activities to save water and electricity and reduce paper consumption. As part of our commitment to environmental protection, we have set the following environmental targets for our operation:

Item	Target for FY2022	Actual KPI FY2022	Target for the financial year ended 31 December 2023
Greenhouse gas emission	238,541	223,695	236,155
Energy consumption	363,910	321,091	360,271
Water consumption	356,063	293,661	352,503

After reviewing the achievement of the KPI FY2022, we believe that we can achieve the target in the financial year ended 31 December 2023. Our actual KPI for FY2022 is considerably lower than our target for FY2022 mainly because of our lower revenue and business activity level in FY2022. The goal target set for the financial year ended 31 December 2023 are expected to decrease by 1% of goal target FY2022.

Basis of the goal target setting

We have established specific ESG-related goals, targets, and policies that focus on reducing our air pollutant emission, reducing energy and water consumption.

To reduce our air pollutant emissions by approximately 5% by 2026 (i.e. 1% annually), using 2021 as a baseline, we will implement a number of initiatives as follows:

- Planting more trees: Planting more trees is an effective way of reducing air pollution since they absorb carbon dioxide and other pollutants from the atmosphere;
- Continuing with the switch to low-emission vehicles; and
- Adopting the use of clean energy: We will consider installing solar panels in our cultivation facilities to promote the use of renewable energy.

To reduce our energy consumption by 1%, we will implement a number of initiatives as follows:

- Energy efficiency standards: We can mandate energy efficiency standards for appliances, buildings, and vehicles. This will help reduce energy consumption by ensuring that all new products consume less energy; and
- Adopting the use of clean energy: We will consider installing solar panels in our cultivation facilities to promote the use of renewable energy.

To reduce our water consumption by 1%, we have implemented a number of policies and initiatives as follows:

- Water-efficient technologies: The use of water-efficient technologies can help in reducing water consumption. These technologies include low-flow water fixtures, water-efficient irrigation systems, and water harvesting systems; and

- Efficient agriculture practices: Agriculture accounts for a significant amount of water consumption. We will promote efficient agriculture practices such as drip irrigation and water-efficient crops to reduce water consumption in the agricultural sector.

The targets were set with reference to two comparable companies listed on the Hong Kong Stock Exchange in the vegetable cultivation business. The ESG targets of these two listed companies are reducing emission/consumption ranged from around 0.7% to 3% annually in general. Thus our Directors consider that our ESG targets are within the market range and reasonable.

Our progress towards achieving our ESG goals is reviewed semi-annually by Working Group. We also work with ESG consultant to assess our performance and identify areas for improvement.

Benefits of achieving the goal target

Financial impacts

There are several potential financial impacts on our Group that could be resulted from actions taken for achieving ESG targets.

- Increase in investment: measures such as tree planting and switching to low-emission vehicle represent one-off investment cost to our Group;

- Cost savings: On the other hand, by becoming more efficient in our operations, such as switching to low-emission vehicle, energy saving and water saving, will reduce our on-going cost; and

- Improved reputation and selling price: Achieving targets can also lead to improved brand recognition and reputation. This may make it easier for us to attract new customers, retain existing customers, and may potentially increase our selling price due to better branding.

Non financial impacts

There are several non-financial impacts on the Group that could be resulted from achieving ESG targets as below:

- Increased awareness: Setting targets for ESG saving and taking of various measures to achieve the targets create awareness among our management and employees about the importance of water and energy conservation and the needs for adherence to the best practice.

- Improved efficiency: Water/Energy-saving measures can lead to improved efficiency in operations. For example, using recycled water for non-potable uses can reduce the need for fresh water, which in turn reduces the energy required for water treatment and distribution.

- Lower compliance risk: Our policy of regularly reviewing and achieving ESG targets will enable our Group to have better performance in terms of environment protection and thus we will potentially be better prepared for more stringent environment regulations that may be introduced in future.

Climate Change

Climate change can affect the agricultural production by altering the temperature, precipitation, pests, diseases, and water availability in our regions of operation. Our Board has identified two main climatic issues that affect our physical environment and our operations: (i) extreme weather events, such as droughts, floods, heat waves, storms, and hailstorm, in the short run that can damage our potted vegetable produce and greenhouses, reduce yields and quality, and increase production costs and risks; and (ii) changes in temperature and precipitation patterns, in the long run that can stimulate plant growth and water use efficiency in some crops, but also increase their susceptibility to pests and diseases. For instance, the occurrence of a severe hailstorm in Qingdao in May 2020 which may be a result of climate change damaged seven of our greenhouses in our Laixi facility and led to some damaged or unsellable pots of vegetable produce and a loss of potential sales revenue in FY2020.

Climate change, in the long run, can also create opportunities for our business by increasing the demand for climate-resilient crops and sustainable practices. A warming climate may provide opportunities for agriculture in certain regions with an expansion of the growing season in response to milder and shorter winters. This might increase productivity and allow the use of new and potentially more profitable crops.

To mitigate the risks and capture the opportunities mentioned above, we have developed a sustainable strategy based on our industrial cultivation method. This method involves using enhanced greenhouses and our horticultural expertise and equipment to create an ideal microclimate for our potted vegetable produce. We adjust factors such as temperature, humidity, light duration and carbon dioxide level to optimize the growth of our plants. For example, we plan to install fibreglass water ducts in some of our existing greenhouses. During and after the irrigation process, excess water can be drained as soon as possible through the fibreglass water duct within the greenhouse to avoid build-up of moisture within the greenhouse. By minimising build-up of moisture within the greenhouse, we are able to minimise the risk of pest infestation. Our extensive use of greenhouse also provides better protection for our crops from severe weather.

Our industrial cultivation method standardises the process, stabilises the yield, improves the quality and reduces the exposure to environmental and natural risks. It enables us to grow potted vegetables all year round with superior appearance, freshness and size. This reduces the scrap rate and ensures a steady supply of high-quality products to our customers. As a result, we can secure our revenue and reputation, improve profitability by increasing the operating efficiency.

Social Responsibility

We value diversity within our organization and treat all employees equally and with respect in terms of employment, training, benefits, and professional and personal development. While striving to provide equal career opportunities for each employee, we also promote work-life balance and create a collaborative culture in the workplace for all employees. For details, please refer to the paragraph headed "Employees" in this section of the prospectus.

The safety and quality of our products are of paramount importance to our operations. We have developed a comprehensive standard operation procedure to ensure the safe and quality products provided to customers consistently. We have also designed and implemented a rigorous quality assurance policy that covers the whole process of our production. We adhere to strict our production standards by providing regular training for our workers in order to update and maintain the required technical and practical skills.

Also, in order to achieve the goal target, we have provided relevant training to educate our staffs the importance of saving resources.

During the Track Record Period, we neither have any material incidents involving personal injury or property damage, nor any material claims, litigations, fines or penalties as a result of material incidents.

Staff Composition

In FY2020, FY2021, FY2022 and 9M2023, we employed a total of 48 staff, 47 staff, 41 staff and 32 staff, including cultivating operational office and back office division. All staff members are allocated in the PRC.

a) Employee's Age and Gender Distribution

	2020		2021		2022		9M2023	
Age Group	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
19 — 30	6%	4%	11%	6%	2%	5%	0%	3%
31 — 45	31%	19%	28%	17%	32%	19%	25%	25%
46 — 60	15%	15%	15%	13%	15%	15%	16%	13%
= 61/>61	6%	4%	6%	4%	7%	5%	9%	9%
Total	58%	42%	60%	40%	56%	44%	50%	50%

b) Employee' s Geographical Distribution

	2020		2021		2022		9M2023	
Location	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Hong Kong	0%	0%	0%	0%	0%	0%	0%	0%
PRC	58%	42%	60%	40%	56%	44%	50%	50%
Total	58%	42%	60%	40%	56%	44%	50%	50%

c) Employee' s Position by Gender Distribution

	2020		2021		2022		9M2023	
Position	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Senior Management	6%	2%	6%	2%	7%	2%	9%	3%
Middle level staff	8%	4%	9%	4%	7%	5%	9%	6%
Junior staff	44%	36%	45%	34%	42%	37%	32%	41%
Total	58%	42%	60%	40%	56%	44%	50%	50%

Employment and Labour Practices

We place a significant emphasis on developing human capital, providing competitive remuneration and welfare packages. Promotion opportunities and salary adjustments are benchmarked against individual performance. Employees are entitled to benefits such as annual leave, sick leave, maternity leave, marriage leave, funeral leave and medical coverage in accordance with local regulations.

We emphasise on equal opportunities for all personnel in respect of hiring, pay rates, training and development, promotion and other terms of employment. We are committed to providing a work environment free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation.

We have a wide diversity of cultures including employees with different genders, ages, skills, educational backgrounds, industry experiences and other qualifications in order to achieve the most suitable composition and balance.

The human resource policies and procedures of the Group's PRC subsidiaries had been developed in accordance with the Labour Law of the PRC and has been distributed to our employees since joining the Company. The remuneration policies are determined on the basis of performance, qualification and experience of individual employee. The remuneration generally includes salaries and allowances.

Occupational health and safety

We hold regular worksite inspection to eliminate all potential workplace hazard that may negatively affect the health and safety of our employees. Also, we hold safety trainings for our employees to enhance their awareness of occupational health and safety issue. Moreover, we have kept a proper system of recording and handling accidents. During the Track Record Period, we did not experience significant operational accident as a result of implementation of our comprehensive occupational safety measures.

Employee trainings

We place significant emphasis on employee trainings and development. We hold training sessions to teach our employees on how to improve the quality of our products and operate our cultivation equipment from time to time. We will continue to invest in the education and training programmes for our employees with the purpose of upgrading their skills and knowledge on the latest development of the industry, market and technology.

Our continuing efforts in protecting the environment and the health and safety of our employees have been recognised, as shown by various certificates that we have obtained. In 2020, we obtained GB/T 24001–2016 idt ISO 14001:2015 certificate for our environmental management system. Moreover, in the same year, we obtained GB/T 45001–2020 idt ISO 45001:2018 certificate for our occupational health and safety management system.

Our Directors have the collective and overall responsibility for establishing, adopting and reviewing our policies in relation to environmental protection, occupational health and safety and employee trainings as mentioned above, and evaluating, determining and addressing the relevant risks involved at least once a year. Our Directors may assess or engage Independent Third-Party(ies) to evaluate the relevant risks and review our existing strategy, target and internal controls. Necessary measures will then be taken to mitigate the risks.

Supply Chain Management

We expect our major suppliers to adhere to the same environmental, social responsibility, health and safety, and governance policies as our Group.

We also have the following measures in place to ensure our suppliers prioritize environmental and social responsibility:

Supplier selection: Before entering into business with new or existing suppliers, we carefully assess factors such as product quality, price, reliability, delivery, capabilities, and overall supply chain sustainability. We give priority to suppliers who offer environmentally preferable products or demonstrate higher environmental performance. We will gather information of the products directly from our suppliers or from online sources in assessing whether the raw materials are environmentally preferable products.

Supplier evaluation: We conduct regular assessments of our suppliers based on predetermined criteria, including the evaluation of production pollution through site visits or interviews.

Monitoring and performance assessment: We continuously review our suppliers' environmental performance to ensure ongoing compliance with sustainability requirements, such as the Environmental Protection Law of the People's Republic of China, on a semi-annual basis.

Communication and education: Our procurement department is trained to thoroughly consider all aspects of these policies when evaluating suppliers, and we ensure that tendering procedures are clearly and effectively communicated to suppliers.

Community involvement

During the COVID-19 epidemic in FY2022, some of our potted vegetable produce remains unsold due to the lockdown and travel restrictions. Those unsold potted vegetable produce were donated to the residents in local residential estates during the lockdown in the neighboring cities through the PRC government.

Governance

We are committed to complying with ESG reporting requirements upon Listing. We expect to comply with the standards of Appendix C2 to the Listing Rules to cover, among others, (i) the appropriate risk governance on ESG matters, (ii) ESG governance structure and ESG strategy formation procedures, (iii) ESG risk management and monitoring, and (iv) the identification of key performance indicators, the relevant metrics and mitigating measures.

INSURANCE

We have purchased food safety insurance for our products and property insurance for our owned greenhouse facilities. Our Directors are of the view that our insurance coverage is sufficient and adequate and is in line with customary industry practices.

During the Track Record Period, we have filed two property insurance claims. In FY2020, we have filed a property insurance claim with the insurer for the damages of seven greenhouses caused by the severe hailstorm occurred in May 2020 in Qingdao, Shandong province for a sum of approximately RMB0.3 million. The damaged greenhouses had been suspended for production for approximately one to three months in FY2020 due to the incident depending on the degree of damage of the greenhouses. In FY2021, we have filed property insurance claims with the insurer for the damages of four greenhouses caused by a fire incident in January 2021 for a sum of approximately RMB30,000. The damaged greenhouses had been suspended from production for approximately two to three months in FY2021 due to the incident. Save for the above, we did not submit any material insurance claims.

PROPERTIES

We hold and/or occupy certain properties in the PRC in connection with our business operations.

Property valuation

BMI Appraisals, an independent property valuer, has valued our major owned properties as of 31 December 2023. For the full property valuation report, please refer to the property valuation report as set out in Appendix IV to this prospectus. Having considered the implications of Rule 5.01A(ii) of the Listing Rules, the property interest not subject to valuation is the property interest that does not form part of our property activities and the carrying amount of such property interest is not above 15% of our total assets.

Owned properties

As at the Latest Practicable Date, we held a total of two parcels of land in Laixi, Qingdao. We owned the land use rights of one parcel of state-owned land (i.e. the Laixi Land Parcel A) with an aggregate site area of approximately 214,804 sq.m. with various agricultural structures constructed thereon located at Rizhuang Town, Laixi, Qingdao which form part of our Laixi Facility for the cultivation of our potted vegetable produce. We also owned the land use rights of one parcel of state-owned land (the "**Laixi Land and Buildings for Investment Purpose**") with a site area of approximately 25,679 sq.m. and a total of eight buildings constructed thereon with an aggregate gross floor area of approximately 12,284 sq.m. located at Dianbu Town, Laixi, Qingdao which was leased by us to an Independent Third Party for the purpose of cold storage and related uses.

The following table sets forth the details of our owned properties:–

No.	Description	Location	Approximate site area (sq.m.)	Approximate total gross floor area (sq.m.) of the immovable buildings	Market value as at 31 December 2023 *(RMB)*	Principal purpose
1.	The Laixi Land Parcel A	Nanbu Village, Rizhuang Town, Laixi, Qingdao, Shandong Province	214,804	N/A	97,300,000	Cultivation
2.	The Laixi Land and Buildings for Investment Purpose	Dongzhuangtou Village, Dianbu Town, Laixi, Qingdao, Shandong Province	25,679	12,284	23,700,000	Leased to an Independent Third Party

As advised by our PRC Legal Advisers, we have obtained all of the relevant land use rights certificate and the real estate right certificate for the above properties (i.e. the land use rights certificate for the Laixi Land Parcel A and the real estate right ownership certificate for the Laixi Land and Buildings for Investment Purpose). For further details of our property interests, please refer to the property valuation report as set out in Appendix IV to this prospectus.

The Laixi Land Parcel A has been mortgaged in favour of a bank as security for the credit facilities granted to our Group. The Laixi Land and Buildings for Investment Purpose have been mortgaged in favour of a bank as security for the credit facilities granted to our Group. As at the Latest Practicable Date, the said property was leased to an Independent Third Party at an annual rental of RMB400,000 until 31 August 2024.

On 20 March 2019, we entered into a lease agreement to lease out a small portion of the Laixi Land Parcel A of approximately 66,667 sq.m. to an Independent Third Party commencing from 1 April 2019 to 31 March 2024 at an annual rental of RMB240,000. The said portion of the land is slopy and unsuitable for construction of greenhouses and is being used by the Independent Third Party for planting of trees as at the Latest Practicable Date. As confirmed by the Independent Third Party, the Independent Third Party use the portion of the land to grow trees for sale. Our Directors believe that the leasing out of the said land is beneficial to our Group as it could maximise the land use and allow us to capitalise on our unusable land.

Leased properties

As at the Latest Practicable Date, we leased certain properties under five tenancy agreements with Independent Third Parties and we leased one office premises under a tenancy agreement with a connected person. The particulars of such leased properties are as follows:

No.	Description	Lessee	Location	Approximate site area/ gross floor area (sq.m.)	Rental	Term	Purpose
Laixi Facility							
1.	The Laixi Land Parcel B	Fujing Agriculture	Nanbu Village, Rizhuang Town, Laixi	34,467	RMB2 million for 50 years	From 27 December 2010 to 26 December 2060	Cultivation
2.	The Laixi Land Parcels D	Fujing Agriculture	Baogezhuang Village, Hebeikuang Village, Dongbaishi Mountain Village and Xujiazhai Village, Rizhuang Town, Laixi	76,667	RMB57,500 per annum	From 1 July 2020 to 30 June 2030	Cultivation
3.	The Laixi Land Parcel E	Fujing Agriculture	Maozhichang Village, Laixi	10,667	RMB20,000 per annum	From 2 July 2020 to 1 October 2029	Cultivation
Xi'an Facility							
4.	The Xi'an Land and structures	Fujing Agriculture (Xi'an branch)	Jingwu Village, Gaoling District, Xi'an	13,333	RMB40,000 per annum for the first year; and RMB45,000 per annum from the second year	From 1 August 2019 to 31 July 2025	Cultivation
Dalian Facility							
5.	The Dalian Land and structures	Fujing Agriculture	Shanju Village, Sanshilipu, Jinzhou District, Dalian	20,000	RMB70,000 per annum for the first year; and RMB50,000 per annum from the second year	From 31 August 2019 to 30 September 2028	Cultivation
Office							
6.	Our office premises (Note)	Fujing Agriculture	3rd Floor, Block 68, No. 85 Beijing East Road, Laixi	560	RMB36,000 per annum	From 13 February 2021 to 12 February 2025	Office

Note: We rent the property in Laixi for our office use from Qingdao Yongzheng Real Estate Development Co. Ltd.* (青島永正房地產開發有限公司) which is a connected person of our Group. For details, please refer to the section headed "Continuing Connected Transactions — Exempt continuing connected transaction — Tenancy agreement in respect of our office premises" in this prospectus. As confirmed by our PRC Legal Advisers, the leasing of the office premises to our Group is valid, enforceable and legally binding on the parties under the relevant applicable laws and regulations in the PRC.

Leasehold arrangement in relation to our Laixi Facility

On 27 December 2010, we entered into a lease agreement with the People's Government of Rizhuang Town of Laixi (萊西市日莊鎮人民政府) for the lease of a parcel of collectively-owned land located at Nanbu Village, Rizhuang Town, Laixi, i.e. the Laixi Land Parcel B, with a site area of approximately 34,467 sq.m. for a period commencing from 27 December 2010 to 26 December 2060. As advised by our PRC Legal Advisers, the village committee should first obtain the consent from at least two-thirds of the members of the rural collective economic organisation or villager representatives of Nanbu Village before the entering of the lease agreement pursuant to the relevant PRC regulations. A villager representative meeting was held in Nanbu Village on 18 August 2015 which passed a resolution for ratifying the lease of the collectively-owned land to our Group and the village committee of Nanbu Village has issued a letter confirming the said lease on the same date. According to the Civil Code of the PRC (中華人民共和國民法典), the lease term shall not exceed 20 years. The part of lease term exceeding 20 years is invalid. Our PRC Legal Advisers are of the view that for those lease agreements with a lease term exceeding 20 years, the leased land can still be effectively used within the 20-year lease period. After the initial 20-year lease period, which will expire on 26 December 2030, we will negotiate and renew the lease agreement according to the relevant national laws and regulations. As confirmed by our PRC Legal Advisers, in the event that the parties fail to renew the lease agreement, our Group is entitled to ask for the return of the excessive rent paid by our Group according to the Civil Code of the PRC. Our PRC Legal Advisers have confirmed that the leasing of the said collectively-owned land to our Group for the initial 20-year period up to 26 December 2030 is valid, enforceable and legally binding on the parties under the relevant applicable laws and regulations in the PRC.

To cope with our expansion in FY2020, on 1 July 2020, we entered into a lease agreement with the People's Government of Rizhuang Town of Laixi for the lease of four parcels of collectively-owned lands i.e. the Laixi Land Parcels D, with a total site area of approximately 76,667 sq.m. located at various villages in Rizhuang Town of Laixi for a period commencing from 1 July 2020 to 30 June 2030. Further and on 2 July 2020, we entered into a lease agreement with an Independent Third Party for the lease of a parcel of land i.e. the Laixi Land Parcel E, with a site area of approximately 13,333 sq.m. located at Maozhichang Village of Laixi for a period commencing from 2 July 2020 to 1 October 2029. The site area of our Laixi Land Parcel E was slightly reduced to approximately 10,667 sq.m. due to the resumption of land by the government for road widening works adjacent to our Laixi Land Parcel E. Our PRC Legal Advisers have confirmed that the leasing of the said lands to our Group is valid, enforceable and legally binding on the parties under the relevant applicable laws and regulations in the PRC.

Leasehold arrangement in relation to our Xi'an Facility

On 1 August 2019, we entered into a lease agreement with an Independent Third Party for the lease of the land with a site area of approximately 13,333 sq.m. with ten greenhouses erected thereon located at Gaoling District, Xi'an (i.e. the Xi'an Land and structures) for a term of one year. On 31 July 2020, the lease was renewed for a term of five years to 31 July 2025. As at the Latest Practicable Date, the Independent Third Party had not filed the lease agreement with the relevant government authority despite of the requests we sent to the lessor reminding it to complete the record filing. As advised by our PRC Legal Advisers, the absence of record filing will not affect the validity of the lease agreement. Our PRC Legal Advisers further confirmed that our Group is not responsible for the record filing and the relevant PRC rules and regulations do not currently provide for any penalties for failure to complete such filing procedure and our Group shall not be responsible for any penalties or fines arising thereof. As at the Latest Practicable Date, we confirmed that we have not received any such request by the relevant government authority. Our PRC Legal Advisers confirmed that the said lease is valid, enforceable and legally binding on the parties under the relevant applicable laws and regulations in the PRC.

Leasehold arrangement in relation to our Dalian Facility

On 31 August 2019, we entered into a lease agreement with an Independent Third Party for the lease of the land with a site area of approximately 20,000 sq.m. with 29 greenhouses and various structures erected thereon located at the Jinzhou District, Dalian (i.e. the Dalian Land and structures) for a term of nine years commencing from 31 August 2019 to 30 September 2028. Our PRC Legal Advisers have confirmed that the said lease agreement is valid, enforceable and legally binding on the parties under the relevant PRC laws and regulations.

Other property interests in relation to the Laixi Land Parcel C

Background of the title defects:

On 17 June 2006, we entered into the Land Reservation Agreement (土地預約協議) with the People's Government of Rizhuang Town of Laixi (萊西市日莊鎮人民政府) for, among others, reservation of a parcel of state-owned land (國有土地) for the purpose of agricultural and ecological development for a period of 50 years, and we began to use the said land (i.e. clearing the land and conducting site formation) after signing the Land Reservation Agreement. The following table sets forth a summary of the principal terms of the Land Reservation Agreement:

Location:	a parcel of state-owned land for agricultural and ecological development, located within Rizhuang Town, south of Huanhu Road, in front of Nanbu Village and west of Haimengyuan (actual area subject to measurement by the Lands and Resources Bureau of Laixi* (萊西市國土資源局)).
Consideration:	RMB26,000 per mu (the consideration will include the compensation for land clearance, plant clearance and all the fees necessary for the transfer of title of the land)

Payment method:	RMB1.0 million to be paid by our Group upon signing of the agreement; the remaining balance to be paid upon completion and issuance of the land use right certificate
Obligation of the People's Government of Rizhuang Town of Laixi:	(i) to complete the transfer of the said land to our Group by December 2006; (ii) to commence clearance of the land within one month upon receiving payment from our Group and to handover the land to our Group before November 2006; and (iii) to procure the issuance of the land use rights certificate with a term of 50 years to our Group.
Obligation of our Group:	to pay the fee in accordance with the terms and conditions of the Land Reservation Agreement
Consequence of default:	the People's Government of Rizhuang Town of Laixi shall strictly follow the terms and conditions of the Land Reservation Agreement. In the event that any damage is suffered by our Group arising from the default of the People's Government of Rizhuang Town of Laixi, it shall return all the money paid by our Group and shall pay to our Group an amount equivalent to the sum that our Group has paid as compensation

However, instead of issuing the land use rights certificate to our Group, on 22 May 2013, the Municipal Government of Laixi (萊西市人民政府) issued the land use rights certificate in respect of the relevant land to Qingdao Changyang Investment and Development Co., Ltd.* (青島昌陽投資開發有限公司) ("**Changyang Investment**"), a company wholly-owned by a subordinate department of the Municipal Government of Laixi. As advised by our PRC Legal Advisers, according to the Provisional Regulations of the Grant and Transfer of the Right of Use of State-owned Lands of the PRC (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例), the utilisation of state-owned allocated lands should be approved by the relevant land department of the municipal government at the city or county level (i.e. the Municipal Government of Laixi instead of the People's Government of Rizhuang Town of Laixi). Nevertheless, during 2006 to 2018, our Group had paid a total amount of approximately RMB4.4 million to the government in relation to the use of the relevant land by various instalments.

To clarify the situation, the Lands and Resources Bureau of Laixi* (萊西市國土資源局) has issued an explanatory letter on 7 August 2015 which confirmed that the use of the relevant land by our Group is in compliance with the intended purpose and utilisation plan of the relevant land. Further and in accordance to the Notice of

Optimisation Measures for the Management of State-owned land at Chanzhi Reservoir (關於做好產芝水庫部分國有土地管理的通知) promulgated by the Municipal Government of Laixi on 5 March 2020, the People's Government of Rizhuang Town of Laixi should be responsible for the daily management of the relevant state-owned land. Pursuant to the said notice, on 23 March 2020, the People's Government of Rizhuang Town of Laixi signed the Supplemental Agreement with our Group which confirms the use and occupation of the land with a site area of approximately 128,334 sq.m. by our Group and confirms that our Group had paid all the fees in relation to the use of the said land under the Land Reservation Agreement. The following table sets forth a summary of the principal terms of the Supplemental Agreement:

Location:	a parcel of state-owned land with a site area of 192.5 mu, located within Rizhuang Town, south of Huanhu Road and in front of Nanbu Village
Term of agreement:	from 2006 to 2056, for a period of 50 years as specified in the Land Reservation Agreement
Consideration:	our Group is not required to pay any other consideration during the term of the agreement
Rights of our Group:	our Group may use the relevant land for vegetable cultivation, cultivation and sales of crops, research of vegetable and crops and leisure agricultural tourism etc. Our Group may also reasonably use the relevant land including subletting the relevant land
Right of the People's Government of Rizhuang Town of Laixi:	The People's Government of Rizhuang Town of Laixi may supervise the use of the relevant land to ensure its reasonable use by our Group
Obligation of our Group:	our Group shall reasonably use the relevant land. Our Group bears the legal liabilities for any safety or economic disputes arising during the use of the relevant land

Furthermore, each of Laixi Land Parcel A, Laixi Land Parcel B and Laixi Land Parcel C is located in close proximity to the Chanzhi Reservoir which is considered as protected area pursuant to the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) and the Regulations on the Prevention and Control of Pollution in Drinking Water Source Protection Areas (飲用水水源保護區污染防治管理規定), given its nature of being the source of drinking water. In accordance with the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), the Group is required to (i) file an environmental impact assessment report; and (ii) pass the requisite inspection on relevant environmental protection facilities before the commencement of any operation and production on these lands. In this regard, we submitted, and the Qingdao Environmental Protection Bureau approved, the environmental impact assessment report in relation to our production project in 2013. Major environmental protection measures taken by the Group for this project include the construction of an artificial wetland system for water purification so as to prevent pollution of the Chanzhi Reservoir. Nonetheless, due to the unfamiliarity with the regulatory and timing requirements on inspection on relevant environmental protection facilities of our staff who was responsible for monitoring and managing the construction works on the protected area, the requisite inspection did not take place until July 2018. As confirmed by our PRC Legal Advisers, the inspection conducted in the said timeline would not have any impact to our business operation on the relevant lands.

As advised by our PRC Legal Advisers, no additional measure or condition is imposed on our Group for operating on the protected area.

Relevant government authority(ies) interviews and confirmation:

(i) Interview with and written confirmation issued by Natural Resources Bureau of Laixi

Pursuant to the interview with the legal compliance officer (法規辦主任) of Natural Resources Bureau of Laixi* (萊西市自然資源局) (as advised by our PRC Legal Advisers, Natural Resources Bureau of Laixi has taken up the responsibilities of Lands and Resources Bureau of Laixi* (萊西市國土資源局) after the departmental reform of the government and has become the competent authority to confirm the compliance of the Provisional Regulations of the Grant and Transfer of the Right of Use of State-owned Lands of the PRC) on 23 December 2020, it confirmed, among other things, that (i) prior to the issuance of the land use rights certificate to Changyang Investment, no party was holding the land use rights certificate of the Laixi Land Parcel C; (ii) the issuance of the land use rights certificate to Changyang Investment is for the proper management of state-owned lands; and (iii) the use of the Laixi Land Parcel C by our Group is in compliance with the relevant laws and regulations of the PRC.

We obtained a written confirmation from the Natural Resources Bureau of Laixi, being the responsible land department of the Municipal Government of Laixi under the Provisional Regulations of the Grant and Transfer of the Right of Use of State-owned Lands of the PRC as advised by our PRC Legal Advisers, on 22 March 2021, which confirmed that, among other things:

(i) Fujing Agriculture is entitled to use the Laixi Land Parcel C for agricultural production during the period as specified in the Land Reservation Agreement and the Supplemental Agreement;

(ii) Fujing Agriculture has paid the relevant fees under the Land Reservation Agreement to the People's Government of Rizhuang Town of Laixi in full by installments during the period between 2006 and 2018; provided that Fujing Agriculture has obtained the consent of the People's Government of Rizhuang Town of Laixi and no objection is raised from Changyang Investment, Fujing Agriculture is entitled to continue to use the Laixi Land Parcel C in the future without paying any other fees;

(iii) the possibility of Fujing Agriculture being requested to stop using the Laixi Land Parcel C is low; if Fujing Agriculture is requested to do so, the Natural Resources Bureau of Laixi, the People's Government of Rizhuang Town of Laixi or Changyang Investment will provide reasonable compensation to Fujing Agriculture;

(iv) the Natural Resources Bureau of Laixi fully implements the arrangements relating to the Laixi Land Parcel C as specified in the Notice of Optimisation Measures for the Management of State-owned land at Chanzhi Reservoir and has no objection to the contents of the Land Reservation Agreement and the Supplemental Agreement; and

(v) there is no illegality or irregularity in the use of the Laixi Land Parcel C by Fujing Agriculture.

(ii) Interview with the People's Government of Rizhuang Town of Laixi

Pursuant to the interview with the deputy governor (副鎮長) of the People's Government of Rizhuang Town of Laixi on 23 December 2020, it confirmed that our Group had paid all the fees which we are required to pay for the usage of the Laixi Land Parcel C under the Land Reservation Agreement to the government by various instalments from 2006 to 2018 and, as a result, we are not required to make any further payment for our continuing use of the land since then. Moreover, it was confirmed that the issuance of the land use rights certificate to Changyang Investment is due to the proper management of state-owned lands but it does not affect the People's Government of Rizhuang Town of Laixi's right to decide on how to manage the relevant land and the letting-out of the relevant land to any third party for reasonable use. The People's Government of Rizhuang Town of Laixi further confirmed that our Group has the right to continue to use the relevant land without payment for any penalties.

(iii) Interview with and written confirmation issued by Changyang Investment

On 11 December 2020, Changyang Investment has issued a confirmation letter to ratify the use of the relevant land by our Group during 22 May 2013 to 5 March 2020 (i.e. from the date Changyang Investment obtained the land use rights certificate to the date of promulgation of the Notice of Optimisation Measures for the Management of State-owned Land at Chanzhi Reservoir by the Municipal Government of Laixi), and irrevocably agrees with the use of the land by our Group and the arrangement stipulated under the Notice of Optimisation Measures for the Management of State-owned land at Chanzhi Reservoir and the Supplemental Agreement.

Pursuant to the interview with the deputy general manager (副總經理) of Changyang Investment on 23 December 2020, it confirmed that the ownership of the relevant land was assigned by the government to Changyang Investment for the proper management of state-owned lands and Changyang Investment had not paid any consideration for the said assignment. Changyang Investment further acknowledged and confirmed that our Group has the right to use the relevant land pursuant to the terms stipulated in the Land Reservation Agreement and the Supplemental Agreement, and that Changyang Investment will not letting-out the relevant land to any third party during the period when our Group is using the land.

Views of our PRC Legal Advisers:

Based on the above information, under the authorisation of the Municipal Government of Laixi, and in view of the confirmation letters issued by Natural Resources Bureau of Laixi and Changyang Investment confirming and ratifying the land use by our Group under the Land Reservation Agreement and the Supplemental Agreement, our PRC Legal Advisers are of the view that if our Group continue to use the relevant land for agricultural purpose in accordance to the terms of the said Land Reservation Agreement and the Supplemental Agreement, the chance of being asked by the relevant land department of the Municipal Government of Laixi to return the land is relatively low.

Contingency arrangement for the cultivation facilities on our Laixi Land Parcel C

As confirmed by our Directors, the total gross floor area of our greenhouses erected on Laixi Land Parcel C is approximately 28,333 sq.m., representing approximately 17.6% of the total gross floor area of all of our greenhouses. Having consulted and obtained the views from our PRC Legal Advisers, while our Directors consider that the risk of being requested to relocate our cultivation facilities away from the Laixi Land Parcel C is remote, we have formulated a contingency arrangement. In the event that we are required by the government to relocate our cultivation facilities on Laixi Land Parcel C, we shall make use of the existing available land in our Laixi Facility and identify a new parcel of land near our Laixi Facility and construct greenhouses on such lands to restore the reduction in production capacity caused by the removal. Based on our past experiences in locating new lands for our expansion, we do not foresee significant obstacles in finding another parcel of land for relocation. During the period before we secure a new land for relocation, we may reallocate our resources and cultivation capacity to our existing greenhouses on Laixi Land Parcel A, Laixi Land Parcel B, Laixi Land Parcels D and Laixi Land Parcel E to take up the production capacity originally carried out by the greenhouses on our Laixi Land Parcel C.

LICENCES, PERMITS AND CERTIFICATES

We obtained product certificates for our potted vegetable produce. The following table sets forth details of our product certificates we obtained during the Track Record Period:

No.	Certificates	Issuing Authority	Date of Issue	Date of expiry(Note 6)	Recipient
1.	Certificate of Origin of Pollution-free Agricultural Products* (無公害農業品產地認定證書)(Note 1)	Qingdao Agriculture Commission* (青島市農業委員會)	4 December 2017	November 2020(Note 1)	Fujing Agriculture
2.	Certificate of Pollution-free Agricultural Products* (無公害農產品證書)	Centre for Quality and Safety of Agricultural Products of Ministry of Agriculture of the PRC* (中國農業部農產品質量安全中心)(Note 2)	14 December 2017	13 December 2020(Note 2)	Fujing Agriculture
3.	Certificate of Pollution-free Agricultural Products* (無公害農產品證書)(Note 3)	Qingdao Agricultural Rural Bureau* (青島市農業農村局)(Note 4)	27 November 2018(Note 5)	10 November 2024	Fujing Agriculture
4.	Certificate of Pollution-free Agricultural Products* (無公害農產品證書)(Note 3)	Qingdao Agricultural Rural Bureau* (青島市農業農村局)(Note 4)	2 December 2020	1 December 2023	Fujing Agriculture

Notes:

1. As confirmed by our PRC Legal Advisers, pursuant to the Notice of Optimisation Measures and the Follow-up Actions for the Harmonisation of Certificates of Pollution-free Agricultural Products in the PRC (關於做好有效期內全國統一認證無公害農產品後續跟進管理服務工作的通知) promulgated by Centre for Quality and Safety of Agricultural Products of Ministry of Agriculture of the PRC* (中國農業部農產品質量安全中心) on 8 April 2018, the Certificate of Origin of Pollution-free Agricultural Products held by our Group will be combined with Certificate of Pollution-free Agricultural Products issued by Qingdao Agricultural Rural Bureau* (青島市農業農村局) on 2 December 2020.

2. As confirmed by our PRC Legal Advisers, pursuant to the Notice of Adjusting the Approval Process of Certification of Pollution-free Agricultural Products and Geographical Symbol of Agricultural Products (關於調整無公害農產品認證、農產品地理標誌審查工作的通知) promulgated by the General Office of Ministry of Agriculture of the PRC on 29 December 2017, the Ministry of Agriculture of the PRC delegated the responsibility for issuing Certificate of Pollution-free Agricultural Products to the relevant agricultural bureau at the provincial agricultural administrative departments and working institutions (i.e. the then Qingdao Agriculture Commission* (青島市農業委員會) and Qingdao Agricultural Rural Bureau* (青島市農業農村局) after the recent departmental reform).

3. The two Certificates of Pollution-free Agricultural Products issued by Qingdao Agricultural Rural Bureau* (青島市農業農村局) are for the Group's different potted vegetable species (i.e. malabar spinach for the certificate issued on 27 November 2018, and pak choi, Frisée and Indian lettuce for the certificate issued on 2 December 2020). Due to the expansion of the Laixi Facility, the Company applied for and obtained another Certificate of Pollution-free Agricultural Products in 2020 in addition to the Certificate of Pollution-free Agricultural Products issued on 27 November 2018. The Certificates of Pollution-free Agricultural Products would typically specify the species, the area and scale of production of the cultivation facility that qualified for the production of pollution-free agricultural products.

4. As confirmed by our PRC Legal Advisers, Qingdao Agriculture Commission* (青島市農業委員會)'s responsibility of issuing Certificate of Pollution-free Agricultural Products has been taken up by Qingdao Agricultural Rural Bureau* (青島市農業農村局) after the recent departmental reform in 2019.

5. The Certificate of Pollution-free Agricultural Products issued on 27 November 2018 was renewed on 11 November 2021.

6. Pursuant to the Implementation Notice issued by the Office of Agricultural Rural Bureau* (農業農村部辦公廳) on 24 September 2022, the Agricultural Rural Bureau will not accept any new applications (including renewal) of Certificate of Pollution-free Agricultural Products with effective from the date of the Implementation Notice. However, the existing Certificate of Pollution-free Agricultural Products will still be valid before they expired.

As advised by our PRC Legal Advisers, we are not required to possess any specific licence, permit or certification to carry out our business activities of potted vegetable produce cultivation under the relevant PRC laws and regulations, and during the Track Record Period and up to the Latest Practicable date, we have obtained all the requisite licences, qualifications and permits from the relevant PRC regulatory authorities for our operations in all material aspects. For a summary of such relevant PRC laws and regulations, please refer to the paragraph headed "Regulatory Overview — Laws and regulations relating to safety of agricultural products" in this prospectus.

NON-COMPLIANCE

Regulatory compliance

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had complied with all applicable laws and regulations in the PRC and Hong Kong in all material aspects, and we had not been involved in any material non-compliance incidents that had led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations, save for the non-compliance incidents set out below:

No.	Non-compliance incident and reasons for non-compliance	Possible legal consequence and maximum liabilities	Remedial actions	Enhanced internal control measures taken
1.	During the Track Record Period, we failed to make contribution to social insurance in full in respect of certain employees of our Group. The aggregate amounts of unpaid social insurance contribution were approximately RMB30,000, RMB54,000, RMB53,000 and RMB5,000 for FY2020, FY2021, FY2022 and 9M2023, respectively. Certain employees of our Group were not willing to register or make payments for social insurance in Laixi, Xi'an and Dalian where Fujing Agriculture and our branch companies are located for (i) having already participated and made contribution to the New Rural Social Insurance Scheme* (新型農村社會養老保險) or New Rural Cooperative Medical System* (新型農村合作醫療); or (ii) being registered elsewhere with his former employers. We were unable to make social insurance contributions for certain employees because they were not willing to contribute. Without their consent, we were unable to make contributions on their behalf or compel deductions from their salaries.	As advised by our PRC Legal Advisers, according to the Social Insurance Law of the PRC (中華人民共和國社會保險法), if an employer fails to make timely social insurance contributions in full amount in accordance with the relevant PRC laws and regulations, it may be ordered by the relevant social insurance authority to pay the overdue amount within the prescribed time limit with an overdue fine at a daily rate of 0.05% of the overdue amount from the due date within a prescribed time limit. Failing which, the relevant administrative authorities may impose a fine of one to three times of the overdue amount. According to the certificate issued on 22 December 2023 by Human Resources and Social Security Bureau of Laixi* (萊西市人力資源和社會保障局), a competent authority as advised by our PRC Legal Advisers, the said Bureau confirmed that Fujing Agriculture had duly made all relevant social insurance contributions for our employees in accordance with the relevant PRC laws and regulations, that it would not demand us to make payment for the past outstanding social insurance contributions or penalise us in respect thereof, and that it had no records of Fujing Agriculture being penalised for breach of any laws and regulations in the PRC relating to social insurance or being involved in any disputes relating to social insurance contribution in full since the incorporation of Fujing Agriculture up to the date of the said certificate. According to the certificate issued on 26 December 2023 by Jinpu New Area Human Resources and Social Security Bureau of Dalian* (大連金普新區人力資源和社會保障局), a competent authority as advised by our PRC Legal Advisers, the said Bureau had no records of our branch company in Dalian being penalised for breach of any laws and regulations in the PRC relating to social insurance contribution. According to the certificate issued on 12 December 2023 by the Medical Security Bureau of Laixi* (萊西市醫療保障局), a competent authority as advised by our PRC Legal Advisers, the said Bureau confirmed that Fujing Agriculture had duly made medical insurance contributions for our employees in accordance with the relevant laws and regulations, that Fujing Agriculture had complied with the respective PRC laws, regulations and rules in respect of medical insurance and that it had no records of Fujing Agriculture being penalised for breach of any laws and regulations in the PRC relating to medical insurance contribution.	Since January 2020, we have duly registered with the relevant social insurance authorities and made social insurance contributions in full for all our eligible employees in accordance with the relevant PRC laws and regulations, except for those employees who have voluntarily waived their rights in relation to the social insurance (in which case we should make social insurance contributions in full or pay any shortfall in the social insurance contributions within a prescribed period if required by the relevant competent authorities) and have undertaken in writing to bear all consequences and liabilities resulting from or in connection to our failure to register with the relevant social insurance authorities and make social insurance contribution for them. Such employees were no longer employed by us as at the Latest Practicable Date. Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to fully indemnify us against, among other things, any costs, expenses and losses which we may incur in the event that we are required by the relevant competent authorities to pay any of the outstanding social insurance contributions, overdue fines and penalties or claimed by the employees for compensation for this non-compliance incident. As advised by our PRC Legal Advisor, based on the aforesaid confirmations from the relevant competent authorities and the remedial actions taken, we have fully rectified this non-compliance as at the Latest Practicable Date and the risk for us to be penalised is low.	We have formulated written policies and procedures to strengthen our internal control, specifying that: (a) the registration and account opening for social insurance and housing provident fund contributions of all employees will be completed within the prescribed time limit; (b) personnel of our human resources department with relevant knowledge and expertise will be responsible for the calculation of social insurance and housing provident fund contributions in accordance with the relevant PRC laws and regulations, which shall then be checked by human resources manager to ensure the correctness and compliance with regulatory requirements; (c) training will be provided to the relevant personnel of our human resources department on the social insurance and housing provident fund contributions requirements under the relevant PRC laws and regulations; and (d) Mr. Zhang, our chairman, and Ms. Guo Zeqing, our executive Director and financial controller, will regularly review policies and procedures in relation to the social insurance and housing provident fund contributions to ensure compliance with the regulatory requirements. Our Directors confirm that our Group will require a confirmation from any new employees which we may employ that he/she will be willing to contribute to social insurance before they are employed as employees of our Group.

No.	Non-compliance incident and reasons for non-compliance	Possible legal consequence and maximum liabilities	Remedial actions	Enhanced internal control measures taken
2.	During the Track Record Period, we failed to register with the relevant housing provident fund authority in the PRC and go through the formalities of opening housing provident fund accounts on behalf of certain employees of our Group and make contribution to housing provident funds in full in respect of certain employees of our Group. The aggregate amounts of unpaid housing provident fund contribution were approximately RMB62,000, RMB20,000, RMB13,000 and RMB4,000 for FY2020, FY2021, FY2022 and 9M2023 respectively. Certain employees of our Group were not willing to contribute to housing provident fund in Laixi, Xi'an and Dalian where Fujing Agriculture and our branch companies are located for (i) being rural registered permanent residence with rural residence land and thus having no needs to purchase commercial housing; or (ii) being registered elsewhere with their former employers. We were unable to make social insurance contributions for certain employees because they were not willing to contribute. Without their consent, we were unable to make contributions on their behalf or compel deductions from their salaries.	As advised by our PRC Legal Advisers, according to the Administrative Regulations on Housing Provident Funds (住房公積金管理條例), if an employer fails to register with the relevant authority or go through the formalities of opening housing provident fund accounts for its employees, the relevant authority may order it to go through all the formalities within a prescribed time limit. If such employer fails to do so, at the expiration of the prescribed time limit, a fine of not less than RMB10,000 nor more than RMB50,000 may be imposed upon such employer. Failure to pay on time or pay in full its contributions, the relevant housing provident fund authority may order it to make payment of contributions within a prescribed time limit. Failing which, the relevant authority may apply to the court for mandatory enforcement of retrieval of such payment. According to the certificate issued on 23 December 2023 by the Laixi Office of Housing Provident Fund Management Centre of Qingdao* (青島市住房公積金管理中心萊西管理處), a competent authority as advised by our PRC Legal Advisers, the said Centre confirmed that Fujing Agriculture had duly gone through the formalities of opening housing provident fund accounts and made contribution to housing provident funds for our employees in accordance with the relevant PRC laws and regulations, that it would not demand us to make payment for the past outstanding contributions to housing provident funds or penalise us in respect thereof, and it had not received any complaint against Fujing Agriculture in relation to housing provident funds. According to the certificate issued on 22 December 2023 by the Housing Provident Fund Management Centre of Dalian* (大連市住房公積金管理中心), a competent authority as advised by our PRC Legal Advisers, up to the date thereof, the said Centre had no records of our branch company in Dalian being penalised for breach of any laws and regulations in the PRC relating to housing provident funds.	Since January 2020, we have duly gone through the formalities of opening housing provident fund accounts and made contribution to housing provident funds for all our eligible employees in accordance with the relevant PRC laws and regulations, except for those employees who have voluntarily waived their rights in relation to the housing provident funds (in which case we should make contribution to housing provident funds in full or pay any shortfall in the housing provident funds contributions within a prescribed period if required by the relevant competent authorities) and have undertaken in writing to bear all consequences and liabilities resulting from or in connection to our failure to go through the formalities of opening housing provident fund accounts and make contribution to housing provident funds for them. Save for one of them which we have made contribution to housing provident funds in full for him since July 2023, these employees were no longer employed by us as at the Latest Practicable Date. Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to fully indemnify us against, among other things, any costs, expenses and losses which we may incur in the event that we are required by the relevant competent authorities to pay any of the outstanding housing provident funds contributions, overdue fines and penalties or claimed by the employees for compensation for this non-compliance incident. As advised by our PRC Legal Advisor, based on the aforesaid confirmations from the relevant competent authorities and the remedial actions taken, we have fully rectified this non-compliance as at the Latest Practicable Date and the risk for us to be penalised by the relevant PRC competent authorities with respect to housing provident funds contributions is low.	Please refer to the internal control measures taken by our Group in relation to social insurance contribution above.

Having considered the confirmation from the relevant authorities, the advice of our PRC Legal Advisers, the indemnities provided by our Controlling Shareholders and the enhanced internal control measures taken by our Group, our Directors considered that no provision is required to be made in our consolidated financial statements in relation to the abovementioned non-compliance incidents as they would not have a material adverse effect on our business, financial condition and results of operations in light of the above considerations.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Directors are responsible for the formulation and overseeing the implementation of our internal control measures and effectiveness of quality and risk management system.

To manage our external and internal risks and to ensure the smooth operations of our business, we have engaged an internal control consultant to assist our Group to review and provide recommendations on improving our internal control system. Our internal control consultant reviewed and provided recommendations on our internal control system in August 2020; and conducted follow up reviews in August 2022 and June 2023 based on the recommendations, and concluded that all remedial measures have been implemented. In particular, we have adopted a series of internal control policies, procedures and programmes designated to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

All Executive Directors are assigned for specific responsibilities and periodic reviews and audits of the processes are conducted to identify any potential issues or gaps in segregation of duties. For further details, please refer to the paragraph headed "Employees" in this section of the prospectus.

The major findings, together with the internal control enhanced measures based on the recommendations from the internal control consultant, are set out below:

Major findings	Recommendations	Corresponding rectification measures taken by our Group
During the Track Record Period, our Group did not provide adequate social insurance contributions and housing provident fund for all of our employees in the PRC. For details, please refer to the paragraph headed "Non-compliance" in this section.	Our management should conduct a review of the contributions for social insurance and housing provident fund for our subsidiaries in the PRC and establish procedures to ensure that the housing provident funds and all other social insurance are properly and correctly paid in accordance with laws and regulations in the PRC, including but not limited to the following: • establishment of the social insurance and housing provident funds contribution management policy to guide the adoption of payment basis, calculation and declaration of social insurance and housing provident funds and regular review of employee contribution status by the administrative or human resources staff by our management; • checking the compliance status and conducting risk assessment of the current compliance status regarding social insurance and housing provident fund contributions by our human resources staff and such work is to be reviewed by our chief executive officer; and • training in relation to social insurance and housing provident funds shall be provided to employees in relevant departments to strengthen employees' knowledge of regulations.	For the rectification measures taken by our Group, please refer to the paragraph headed "Non-compliance" in this section of the prospectus.
CCTVs are not installed in the warehouse and not all greenhouses are installed with CCTVs.	The Company should carefully evaluate the appropriateness and adequacy of the physical safeguard over inventory, including but not limited to the following:	We have formulated written policies and procedures in strengthening the physical safeguard over inventory, specifying that:

Major findings	Recommendations	Corresponding rectification measures taken by our Group
Moreover, we did not engage 24-hour security guard for our warehouse.	• CCTV should be installed in both warehouse and greenhouse; and • The security guard should perform 24-hours monitoring.	• at the existing cultivation facilities, there is a gate stationed by a 24-hour security guard to perform the in-out control of the potted vegetable produce. • monthly stock count will be performed. • all inventory movement must be recorded through a computer system. The Company has commenced the installation of CCTV, the installation is in progress as at the Latest Practicable Date and is expected to be completed before Listing.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after Listing, we have adopted or will adopt, among others, the following corporate governance and internal control measures:

- the establishment of an audit committee responsible for overseeing the financial records, internal control procedures and risk management systems of our Company;
- the appointment of Grande Capital Limited as our compliance adviser upon Listing to advise us on compliance with the Listing Rules; and
- the engagement of external legal advisers to advise us on compliance with the Listing Rules and to ensure we will not be in breach of any relevant regulatory requirements or applicable laws, where necessary.

LEGAL PROCEEDINGS

We may from time to time be involved in disputes or legal proceedings arising from the ordinary course of our business. As at the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our business, financial condition or results of operations.

IMPACT OF THE OUTBREAK OF COVID-19 EPIDEMIC

China was hit by the outbreak of COVID-19 epidemic since January 2020 until the end of 2022. The outbreak of the COVID-19 disease had prompted the PRC government to place many provinces into lockdown at various time during this period, stipulate measures aiming at reducing mobilities and close non-essential businesses which affected our business to different extent.

In early 2020, government policies were issued to require that during the prevention and control of outbreak of COVID-19, normal supply of agricultural production materials shall be ensured. The PRC government's policies such as the "green channel" policy was implemented to ensure the smooth transportation of fresh agricultural products to maintain the normal market supply.

The following table sets forth the several outbreaks of COVID-19 epidemic which affected the operation of our cultivation facilities during the Track Record Period:

	Affected period and duration:	**Facilities and markets being affected by the COVID-19 epidemic:**	**Whether our cultivation activities were interrupted, and impact on our business operations:**	**Direct loss of potted vegetable produce and the estimated loss of potential sales revenue during the lockdown:**
1.	February 2020 to March 2020 (approximately one month)	Laixi Facility and Shandong province market	No, the lockdown and travel restrictions were mainly imposed in the Qingdao city. Our Laixi Facility, which is located in suburban area was still in operation, and we were encouraged by the government to continue to supply agricultural products to maintain the normal market supply during the COVID-19 epidemic. Hotels and restaurants were temporarily closed. Our distributors sold our potted vegetable produce to residents in local residential estates through property management companies which mitigated the impact of the lockdown measures and the closure of hotels and restaurants.	N/A
2.	22 December 2020 to 15 January 2021 (approximately 24 days)	Dalian Facility and Liaoning province market	Yes, the lockdown measures limited the operation of our Dalian Facility and caused temporary suspension of our sales activities in Dalian. Hotels and restaurants were temporarily closed. Our suppliers had difficulties in reaching our Dalian Facility.	Direct loss of unsold vegetable produce: approximately 15,000 pots Estimated direct loss of potential sales revenue: approximately RMB0.2 million *(Note 1)*

	Affected period and duration:	Facilities and markets being affected by the COVID-19 epidemic:	Whether our cultivation activities were interrupted, and impact on our business operations:	Direct loss of potted vegetable produce and the estimated loss of potential sales revenue during the lockdown:
3.	23 December 2021 to 24 January 2022 (approximately one month)	Xi'an Facility and Shaanxi province market	Yes, lockdown and travel restrictions were imposed in certain areas of Xi'an which limited the operation of our Xi'an Facility and caused the temporary suspension of our sales activities. Hotels and restaurants were temporarily closed. Our suppliers outside of Xi'an had difficulties in reaching our Xi'an Facility and our subcontractors were also affected due to the home isolation and quarantine policy which restricted the movement of local residents and supply of workforce.	Direct loss of unsold vegetable produce: approximately 9,000 pots Estimated direct loss of potential sales revenue: approximately RMB0.1 million *(Note 2)*
4.	5 March 2022 to 10 April 2022 (approximately one month)	Laixi Facility and Shandong province market	Yes, lockdown and travel restrictions were imposed in Laixi. Our Laixi Facility was suspended for more than a month which caused the temporary suspension of our sales activities in Shandong province. Hotels and restaurants were temporarily closed. Our distributors in Shandong province were unable to pick up potted vegetable produce from our Laixi Facility; suppliers outside of Laixi also had difficulties in reaching our Laixi Facility and our subcontractors were also affected due to the home isolation and quarantine policy which restricted the movement of local residents and supply of workforce.	Direct loss of unsold vegetable produce: approximately 549,000 pots Estimated direct loss of potential sales revenue: approximately RMB8.2 million *(Note 3)*
5.	14 March 2022 to 10 April 2022	Dalian Facility and Liaoning province market	Yes, lockdown and travel restrictions were imposed in the Jinpu New Area of Dalian. Our Dalian Facility was suspended which caused the temporary suspension of our sales activities in Liaoning province. Hotels and restaurants were temporarily closed. Our distributor in Dalian was unable to pick up potted vegetable produce from our Dalian Facility. Our suppliers outside of Dalian had difficulties in reaching our Dalian Facility and our subcontractors were also affected due to the home isolation and quarantine policy which restricted the movement of local residents and supply of workforce.	Direct loss of unsold vegetable produce: approximately 8,000 pots Estimated loss of potential sales revenue: approximately RMB0.1 million *(Note 1)*

Notes:

1. The estimated loss of potential sales revenue is calculated based on the average selling price of our potted vegetable produce in Liaoning province of approximately RMB16.0 per pot in FY2020, FY2021 and FY2022

2. The estimated loss of potential sales revenue is calculated based on the average selling price of our potted vegetable produce in Shaanxi province of approximately RMB16.0 per pot in FY2021 and FY2022

3. The estimated loss of potential sales revenue is calculated based on the average selling price of our potted vegetable produce in Shandong province of approximately RMB15.0 per pot in FY2022

In February and March 2020, in light of the closure of some hotels and restaurants and the government policy of home isolation and quarantine which restricted the movement of local residents, as a temporary and extraordinary arrangement, our distributors sold 524,900 pots of our potted vegetable produce to residents in local residential estates through property management companies, accounting for revenue of our Group of approximately RMB7.8 million (or 6.5% of our total revenue in FY2020). This arrangement, together with the fact that the COVID-19 epidemic happened at around the Chinese New Year holiday in 2020 which is not our peak season, mitigated the effect of the closure of hotels and restaurants on our sales performance. Most restaurants and hotels were reopened and local residents were allowed to dine out by the end of March 2020. To the best knowledge and belief of our Directors, most of the restaurant and hotel end-user customers resumed operation in March 2020. In view of the above and that our potted vegetable produce are targeted to food and beverage industry rather than household daily consumption, such temporary and extraordinary arrangement was ceased after March 2020, and we focus instead on selling our potted vegetable produce through our distribution channel which mainly aims at food and beverage industry.

The series of lockdown measures in Dalian and various areas in Shandong province due to the COVID-19 epidemic in 2022 has temporary adverse impact on our business in FY2022. Our revenue derived from Laixi Facility and the Dalian Facility has dropped by approximately RMB26.8 million and RMB0.5 million, or 19.0% and 7.2% between FY2021 and FY2022 respectively. Consequently, our Group's revenue dropped by approximately RMB28.3 million or 18.2% between FY2021 and FY2022. Such lockdowns have more serious impact on our business and financial performance than lockdown in prior years due to the following reasons:

(i) the lockdown affected our Laixi Facility and Shandong province market which accounts for most of our revenue. Sales in Shandong province accounted for approximately 87.1%, 91.2% and 90.3% of our revenue for FY2020, FY2021 and FY2022 respectively;

(ii) the lockdown in our Laixi Facilities and Dalian Facilities that lasted for around one month took place between March and April 2022. In comparison with the first lockdown in 2020 that took place between February and March 2020 during our slack season around the Chinese New Year holiday, the impact on our revenue is more significant in 2022;

(iii) unlike the first lockdown in 2020 when our cultivation facilities were still in operation and our distributors were able to pick up potted vegetable produce from us and sold them to residents in local residential estates through property management companies, during the lockdown in 2022 distributors were not allowed to pick up potted vegetable produce from us and no sales took place during the lockdown, resulting in direct loss of unsold vegetable produce of approximately 557,000 pots and estimated direct loss of potential sales revenue of approximately RMB8.3 million during the lockdown. Most of the unsold potted vegetable produce from our Laixi Facility was donated to the government for the distribution to the local residents for their consumption during the lockdown period of the COVID-19 epidemic in FY2022. Our changes in fair value of biological assets for FY2022 included approximately RMB4.6 million which represented the unsold vegetable produce as a result of the temporary suspension of our facilities due to the outbreak of COVID-19 epidemic during March 2022 to April 2022; and

(iv) the COVID-19 epidemic was particularly serious in Shandong province in March 2022. Hence, during the initial period of our resumption of operation of Laixi Facility in April 2022, some of the lockdown and travel restrictions were still partially in force in various parts of Shandong province. Similarly, some of the lockdown and travel restrictions were still partially in force in Dalian during the initial period of our resumption of operation of Dalian Facility in April 2022. To the best knowledge and belief of the executive Directors, due to the prolonged lockdown in 2022 that restricted the operation of some of our end-user customers in Shandong province and Dalian, it took several months for our overall sales to pickup and gradually resume to normal level. Our revenue in August 2022 of approximately RMB17.2 million, eventually exceeded our revenue of approximately RMB16.1 million in August 2021.

Between March and July 2022, our revenue in Shandong province and Dalian fell short of the revenue in the same period in 2021 by approximately RMB26.6 million and RMB1.0 million respectively. Such shortfall includes the estimated direct loss of potential sales revenue for unsold potted vegetable produce of approximately RMB8.2 million and RMB0.1 million for Laixi Facility and Dalian Facility respectively as explained in the table on page 270 of this prospectus. Our Directors believe such shortfall is principally attributed to the series of lockdown measures in Dalian and various areas in Shandong province due to the COVID-19 epidemic in 2022. By August 2022, our sales have fully resumed and we recorded a revenue of approximately RMB17.2 million in August 2022, which exceeded our revenue of approximately RMB16.1 million in August 2021. We recorded a revenue of approximately RMB54.2 million from September 2022 to December 2022, which is comparable to the revenue of approximately RMB54.6 million we recorded during the same period in 2021. As confirmed by the Directors, most of the hotels and restaurants end-user customers of the Group's distributors resumed normal operation since August 2022. The Group's operations and financial position since September 2022 was no longer materially affected by the COVID-19 epidemic.

The PRC government has substantially lifted its COVID-19 prevention and control policies since December 2022. Our business continued to recover from the impact of COVID-19 outbreak in 2023, as our business operation was no longer affected by COVID-19 epidemic. We recorded a revenue of approximately RMB121.3 million in the nine months ended 30 September 2023, which slightly exceeded the revenue of approximately RMB117.2 million for the nine months ended 30 September 2021. Our Directors are of the view that it is unlikely that the COVID-19 pandemic will have a material adverse impact on our business going forward. Save as disclosed above, our Directors confirmed that there was no material adverse impact on our operation, our sales to our customers, our suppliers and our subcontractors in relation to our business due to the COVID-19 epidemic during the Track Record Period and up to the Latest Practicable Date. We had adopted additional internal control and hygiene measures since the outbreak of COVID-19 epidemic. These measures include monitoring of employees health conditions and travel record, disinfection of office areas, procurement of epidemic prevention materials such as masks, disinfection alcohol spray, and thermometers, strengthening education on epidemic prevention and control and formulating emergency response guidelines.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued and allotted upon the exercise of any options and/or awards granted under the Share Scheme), Wider International will own approximately 53.4% of the entire issued share capital of our Company. Mr. Zhang, being the sole beneficial owner of the entire issued share capital of Wider International, is indirectly holding approximately 53.4% of the entire issued share capital of our Company. Accordingly, Mr. Zhang and Wider International will be our Controlling Shareholders upon Listing. For details regarding the shareholding interests of our Controlling Shareholders, please refer to the section headed "Substantial Shareholders" in this prospectus.

Wider International is an investment holding company incorporated in BVI. Mr. Zhang is the founder of our Group and is also our executive Director and chairman of our Board. For the biographical information of Mr. Zhang, please refer to the section headed "Directors and Senior Management" in this prospectus.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders, Directors and their respective close associates do not have any interest in a business apart from our business which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are of the view that our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates, for the following reasons:

Management Independence

The day-to-day management and operations of our Group are the responsibility of our executive Directors and senior management. Our Board consists of eight Directors, of whom five are executive Directors and three are independent non-executive Directors. For further information of our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus. Save for Mr. Zhang, who is our executive Director and ultimate Controlling Shareholder, none of our Directors and senior management members holds any directorship in Wider International, our Controlling Shareholder. We consider that our Board and senior management will function independently from our Controlling Shareholders because:

(a) each Director is aware of his or her fiduciary duties as a Director which require, among others, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests;

(b) our three independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under Listing Rules to ensure that the decisions of our Board are made only after the due consideration of independent and impartial opinions;

(c) in the event that there is a potential conflict of the interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions, and shall not be counted in the quorum;

(d) our Board acts collectively by majority decisions in accordance with the Articles of Association and applicable laws, and no single Director will have any decision-making power unless authorised by our Board;

(e) our Company has also established an internal control mechanism to identify related party transactions to ensure that our Controlling Shareholders or Directors with conflicting interests in a proposed transaction will declare the nature of their respective interests to our Board at their earliest convenience and abstain from voting on the relevant resolutions;

(f) in order to allow the non-conflicting members of our Board to function properly with the necessary professional advice, our Company will engage Independent Third Party professional advisers to advise our Board when necessary, depending on the nature and significance of any proposed transactions to be entered into between our Group and any of Directors and/or their respective close associates; and

(g) the senior management team of our Group is independent from our Controlling Shareholders.

Operational Independence

We consider that our Group can operate independently from our Controlling Shareholders for the following reasons:

(a) we own or have the right to use all the operational facilities relating to our business and hold all relevant qualifications, licences and permits necessary to carry on our business;

(b) we have established our own organisational structure comprising individual departments each with specific areas of responsibilities and have the ability to formulate and implement operational decisions independently from our Controlling Shareholders;

(c) we do not share our operational resources with our Controlling Shareholders;

(d) we communicate with and serve our clients independently and our Controlling Shareholders have no interest in any of our customers, suppliers or other business partners that are important to or material in our operation; and

(e) our employees are independent from, and none of them is remunerated by, our Controlling Shareholders and/or their respective close associates.

Our Company entered into a lease agreement with Qingdao Yongzheng Real Estate Development Co. Ltd.* (青島永正房地產開發有限公司) (a company owned respectively as to 60% by Ms. Zhang, the sister of Mr. Zhang who is our ultimate Controlling Shareholder, and 40% by Ms. Geng Juan who is cohabiting with Mr. Zhang as his spouse) in respect of the premises situated at 3rd Floor, Block 68, No.85 Beijing East Road, Laixi, Qingdao, Shandong province (山東省青島萊西市北京東路85號68棟第三層) (the "**Office Premises**") for office use, which is expected to continue after the Listing. However, our Directors are of the view that we can still operate independently from our Controlling Shareholders on the grounds that (i) such transaction has been entered into and will continue to be on normal commercial terms and in the ordinary course of business of our Company; and (ii) even if our Group ceases to lease the Office Premises from Qingdao Yongzheng Real Estate Development Co. Ltd.* (青島永正房地產開發有限公司), our Group would still be able to find suitable premises from Independent Third Parties in the same district as our office. For details of the leasing of the Office Premises, please refer to the section headed "Continuing Connected Transactions" in this prospectus.

Financial Independence

We have our own accounting system and are able to make financial decisions according to our own business needs. We do not share any bank accounts with our Controlling Shareholders and/or their respective close associates.

During the Track Record Period, bank borrowings by our Group amounting to RMB10,000,000, RMB10,000,000, RMB10,000,000 and RMB9,995,000, respectively, were secured by personal guarantee given by Mr. Zhang and Ms. Geng Juan, which will be released upon Listing. For details of such bank borrowings, please refer to note 31 to the Accountants' Report as set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed "Financial Information — Related party transactions" and note 40 to the Accountants' Report as set out in Appendix I to this prospectus, as at the Latest Practicable Date, we had no outstanding loans, current account balances, financial assistance or financing in any other forms from our Controlling Shareholders and/or their respective close associates.

During the Track Record Period and up to the Latest Practicable Date, our Group relied principally on cash generated from operations to carry on our business and this is expected to continue after the Listing. In view of our internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for our financial needs and that our Group is financially independent from our Controlling Shareholders.

DEED OF NON-COMPETITION

Non-competition

In order to avoid any future competition between our Group and our Controlling Shareholders upon Listing, each of our Controlling Shareholders, as covenantor (each a "**Covenantor**", and collectively the "**Covenantors**"), executed on 23 November 2023, the Deed of Non-competition in favour of our Company, pursuant to which each of the Covenantors undertakes jointly and severally and unconditionally and irrevocably that, from the date of the Deed of Non-competition and ending on the occurrence of the earliest of (i) the date on which any of the Covenantors ceases to hold directly or indirectly in aggregate 30% or more of the entire issued share capital, or otherwise ceases to be a Controlling Shareholder; or (ii) the date on which our Shares cease to be listed and traded on the Main Board (other than suspension of trading of our Shares for any other reason) (the "**Restricted Period**"), he or it will not, and will use his or its best endeavours to procure his or its close associates and any company directly or indirectly controlled by him or it not to, whether directly or indirectly, whether for profit, reward or otherwise, whether as principal, agent, shareholder, director, partner, consultant, lender or otherwise and whether on his or its own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), do any of the following:

(a) carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with the business which is presently or may be carried on by any member of our Group from time to time (the "**Restricted Business**"), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise and whether for profit, reward or otherwise; and

(b) take any action which interferes with or disrupts or may interfere with or disrupt with the business presently carried on by any member of our Group or any other business that may be carried on by any member of our Group including, but not limited to, solicitation of any of the then current customers, suppliers, subcontractors, distributors (sub-distributors) or employees of any member of our Group;

(c) at any time employ any person who has been a director, manager or employee of or consultant to our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to our business without prior written consent from our Company; or

(d) exploit his or its knowledge or information obtained from our Group to compete directly or indirectly with the Restricted Business,

on the condition that none of the clauses in the Deed of Non-competition shall preclude the Covenantors from having any interest in any company engaging in any Restricted Business (the "**Subject Company**") where: (i) the Covenantors hold not more than 5.0% of the entire issued shares or stock of any class or debentures of the Subject Company which is or whose holding company is listed on any recognised exchange (as defined under the SFO); or (ii) any Restricted Business conducted or engaged in by the Subject Company (and assets relating thereto) accounts for not more than 5.0% of the Subject Company's consolidated turnover or consolidated assets, as shown in the Subject Company's latest audited accounts provided that (i) there is a holder (together where appropriate, with its close associates) with a larger shareholding in the Subject Company than the aggregate shareholding held by the Covenantors and/or their respective close associates at all times and (ii) the total number of the Covenantors' representatives on the board of directors of the Subject Company is not significantly disproportionate in relation to their shareholding in the Subject Company.

Each of the Covenantors also undertakes that he or it shall not directly or indirectly appoint any executive director in the Subject Company and that the principal terms by which he or it (or their respective close associates) subsequently invests, participates, engages in or operates the Restricted Business are no more favourable than those offered to the members of our Group.

Each of the Covenantors has confirmed to our Company that neither he or it nor any of his or its close associates and/or companies controlled by him or it (other than members of our Group) currently own, operate, participate, invest in or carry on, directly or indirectly, whether as a director, shareholder, partner, agent or otherwise, whether for profit, reward or otherwise, the Restricted Business otherwise than through our Group.

New business opportunities

Pursuant to the Deed of Non-competition, should any new investment, engagement or other business opportunity relating to the Restricted Business (the "**New Business Opportunity**") be identified by or made available to any of the Covenantors or their respective close associates, whether directly or indirectly, he or it shall, and shall procure his or its close associates to, refer the New Business Opportunity to our Company in the following manner:

(a) as soon as he or it becomes aware of any New Business Opportunity, he or it shall give and shall procure that his or its close associates (excluding members of our Group) to give written notice (the "**Offer Notice**") to our Company within seven days identifying the target company and the nature of the New Business Opportunity, detailing all information available to him or it for us to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition cost and the contact details of the third parties offering, proposing or presenting the New Business Opportunity to him or it);

(b) our Company is required to seek approval from our Board or a board committee (in each case comprising, among others, independent non-executive Directors) who do not have a material interest in the New Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the New Business Opportunity. Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such New Business Opportunity;

(c) our Independent Board shall consider the financial impact of pursuing the New Business Opportunity offered, whether the nature of the New Business Opportunity is consistent with our strategies and development plans, the general market conditions in the Restricted Business's industry and any advice from independent financial advisers, should the appointment of which be deemed necessary by our Independent Board;

(d) if appropriate, our Independent Board may appoint independent financial advisers to assist in the decision-making process in relation to such Business Opportunity;

(e) our Independent Board shall, within 30 days of receipt of the Offer Notice, notify the relevant Covenantor in writing of its intention to pursue or decline the New Business Opportunity;

(f) the relevant Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested in the New Business Opportunity on the same, or less favourable, terms and conditions in all material aspects as set out in the Offer Notice if he/it has received a written notice from our Independent Board declining the New Business Opportunity; and

(g) if there is any material change in the nature, terms or conditions of the New Business Opportunity pursued by the relevant Covenantor, he or it shall refer the New Business Opportunity as revised and shall provide to our Company details of all available information for our Company to consider whether to pursue the New Business Opportunity as revised.

Other undertakings

In addition, pursuant to the Deed of Non-competition, each of the Covenantors undertakes that, during the Restricted Period, he or it will:

(a) provide all information necessary to our Company and Directors for the annual review by our independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition and the enforcement of the undertakings contained therein;

(b) make an annual declaration and disclosure in compliance with such undertakings in the annual reports of our Company;

(c) in the event of any disagreement as to whether or not any activity or proposed activity of the Covenantors constitutes a Restricted Business, procure that the matter be determined by our independent non-executive Directors whose majority decision shall be final and binding; and

(d) our independent non-executive Directors will review, on an annual basis, the compliance of each of the Covenantors with their respective non-competition undertaking and in particular, the right of first refusal in relation to any Business Opportunities and that our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance with, and the enforcement of, the Deed of Non-competition in our annual report or by way of announcement to the public.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to resolve potential conflicts of interests between our Company and our Controlling Shareholders, and to safeguard the interests of our Shareholders as a whole:

(a) the Articles provide that, unless otherwise provided, a Director shall abstain from voting on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his or its close associates has a personal material interest nor shall such Director be counted in the quorum of the voting;

(b) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;

(c) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;

(d) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, including why business opportunities referred by our Controlling Shareholders were not taken up, either through our annual reports or by way of announcements;

(e) our Controlling Shareholders undertake to provide, on an annual basis, a declaration to our Company confirming that each of our Controlling Shareholders and his or its close associates has not breached any of the terms in the Deed of Non-competition;

(f) our Company has also established an internal control mechanism to identify related party transactions to ensure that our Controlling Shareholders or Directors with conflicting interests in a proposed transaction will declare the nature of their respective interests to our Board at their earliest convenience and abstain from voting on the relevant resolutions; and

(g) we will seek professional advices from our compliance adviser, as long as our Company maintains the engagement of the same, on compliance with continuing obligations under the Listing Rules in accordance with the provisions of the engagement agreement with our compliance adviser and the requirements of the Listing Rules.

OVERVIEW

The following transaction between our Group and the relevant connected person of our Company shall continue after the Listing, which will constitute a continuing connected transaction under the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTION

Tenancy agreement in respect of our office premises

Connected person

Qingdao Yongzheng Real Estate Development Co. Ltd.* (青島永正房地產開發有限公司) ("**Yongzheng Real Estate**") is a company which principally engages in the business of real estate development in the PRC. As at the Latest Practicable Date, Yongzheng Real Estate is owned as to 60% by Ms. Zhang, the sister of Mr. Zhang who is our executive Director and Controlling Shareholder, and as to 40% by Ms. Geng Juan who is cohabiting with Mr. Zhang as his spouse. Accordingly, Yongzheng Real Estate constitutes a connected person of our Company under Chapter 14A of the Listing Rules.

Nature of transaction

During the Track Record Period, we leased the Office Premises from Yongzheng Real Estate and we intend to continue such leasing arrangement following the Listing.

On 3 February 2021, Fujing Agriculture as the tenant and Yongzheng Real Estate as the landlord entered into a tenancy agreement (the "**2021 Tenancy Agreement**"), pursuant to which Fujing Agriculture agreed to lease the Office Premises from Yongzheng Real Estate with a gross floor area of approximately 560 sq.m. for use as office for a term of two years from 13 February 2021 to 12 February 2023 (both days inclusive). Pursuant to a tenancy agreement entered into on 7 February 2023 (the "**2023 Tenancy Agreement**"), the lease was renewed for a term of one year to 12 February 2024. Pursuant to another tenancy agreement entered into on 9 January 2024 (the "**2024 Tenancy Agreement**"), the lease was further renewed for a term of one year to 12 February 2025. The annual rent payable by Fujing Agriculture under the 2021 Tenancy Agreement, the 2023 Tenancy Agreement and the 2024 Tenancy Agreement (collectively, the "**Office Tenancy Agreements**") is RMB36,000. Such annual rental was determined after arm's length negotiations between the parties making reference to the prevailing market rental.

For FY2020, FY2021, FY2022 and 9M2023, the total rent incurred by our Group for leasing the Office Premises from Yongzheng Real Estate amount to RMB36,000, RMB36,000, RMB36,000 and RMB27,000, respectively. Based on the fixed annual rent agreed under the Office Tenancy Agreements, our Directors estimate that the maximum transaction amount involved will not exceed RMB36,000 per year upon Listing.

Implication under the Listing Rules

As the transaction contemplated under the Office Tenancy Agreements shall continue after the Listing, it will constitute a continuing connected transaction for the Company under the Listing Rules.

Since each of applicable percentage ratios on an annual basis for the transaction contemplated under the Office Tenancy Agreements is less than 0.1%, such transaction constitutes a *de minimis* connected transaction under Rule 14A.76(1)(a) of the Listing Rules and is therefore fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION BY OUR DIRECTORS

BMI Appraisals, which is engaged by our Group as an independent property valuer, has reviewed the Office Tenancy Agreements, collected and analysed the relevant rented comparables in the vicinity, and confirmed that the annual rentals under the Office Tenancy Agreements are consistent with the prevailing market rates of similar properties in the similar location and is fair and reasonable.

Having considered the above, our Directors (including the independent non-executive Directors) are of the view that the exempt continuing connected transaction disclosed above has been entered into in the ordinary and usual course of our business, on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

If the material terms of the Office Tenancy Agreements are altered to the extent that it is no longer an exempt continuing connected transaction or if we enter into any new agreements or arrangements with any connected persons in the future under which the aggregate consideration involved exceed the limits for exempt continuing connected transactions referred to in the Listing Rules, we will comply with the relevant requirements in the Listing Rules accordingly.

CONFIRMATION BY THE SOLE SPONSOR

The Sole Sponsor, having reviewed the relevant documentation and historical figures, is of the view that the exempt continuing connected transaction disclosed above has been entered into in the ordinary and usual course of our business, on normal commercial terms, and are fair and reasonable and in the interests of our Shareholders as a whole.

OVERVIEW

Our Board consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day operations and management of our business.

The table below sets out certain information concerning our Directors and senior management:

Directors

Name	Age	Date of joining our Group	Date of appointment as Director	Current position in our Group	Roles and Responsibilities	Relation with other Director(s) and/or senior management
Mr. Zhang Yonggang (張永剛)	48	4 December 2006	23 July 2019	Chairman and Executive Director and chief executive officer	Devising overall corporate strategies, management and business development of our Group; and overseeing sales and marketing function	Nil
Mr. Cui Wei (崔偉)	40	1 April 2012	27 May 2020	Executive Director	Monitoring the operation and business development of our Group; and overseeing procurement and management function	Nil
Ms. Guo Zeqing (郭澤清)	40	1 January 2010	27 May 2020	Executive Director and financial controller	Supervising overall financial management of our Group; and overseeing our finance and accounting function	Nil
Mr. Lyu Zhonghua (呂鐘華)	43	26 December 2011	27 May 2020	Executive Director	Supervising the implementation of strategies and managing human resources and administrative function of our Group	Nil

Name	Age	Date of joining our Group	Date of appointment as Director	Current position in our Group	Roles and Responsibilities	Relation with other Director(s) and/or senior management
Mr. Pang Jinhong (逄金洪)	34	10 February 2013	27 May 2020	Executive Director	Devising and implementation of strategies and managing technical and quality control functions as well as the supervision of our subcontracting labours in respect of our cultivation function	Nil
Dr. Li Junliang (李俊良)	61	16 November 2023	16 November 2023 *(Note)*	Independent non-executive Director	Providing independent advice to our Board and serving as a member of the audit committee, nomination committee and remuneration committee	Nil
Mr. Lam Chik Tong (林植棠)	50	16 November 2023	16 November 2023 *(Note)*	Independent non-executive Director	Providing independent advice to Board and serving as the Chairman of the audit committee, and a member of the nomination committee and remuneration committee	Nil
Ms. Chow Wai Mee May (周煒美)	51	16 November 2023	16 November 2023 *(Note)*	Independent non-executive Director	Providing independent advice to our Board and serving as the chairlady of the remuneration committee and member of the audit committee and nomination committee	Nil

Note: All independment non-executive Directors were appointed on 16 November 2023 with effect from 26 February 2024.

Senior Management

Name	Age	Date of joining our Group	Date of appointment as senior management	Current position in our Group	Roles and Responsibilities	Relation with other Director(s) and/or senior management
Mr. Au Yeung Ming Yin Gordon (歐陽銘賢)	48	28 January 2021	28 January 2021	Company secretary	Responsible for secretarial matters of our Group	Nil

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Zhang Yonggang (張永剛), aged 48, is our chairman, executive Director and chief executive officer. Mr. Zhang founded our Group in December 2006 and is primarily responsible for devising the overall corporate strategies, management and business development of our Group and overseeing sales and marketing function and overall business development of our Group. Mr. Zhang is also the director of Glory Team, Fujing Holdings (HK), Xinfujing and Fujing Agriculture and the legal representative of Fujing Agriculture.

Mr. Zhang has over 17 years' experience in the industry of cultivation and sales of vegetable produce as he has been leading the management of our business. Prior to establishing our Group, Mr. Zhang gained rich experience in corporate management as he worked as general manager in Qingdao Yongyan Clothing Co. Ltd.* (青島永燕服裝有限公司), a company principally engaged in the business of production of clothes, from March 2003 to May 2015. He is also an entrepreneur, being the founder of Qingdao Yongzheng Real Estate Development Co. Ltd.* (青島永正房地產開發有限公司), a company founded in May 2006 which principally engaged in the business of real estate development in the PRC and his role changed from general manager to supervisor since June 2015 for devoting more time and resources in our Company.

Mr. Zhang was a director of the following company incorporated in PRC prior to its dissolution by voluntary deregistration with details as follows:

Name of the company	Nature of business immediately prior to dissolution	Date of dissolution	Reason for dissolution
Qingdao Fujing Real Estate Company Limited* (青島富景置業有限公司)	Development and sales of real estate	18 April 2011	Ceased to have business

Mr. Zhang confirmed that the above company was solvent immediately prior to its dissolution and that there was no wrongful act on his part leading to the dissolution of the above company by deregistration and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company.

Mr. Zhang was awarded the Qingdao Model Worker Certificate* (青島市勞動模範證書) issued by Qingdao Municipal Party Committee (中共青島市委員會) and Qingdao Municipal Government (青島市人民政府) in April 2018 and was later awarded the Advanced Worker of Shandong Rural Professional and Technical Association* (山東省農村專業技術協會先進工作者) issued by Shandong Rural Professional Technology Association* (山東農村專業技術協會) in June 2020. In January 2022, Mr. Zhang was awarded the Star of Qilu Rural Area of 2021* (2021年度齊魯鄉村之星) issued by the General Office of the People's Government of Shandong Province* (山東省人民政府辦公廳).

Mr. Zhang has been appointed as the deputy to the People's Congress of Qingdao* (青島市人大代表), with effect from 12 April 2022.

Mr. Zhang graduated from Shandong Accounting Officers Secondary Specialised School* (山東省會計幹部中等專業學校) specialising in finance accounting in July 1992.

Mr. Cui Wei (崔偉), aged 40, is our executive Director. Mr. Cui joined our Group in April 2012 and is primarily responsible for monitoring the operation and business development of our Group and overseeing procurement and management function.

Mr. Cui has over 14 years' experience in the agriculture industry. Prior to joining our Group, Mr. Cui served as an administration assistant in Qingdao Shenlan Fertiliser Industry Company Limited* (青島深藍肥業有限公司), a company principally engaged in production, development and sale of fertilisers, from March 2010 to March 2012. He has been appointed as a director of Fujing Agriculture from August 2015 to February 2020 and a secretary to the board of directors of Fujing Agriculture from August 2015 to May 2019. He has also been appointed as a secretary to the chairman of Fujing Agriculture since April 2012.

Mr. Cui was a director of the following company incorporated in PRC prior to its dissolution by deregistration with details as follows:

Name of the company	Nature of business immediately prior to dissolution	Date of dissolution	Relation with our Group	Reason for dissolution
QF Vegetables	Never commenced business	20 December 2016	Established on 14 September 2011 as a wholly-owned subsidiary of Fujing Agriculture for the business of plantation, preservation, cold storage and inventory storage of agricultural produce	Never commenced business

Mr. Cui confirmed that the above company was solvent immediately prior to its dissolution and that there was no wrongful act on his part leading to the dissolution of the above company by deregistration and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company. For the reason of QF vegetables never commencing business, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Corporate History and Development — Deregistration of QF Vegetables" in this prospectus.

Mr. Cui graduated from Shandong Normal University (山東師範大學), the PRC, with a bachelor's degree in Management (specialising in Public Administration) in June 2007.

Ms. Guo Zeqing (郭澤清), aged 40, is our executive Director and financial controller. Ms. Guo has over 17 years' experience in financial management and is primarily responsible for supervising overall financial management of our Group and overseeing our finance and accounting function.

Ms. Guo was an accounting officer in Qingdao Baisheng Packing Company Limited* (青島百盛包裝容器有限公司), a company principally engaged in production of containers, from September 2006 to December 2007. She subsequently served in Qingdao Taixin Mining Co. Ltd* (青島泰鑫礦業有限公司), a company principally engaged in filtering and selection of iron ore, as chief accounting officer from January 2008 to December 2009. Ms. Guo joined Fujing Agriculture since January 2010 as financial manager and our financial controller since November 2015 when she was responsible for supervising the financial matters of the company.

Ms. Guo obtained her bachelor's degree in Management (specialising in Accounting) from Laiyang Agricultural College* (萊陽農學院)(currently known as Qingdao Agricultural University), the PRC, in July 2006.

Mr. Lyu Zhonghua (呂鐘華), aged 43, is our executive Director. Mr. Lyu joined our Group in December 2011 and is primarily responsible for supervising the implementation of strategies and managing human resources and adminstrative function of our Group.

Mr. Lyu has over 20 years of experience in accounting and corporate administration. Prior to joining our Group, he worked as business manager of the Laiyang Weekly Shopping Centre Co., Ltd.* (萊陽維客購物中心有限公司), a company which operates a department store, from May 2003 to April 2005. He was then employed as a financial manager and assistant to the general manager of Qingdao Runsheng Agrochemical Co. Ltd.* (青島潤生農化有限公司), a company principally engaged in pesticide production, from September 2005 to August 2010. From March 2011 to June 2011, he served as a manager of the administrative and human resources department in Qingdao Shenlan Fertiliser Industry Company Limited.* (青島深藍肥業有限公司), a company principally engaged in production, development and sale of fertilisers. In December 2011, Mr. Lyu joined Fujing Agriculture as the manager of administrative and human resources department.

Mr. Lyu obtained his diploma in Accounting Computerisation from Shandong Youth Management Officers College* (山東省青年管理幹部學院) (currently known as Shandong Youth University of Political Science (山東青年政治學院)), the PRC, in July 2001.

Mr. Pang Jinhong (逄金洪), aged 34, is our executive Director. Mr. Pang joined our Group in February 2013 and is primarily responsible for devising and implementation of strategies and managing technical and quality control functions as well as the supervision of our subcontracting labours in respect of our cultivation function.

Mr. Pang has over 11 years of experience in production of agricultural products. Prior to joining our Group, Mr. Pang served as a technician in Qingdao Zhonghe Agricultural Technology Company Limited* (青島中禾農業科技有限公司), a company principally engaged in cultivation and sale of vegetable produce and food, grain, arbours and flowers from November 2011 to December 2012, during which he provided technical support for the production of agricultural products and formulated production plans. He has been appointed as a technical director of Fujing Agriculture since February 2013.

Mr. Pang obtained his bachelor's degree in Agricultural Economic Management from Shenyang Agricultural University (瀋陽農業大學), the PRC, in June 2011.

Independent non-executive Directors

Dr. Li Junliang (李俊良), aged 61, was appointed as our independent non-executive Director on 16 November 2023 with effect from 26 February 2024. He is a member of our audit committee, nomination committee and remuneration committee.

Dr. Li has over 39 years of experience in teaching agricultural science. He has been teaching in the Qingdao Agricultural University (青島農業大學) (formerly known as Laiyang Agricultural College (萊陽農學院)) since July 1984. He worked as a teaching assistant from July 1984 to June 1992, and was promoted to lecturer and assistant professor in July 1992 and October 1998, respectively. Since February 2005, he has been working as a professor in Qingdao Agricultural University. Between August 2005 and September 2016, he was also appointed as an associate dean (副院長) in August 2005 and resigned in September 2016.

Dr. Li was awarded with third prize in Shandong Provincial Science and Technology Award* (山東省科學技術獎) issued by People's Government of Shandong Province (山東省人民政府) in December 2011 for his study in the research and application of water and fertiliser regulation and management in intensive vegetable production, and was later awarded with first prize in Shandong Provincial Science and Technology Award* (山東省科學技術獎) issued by People's Government of Shandong Province (山東省人民政府) in February 2014 for his study in formation mechanism of apple and the research and application of high-quality and high-efficiency cultivation techniques.

Dr. Li obtained his bachelor's degree in Soil Science and Agricultural Chemistry from Shandong Agricultural University (山東農業大學) in July 1984. Dr. Li obtained his master's degree in Corp Nutrition and Fertilisation (作物營養與施肥) from Beijing Agricultural

University (北京農業大學) (currently known as China Agricultural University) in July 1993. He then obtained his doctoral degree in Agricultural Study from China Agricultural University (中國農業大學) in July 2001.

Mr. Lam Chik Tong (林植棠), aged 50, was appointed as our independent non-executive Director on 16 November 2023 with effect from 26 February 2024. He is the chairman of our audit committee and a member of our nomination committee and remuneration committee. Mr. Lam is primarily responsible for providing independent judgement on the strategy, performance, resources and standard of conduct of our Group.

Mr. Lam has over 18 years of professional experience in accounting and auditing. He joined Shu Lun Pan Horwath Hong Kong CPA Limited ("**SLPH**") as a semi-senior in the audit & assurance division in December 2004 and was subsequently promoted to be a Senior II in May 2005 and left as a senior I in May 2009. He then joined BDO Limited as a Senior Associate 3-Assurance in May 2009 when SLPH was merged with BDO Limited and left the firm in November 2009. Thereafter, he joined Asian Alliance (HK) CPA Limited formerly known as Zhonglei (HK) CPA Company Limited in March 2010 and has been one of the directors of that company since August 2012. Mr. Lam has been the director of Lo and Kwong C.P.A. Company Limited since November 2012.

Mr. Lam was a director of the following company incorporated in Hong Kong prior to its dissolution by deregistration with details as follows:

Name of the company	Nature of business immediately prior to dissolution	Date of dissolution	Reason for dissolution
Giant Base Limited 毅基有限公司	Investment	13 December 2019	Ceased to have business

Mr. Lam confirmed that the above company was solvent immediately prior to its dissolution and that there was no wrongful act on his part leading to the dissolution of the above company by deregistration and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company.

Mr. Lam has been registered as a certified public accountants (i.e. member of the Hong Kong Institute of Certified Public Accountants) since January 2011.

Mr. Lam obtained a bachelor's degree in Business Administration in Accounting (Honours) from the Open University of Hong Kong in June 2004. He then obtained his master's degree in Corporate Governance at The Hong Kong Polytechnic University in September 2020.

Ms. Chow Wai Mee May (周煒美), aged 51, was appointed as our independent non-executive Director on 16 November 2023 with effect from 26 February 2024. She is the chairlady of our remuneration committee and member of our audit committee and nomination committee.

Ms. Chow has over 18 years of professional experience in legal practice. She was admitted to the role of a solicitor in Hong Kong in March 2005. Thereafter, she worked as a solicitor in various law firms in Hong Kong. She established Chow Wong & Lawyers as one of the founding partners in January 2016.

Ms. Chow obtained her bachelor's degree in Arts (Honours) from the University of Hong Kong in November 1995. Further, she obtained her bachelor's degree in Laws (Honours) through distance learning from the Manchester Metropolitan University, the United Kingdom, in September 2004 and a master's degree in Laws through distance learning from Renmin University, the PRC, in August 2007.

SENIOR MANAGEMENT

Mr. Zhang is the chief executive officer of our Company. Please refer to the paragraph headed "Directors and senior management — Executive directors" in this section of the prospectus for his biography.

Ms. Guo Zeqing is the financial controller of our Company. Please refer to the paragraph headed "Directors and senior management — Executive directors" in this section of the prospectus for her biography.

COMPANY SECRETARY

Mr. Au Yeung Ming Yin Gordon (歐陽銘賢), aged 48, was appointed as our company secretary on 28 January 2021. He is responsible for the secretarial matters of our Group. He has over 27 years of experience in the areas of accounting and auditing. Mr. Au Yeung has worked in various companies with details as follows:

Name of company	Nature of business of the company during the working period	Last position	Working period
Amco United Holding Limited (stock code: 630)	Manufacture and sale of medical devices, plastic moulding products construction services, money lending and securities investment business	Independent non-executive director	Since March 2018
Cocoon Holdings Limited (stock code: 428)	Investments in securities listed on recognised stock exchanges and unlisted investments with potential for earning growth and capital appreciation	Company secretary	Since February 2019

Name of company	Nature of business of the company during the working period	Last position	Working period
China Finance Investment Holdings Limited (stock code: 875)	Agricultural business	Company secretary[(Note)]	Since May 2019
Values Cultural Investment Limited (stock code: 1740)	(i) Licensing of broadcasting rights of TV series; (ii) investing in TV series as non-executive producer; and (iii) acting as distribution agent of TV series	Company secretary	Since January 2020
Derek Ng & Company	Audit firm	Accounting assistant	From April 1996 to April 2000
Beijing Sports and Entertainment Industry Group Limited (formerly known as ASR Logistics Holdings Limited) (stock code: 1803)	Sports and entertainment-related industry	Senior accounting manager	From May 2000 to January 2015
Huge China Holdings Limited (currently known as Cocoon Holdings Limited) (stock code: 428)	Investments in securities listed on recognised stock exchanges and unlisted investments with potential for earning growth and capital appreciation	Chief financial officer and company secretary	From May 2015 to August 2017
On Real International Holdings Limited (currently known as Shanyu Group Holdings Company Limited) (stock code: 8245)	Designing, manufacturing and selling two-way radios and baby monitor products	Chief financial officer and company secretary	From August 2017 to February 2019

Note:

Mr. Au Yeung has worked as a financial controller at China Finance Investment Holdings Limited (Stock code: 875) from May 2019 to October 2021.

Name of company	Nature of business of the company during the working period	Last position	Working period
Success Dragon International Holdings Limited (stock code: 1182)	Outsourced business process management, information technology services, golden-laden carbon pressing business and money lending business	Company secretary	From October 2017 to September 2019
L & A International Holdings Limited (currently known as Legendary Education Group Limited) (stock code: 8195)	OEM business, retailing and wholesaling of garment, wholesaling of seafood, provision of loan services and financial quotient and investment education and property investment business	Company secretary	From November 2019 to August 2020
Dadi International Group Limited (stock code: 8130)	Publication, purchase and distribution of books, environmental protection business and financial leasing and other financial services	Company secretary, authorised representative and process agent	Since February 2023

Mr. Au Yeung has been a member of the Hong Kong Institute of Certified Public Accountants since October 2012. He obtained his degree in Bachelor of Business (Business Administration) from the Royal Melbourne Institute of Technology (currently known as RMIT University) in Australia in September 2006 and his postgraduate diploma in Professional Accounting from the Hong Kong Baptist University in November 2009.

While Mr. Au Yeung is currently the company secretary for four other listed companies and an independent non-executive director for one listed company, the Directors are of the view that, and the Sole Sponsor concurs, Mr. Au Yeung will be able to devote sufficient time to perform his duty as our company secretary, on the following basis:

(i) Mr. Au Yeung is mainly responsible for overseeing the secretarial matters of our Group and is not expected to involve in formulating and executing business strategies financial plans and day-to-day operations of the Group's business;

(ii) Mr. Au Yeung is assisted by his team of staff, which consists of four colleagues, in dealing with the day-to-day secretarial matters of our Group;

(iii) with over 27 years of experience in the areas of accounting and auditing and knowledge on corporate governance developed through his employments in other listed companies, Mr. Au Yeung's experiences are expected to facilitate the proper discharge of his duties and responsibilities as our company secretary;

(iv) Mr. Au Yeung has confirmed that none of the listed companies that he holds current employments or directorship with has questioned or complained about his time devoted to such listed companies; and he will devote sufficient time to act as our company secretary notwithstanding such other concurrent employments and directorship;

(v) our Company will provide sufficient resources and support to Mr. Au Yeung to discharge his duties as the company secretary of our Company, in particular, we will retain and consult external professional advisers after the Listing to assist our Company and Mr. Au Yeung in dealing with matters on on-going compliance obligations under the Listing Rules and other applicable laws and regulations in Hong Kong as and when requested by Mr. Au Yeung;

(vi) the Sole Sponsor is given to understand from the enquiry and discussion with Mr. Au Yeung on his expected time allocation in handling the secretarial matters of the Group, that similar amount of working hours will be assigned to each of the listed companies which Mr. Au Yeung holds the position of company secretary; and

(vii) according to the review of the announcements published by the listed companies which Mr. Au Yeung is currently contracted with employment, there is no evidence suggesting Mr. Au Yeung of any unsatisfactory performance, breach of fiduciary duties or failure to devote sufficient time to discharge his duties as company secretary, financial controller or independent non-executive director of these companies.

Based on the above, our Directors are satisfied that, and the Sole Sponsor concurs, Mr. Au Yeung will be able to devote sufficient time to act as company secretary of our Company.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date save that Ms. Geng Qi, one of our Shareholders, is the sister of Ms. Geng Juan, who is cohabiting with Mr. Zhang, our Controlling Shareholder, as his spouse; and (iii) did not hold any other directorships in listed companies in the three years prior to the date of this prospectus. Immediately following completion of the Share Offer and the Capitalisation Issue, save as the interests in our Shares which are disclosed in the section headed "Substantial Shareholders" in this prospectus, each of our Directors will not have any interest in our Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

Confirmation from our Directors

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 24 January 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Each of our independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as at the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointment.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with our Articles of Association and the Listing Rules, we have formed three board committees, namely the audit committee, remuneration committee and nomination committee.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the audit committee are to, among other things, review and supervise the financial reporting systems and internal control system of our Company, oversee the audit process, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

Our audit committee consists of three members, namely Mr. Lam Chik Tong, Dr. Li Junliang and Ms. Chow Wai Mee May. The chairman of our audit committee is Mr. Lam Chik Tong, who is our independent non-executive Director with the appropriate professional qualifications.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the remuneration committee are to, among other things, establish, review and make recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time. Our Directors may also receive options and/or awards to be granted under the Share Scheme.

Our remuneration committee consists of three members, namely Mr. Lam Chik Tong, Dr. Li Junliang and Ms. Chow Wai Mee May. The chairlady of our remuneration committee is Ms. Chow Wai Mee May, who is our independent non-executive Director.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of our nomination committee are to, among other things, review the structure, size and composition of our Board and Board diversity policy, assess the independence of the independent non-executive Directors and make recommendations to our Board on the appointment and re-appointment of Directors and succession planning for Directors.

Our nomination committee consists of four members, namely Mr. Zhang, Mr. Lam Chik Tong, Dr. Li Junliang and Ms. Chow Wai Mee May. The chairman of our nomination committee is Mr. Zhang, who is our executive Director.

BOARD DIVERSITY POLICY

In order to enhance the quality of the performance of our Board and to support the attainment of our strategic objectives and sustainable development, we have adopted a board diversity policy (the "**Board Diversity Policy**"). Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and education background, ethnicity and length of service. Appointments will ultimately be based on merit and the contributions the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to serve our Shareholders.

Our Directors have a balanced mix of knowledge and skills, including in overall management and strategic development, sales and marketing, finance and accounting, law, consulting and corporate governance, as well as experience in the agriculture industry. Our Company has three independent non-executive Directors with different genders, industries backgrounds, representing more than one-third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 34 years old to 61 years old.

Our nomination committee is responsible for reviewing the diversity of our Board. After the Listing, our nomination committee will monitor the implementation of the Board Diversity Policy, and review the Board Diversity Policy from time to time to ensure its continued effectiveness. Our nomination committee will also include in our annual corporate governance report a summary of the Board Diversity Policy together with measurable objectives set for implementing the Board Diversity Policy, the progress made towards achieving those objectives, as well as our Board's composition from a diversity perspective.

REMUNERATION POLICY

The director's fee for each of our Directors is subject to our Board's review from time to time in its discretion after taking into account the recommendation of our remuneration committee. The remuneration package of each of our Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension.

Prior to the Listing, the remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. Upon and after the Listing, the remuneration package of our Directors and the senior management will, in addition to the above factors, be linked to the return to our Shareholders. The remuneration committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

CORPORATE GOVERNANCE CODE

We acknowledge the importance of implementing a high standard of corporate governance, which we believe is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules after the Listing except for the deviation from the code provision C.2.1 of the Corporate Governance Code.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of our operations, and Mr. Zhang's familiarity with the operations of our Group, that all major decisions are made in consultation with members of our Board and relevant Board committees, and that there are three independent non-executive Directors on our Board offering independent perspectives, our Directors are therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Zhang taking up both roles notwithstanding the provision of C.2.1 of the Corporate Governance Code.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of fees, salaries, allowances and other benefits in kind as well as retirement benefits scheme contributions.

For each of FY2020, FY2021, FY2022 and 9M2023, the aggregate amount of remuneration (including fees, salaries, allowances, retirement benefits scheme contributions and other benefits in kind) paid to our Directors (of whom, only Mr. Zhang, Mr. Lyu

Zhonghua, Mr. Cui Wei, Ms. Guo Zeqing and Mr. Pang Jinhong received such remuneration) was approximately RMB498,000, RMB797,000, RMB809,000 and RMB594,000 respectively. Save as disclosed above, no other emoluments have been paid or are payable, in respect of the Track Record Period by our Company to our Directors.

Among our five highest paid individuals for FY2020, FY2021, FY2022 and 9M2023, three, three, two and three respectively of them were our Directors. The aggregate compensation (including fees, salaries, allowances, retirement benefits scheme contributions and other benefits in kind) paid to such three, three, two and three Directors for FY2020, FY2021, FY2022 and 9M2023 were approximately RMB409,000, RMB618,000, RMB506,000 and RMB458,000 respectively. The aggregate compensation (including basic salaries and allowances retirement benefits scheme contributions) paid to remaining individuals during FY2020, FY2021, FY2022 and 9M2023 were approximately RMB260,000, RMB298,000, RMB394,000 and RMB225,000 respectively.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary benefits or bonus or other fringe benefits) for the financial year ending 31 December 2023 will be approximately RMB930,000.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the Listing, receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Company.

Save as disclosed in this prospectus, no other payments had been made, or are payable, by any member of our Group to our Directors or the five highest paid individuals during the Track Record Period.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to note 14 to the Accountants' Report as set out in Appendix I to this prospectus.

SHARE SCHEME

Our Directors may also receive options and/or awards to be granted under the Share Scheme. The principal terms of the Share Scheme are summarised in the paragraph headed "D. Share Scheme" in Appendix VI to this prospectus.

COMPLIANCE ADVISER

Our Company has appointed Grande Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules.

Pursuant to Rule 3A.23 of the Listing Rules, the material terms of the compliance adviser's agreement entered into between our Company and our compliance adviser are as follows:

(a) our compliance adviser shall provide our Company with services including guidance and advice as to compliance with the requirements of the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany our Company to any meetings with the Stock Exchange;

(b) our Company may terminate the appointment of our compliance adviser by giving two months prior written notice to the compliance adviser. Our Company will exercise such right in compliance with Rule 3A.26 of the Listing Rules. Our compliance adviser will have the right to terminate its appointment as compliance adviser under certain specific circumstances and upon notification of the reason of its resignation to the Stock Exchange; and

(c) during the period of appointment, our Company must consult with, and if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

    (i) before the publication of any regulatory announcement, circular or financial report;

    (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

    (iii) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and

    (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option or any option and/or award that may be granted under the Share Scheme), the following persons/entities will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the number of any class of Shares carrying rights to vote in all circumstances at general meetings of our Company and therefore will be regarded as substantial shareholders of our Company under the Listing Rules:

Name of substantial Shareholders	**Capacity/Nature of interest**	**Number of Shares held** *(Note 1)*	**Approximate percentage of shareholding in our Company**
Wider International	Beneficial owner	273,636,275	54.73%
Mr. Zhang *(Note 2)*	Interest in a controlled corporation	273,636,275	54.73%
Beauty Sources	Beneficial owner	74,878,018	14.98%
Ms. Geng Qi *(Note 3)*	Interest in a controlled corporation	74,878,018	14.98%

Notes:

1. All the above Shares are held in long position.

2. Wider International is wholly-owned by Mr. Zhang. By virtue of the SFO, Mr. Zhang is deemed to be interested in the same number of Shares held by Wider International.

3. Beauty Sources is wholly-owned by Ms. Geng Qi. By virtue of the SFO, Ms. Geng Qi is deemed to be interested in the same number of Shares held by Beauty Sources.

Save as disclosed above, our Directors are not aware of any persons/entities who will, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option or any option and/or award that may be granted under the Share Scheme), have an interest or a short position in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the number of any class of Shares carrying rights to vote in all circumstances in the general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalisation Issue and the Share Offer:

		Nominal value
		US$
Authorised share capital:		
10,000,000,000	Shares of US$0.01 each	100,000,000
Issued and to be issued, fully paid or credited as fully paid:		
141,414	Shares in issue as at the date of this prospectus	1,414.14
399,858,586	Shares to be issued under the Capitalisation Issue *(Note)*	3,998,585.86
100,000,000	Shares to be issued under the Share Offer	1,000,000
500,000,000	Total	5,000,000

Note: Pursuant to the written resolutions of our Shareholders passed on 11 March 2024, conditional upon the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of US$3,998,585.86 standing to the credit of the share premium of our Company and to apply the same to pay up in full at par 399,858,586 Shares for allotment and issue to our Shareholders whose names appear on the register of members of our Company at the close of business on 11 March 2024 in proportion to their respective shareholding.

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and our Shares are issued pursuant to the Capitalisation Issue and the Share Offer. It does not take into account any Shares (i) which may be issued pursuant to the exercise of the Over-allotment Option; (ii) which may be issued pursuant to the exercise of any options and/or awards which may be granted under the Share Scheme or under any other share option scheme of our Company; or (iii) which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued number of issued Shares of our Company must be held by the public (as defined in the Listing Rules).

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

SHARE SCHEME

Our Company has conditionally adopted the Share Scheme on 11 March 2024, under which the eligible persons may be granted options which entitle them to subscribe for Shares and/or awards which give a conditional right to obtain the awarded shares, when aggregated with Shares which may be issued pursuant to options and/or awards granted under any other scheme, representing not exceeding 10% of the Shares in issue as at the date of approval of the Share Scheme. For further details of the Share Scheme, please refer to the paragraph headed "D. Share Scheme" in Appendix VI to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions set forth in the paragraph headed "Structure and Conditions of the Share Offer — Conditions of the share offer" in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to allot, issue and deal with (otherwise than by way of rights issue, an issue of Shares pursuant to the exercise of the Over-allotment Option and options and/or awards which may be granted under the Share Scheme or under any other share option scheme of our Company, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issuance of the Shares in lieu of the whole or part of any dividend in accordance with the Memorandum and the Articles, or upon the exercise of any subscription or conversion rights attached to any warrants or convertibles of our Company, or under the Capitalisation Issue or the Share Offer) the Shares which shall not exceed:

(i) 20% of the total number of Shares of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued upon exercise of the Over-allotment Option and any options and/or awards which may be granted under the Share Scheme; and

(ii) the total number of Shares repurchased by our Company under the general mandate to repurchase Shares as described below.

This general mandate to issue Shares will remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum or Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

For further details of this general mandate to issue Shares, please refer to the paragraph headed "A. Further information about our company and our subsidiaries — 4. Written resolutions of our shareholders passed on 16 November 2023 and 11 March 2024" in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the paragraph headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer, but excluding any Shares to be issued upon exercise of the Over-allotment Option and any options and/or awards which may be granted under the Share Scheme.

This general mandate to repurchase Shares remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum or Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate to repurchase, please refer to the paragraph headed "A. Further information about our company and our subsidiaries — 4. Written resolutions of our shareholders passed on 16 November 2023 and 11 March 2024" in Appendix VI to this prospectus.

CIRCUMSTANCES UNDER WHICH A MEETING OF OUR COMPANY IS REQUIRED

Our Company has only one class of Shares, namely ordinary shares, each of which ranks *pari passu* with other Shares. The circumstances under which general meetings are required are provided in the Articles, a summary of which is set forth in Appendix V to this prospectus.

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial information as of and in each of FY2020, FY2021, FY2022 and 9M2023 with the accompanying notes to the Accountants' Report as set out in Appendix I to this prospectus. The financial statements have been prepared in accordance with HKFRS. Prospective investors should read the whole of the Accountants' Report as set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that involve risk and uncertainties. However, whether our actual results and developments will meet our expectations and projection depend on a number of risks and uncertainties over which our Group does not have control. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are the largest producer of potted vegetable produce in Shandong province, with a market share of 14.8% in terms of sales revenue in Shandong province in 2022. We are principally engaged in the cultivation and sales of potted vegetable produce, which are cultivated and sold in pots. During the Track Record Period, our potted vegetable produce was mainly leafy vegetable species which included 29 species, with vegetable species such as crown daisy, rapeseed, Frisée, Indian lettuce, pak choi, lettuce, Chinese celery and tatsoi being our principal products offered in the market during the Track Record Period.

Our products are offered in the market primarily under our brand "富景农业". During the Track Record Period, we sold our products primarily in Shandong province. In 2019, we extended our geographical coverage by commencing sales of our potted vegetable produce in Xi'an, Shaanxi province and Dalian, Liaoning province. During FY2020, we further expanded our Laixi Facility by a total site area of approximately 90,000 sq.m. for cultivation of our potted vegetable produce. We sell our potted vegetable produce primarily through a network of distributors in the PRC, which is consistent with industry practice. Our distributors then on-sell our products to end-user customers, the majority of which are hotels and restaurants in the PRC.

We have achieved a solid track record of growth in revenue and profit, save for FY2022 and 9M2022 when our results were temporarily and adversely affected by COVID-19 epidemic which seriously affected our Shandong province and Dalian markets during the period. For FY2020, FY2021, FY2022, 9M2022 and 9M2023, we recorded a total revenue of approximately RMB121.4 million, RMB154.9 million, RMB126.7 million, RMB88.6 million and RMB121.3 million, respectively, while our net profit for the same period was approximately RMB43.8 million, RMB47.3 million, RMB31.8 million, RMB19.7 million and RMB41.1 million for FY2020, FY2021, FY2022, 9M2022 and 9M2023, respectively.

For further information about our business and operations, please refer to the section headed "Business" in this prospectus.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 July 2019. In preparation for the Share Offer, we underwent the Reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus. Following the Reorganisation, our Company became the holding company of all the companies now comprising our Group.

The historical financial information of our Group has been prepared by our Directors based on accounting policies which conform with Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards and their interpretations) issued by the Hong Kong Institute of Certified Public Accountants, on the basis of presentation as set out in note 2 to the Accountants' Report as set out in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATION AND FINANCIAL CONDITIONS

Our results of operations and financial conditions are affected by a number of factors, many of which may be beyond our control, including those factors set forth in the section headed "Risk Factors" in this prospectus and those set forth below.

Consumer demand for our potted vegetable produce in the PRC

Consumer demand for our potted vegetable produce in the PRC is one of the key drivers of our revenue. In line with the increasing rate of vegetable consumption of residents in China due to the increasing total population and disposable income, the sales volume of potted vegetable produce increased from 107.8 million pots in 2017 to 239.4 million pots in 2022 with a CAGR of 17.3%. Meanwhile, the sales revenue of potted vegetable produce increased from RMB1,520.8 million in 2017 to RMB4,069.3 million in 2022 with a CAGR of approximately 21.8%. Going forward, as potted vegetable produce is increasingly popular in the PRC, the market is expected to keep an upward trend. The sales volume of potted vegetable produce is likely to reach 329.4 million pots in 2027 with a CAGR of approximately 6.6%. The sales revenue is also expected to grow to RMB6,591.0 million in 2027, representing a CAGR of approximately 10.1%. For details of the historical and expected growth of the potted vegetable produce industry of the PRC, please refer to the paragraph headed "Industry Overview — China's vegetable and potted vegetable produce markets" in this prospectus. The rising demand for potted vegetable produce in the PRC may positively affect our results of operations.

On the other hand, since our growth depends, to a significant extent, on the continuous growth in the demand for our potted vegetable produce, any future reduced demand or downturn in the relevant sectors may materially and adversely affect our sales and profitability. Furthermore, we are subject to the changing consumer preferences. If there is a change in market preference and if we fail to keep pace with these changes, we may not be able to achieve the growth as expected.

Cost of raw materials and subcontractor labour cost

Our raw materials primarily include (i) components of organic substrates; (ii) seeds; and (iii) fertilisers (such as foliar fertilisers) and biopesticides (such as matrine).

In FY2020, FY2021, FY2022 and 9M2023, cost of raw materials represented approximately 49.1%, 47.9%, 47.2% and 47.7% of our cost of sales, respectively. While we are generally able to pass on increases in cost of raw materials of our products to our customers by increasing the prices of our products accordingly and we have effective mechanism to keep monitoring the supply and price trends of our raw materials, we cannot assure that our key suppliers will not be interrupted and will be able to continue to supply raw materials to us on commercially acceptable terms or that can meet our standards. Our financial conditions and results of operations may accordingly be adversely affected.

Our subcontractor labour cost also affects our profitability. In FY2020, FY2021, FY2022 and 9M2023, our subcontractor labour cost amounted to approximately RMB28.3 million, RMB37.2 million, RMB30.3 million and RMB29.0 million, representing approximately 41.6%, 41.7%, 40.9% and 41.8% of our cost of sales respectively for the same periods. While we strive to improve our operating efficiency and control cost, our subcontractor labour cost may continue to grow with the increase in our business scale in the foreseeable future.

Our ability to maintain our competitive advantages that differentiate us from our competitors

The potted vegetable produce market in China is a highly fragmented market with thousands of potted vegetable producers.

Entry barriers and the competitiveness of the potted vegetable produce market largely lie in brand recognition, potted vegetable produce cultivation know-how, capital requirements and logistics capabilities. Our Directors believe that we are able to compete by leveraging our strengths in China's potted vegetable produce market, our well-established distribution network and our developed techniques in the potted vegetable produce cultivation. We will also further solidify our status in the market through continuous efforts in testing of cultivation methods and techniques and improvements in product quality.

For further details on our competitive landscape, please refer to the paragraph headed "Industry Overview — China's vegetable and potted vegetable produce markets — Competitive landscape of China's vegetable produce and potted vegetable produce markets" in this prospectus. For further details on our risks related to competition, please also refer to the paragraph headed "Risk Factors — Risks relating to the industry which we operate in — We operate in a highly fragmented and competitive industry and may face increasing competition, which may affect our market shares and profit margins" in this prospectus.

Distribution network

Our sales volume is and will continue to be affected by the size of our distribution network. Our major customers consist of distributors who are primarily involved in the on-selling of our potted vegetable produce to end-user customers in their respective designated regions. In FY2020, FY2021, FY2022 and 9M2023, sales to our distributors (which were all based in the PRC) amounted to RMB121.0 million, RMB154.9 million, RMB126.7 million and RMB121.3 million, respectively, representing approximately 99.7%, 100.0%, 100.0% and 100.0% of our revenue during the same period, respectively. For details, please refer to the paragraph headed "Business — Distribution and sales network — Our customers" in this prospectus.

While we have established approximately three to nine years of business relationship, failure to renew our distribution agreements with our distributors may adversely affect the sales of our potted vegetable produce and thus our financial conditions and results of operation. For details, please refer to the paragraph headed "Risk Factors — Risk relating to our business — We rely on our distributors to sell our products. Any changes in our relationships with our distributors may have a material and adverse effect on our sales, results of operations and financial conditions" in this prospectus.

Changes in fair value of biological assets

Our biological assets as at the end of reporting period represent the potted vegetable produce held by us and stated at fair value less estimated cost to sell as at the end of reporting period. Our results have been, and we expect will continue to be, affected by changes in the fair value of our biological assets. Between each reporting dates, our fair value of biological assets is affected by our production and sale of these biological assets in our business operation. At the end of each reporting period, we recognise fair value gains or losses arising from changes in fair value of the potted vegetable produce that remain unsold as at the beginning and end of reporting period, that is the fair value changes of biological assets. Such fair value changes are due to the changes in the physical attributes and market-determined prices of biological assets.

During the Track Record Period, the fair value of our biological assets were assessed at each reporting date by Savills, our independent valuer. The fair value of potted vegetables that are planted and sold within the same financial period results in no changes in the carrying amount and fair value of biological assets recognised during that reporting period. As our biological assets are stated at fair value less estimated cost to sell as at the end of the reporting period, the carrying amounts are affected by the number, maturity and therefore the fair value of our potted vegetable produce as at the end of the reporting period. The resultant changes in the fair value adjustment between each reporting period are recognised as gain or loss in our consolidated statements of profit or loss.

In FY2020, our results of operations were positively affected by the gain arising from the changes in fair value less cost to sell of biological assets of approximately RMB3.2 million. In FY2021, our results of operations were positively affected by the gain arising from fair value changes less cost to sell of biological assets of approximately RMB3.4 million. In FY2022, our results of operations were negatively affected by the loss from fair value changes less cost to sell of biological assets of approximately RMB2.1 million. In 9M2023, our results of operations were positively affected by the gain arising from fair value changes less cost to sell of biological assets of approximately RMB3.3 million. Changes in fair value less cost to sell of biological assets represent fair value gains/losses on our biological assets.

In applying valuation methods (including market and cost approaches), Savills has relied on a number of assumptions, related to, among others, quantity held, sales volume and market price of our potted vegetable produce and cost to sell. The fair value of our potted vegetable produce could be affected by, among others, the accuracy of these assumptions. Any changes in the assumptions may affect the fair value of our potted vegetable produce significantly. Our management review the assumptions and estimates periodically to identify any significant changes in fair value of our potted vegetable produce. We expect that our results will continue to be affected by changes in the fair value of our potted vegetable produce. For more information about the valuation methods applied in valuing our potted vegetable produce, please refer to the paragraph headed "Valuation of biological assets" in this section of the prospectus.

Seasonality

During the Track Record Period, we experienced seasonality fluctuations in the cultivation of our potted vegetable produce due to weather conditions. As we rely on natural heat and light sources in the regulation of our greenhouse climate, our cultivation volume decreased during colder seasons as the temperature inside our greenhouses is lower and the illumination inside our greenhouses decreases with the shorter length of insolation duration during colder seasons, which in turn leads to slower maturation and longer growth cycles of our potted vegetable produce in colder seasons. For further details of our seasonality fluctuations, please refer to the paragraph headed "Business — Distribution and sales network — Seasonality" in this prospectus.

MATERIAL ACCOUNTING POLICY INFORMATION, CRITICAL JUDGEMENT AND KEY ESTIMATES

We have identified material accounting policy information, critical judgement and key estimates that are relevant to the preparation of our consolidated financial statements and important for an understanding of our financial position and results of operation.

Our material accounting policy information are set out in note 4 to the Accountants' Report as set out in Appendix I to this prospectus, which are important for understanding our financial condition and results of operation.

Certain critical judgement and key estimates, which are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances, are discussed in note 5 to the Accountants' Report as set out in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following table sets forth selected items of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended 31 December									Nine months ended 30 September					
	2020			2021			2022			2022			2023		
	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments *RMB'000*	Total *RMB'000*	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments *RMB'000*	Total *RMB'000*	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments *RMB'000*	Total *RMB'000*	Results before biological assets fair value adjustments *RMB'000* (Unaudited)	Biological assets fair value adjustments *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments *RMB'000*	Total *RMB'000*
Revenue	121,405	—	121,405	154,946	—	154,946	126,694	—	126,694	88,626	—	88,626	121,294	—	121,294
Cost of sales	(65,828)	(2,119)	(67,947)	(85,999)	(3,174)	(89,173)	(70,804)	(3,351)	(74,155)	(49,920)	(3,351)	(53,271)	(66,785)	(2,532)	(69,317)
Gross profit	55,577	(2,119)	53,458	68,947	(3,174)	65,773	55,890	(3,351)	52,539	38,706	(3,351)	35,355	54,509	(2,532)	51,977
Other income	4,590	—	4,590	1,222	—	1,222	887	—	887	672	—	672	718	—	718
Changes in fair value of biological assets	—	3,174	3,174	—	3,351	3,351	—	(2,053)	(2,053)	—	(1,570)	(1,570)	—	3,299	3,299
(Allowance)/reversal of allowance for expected credit losses ("**ECL**") of trade receivables	(118)	—	(118)	(140)	—	(140)	(160)	—	(160)	(10)	—	(10)	61	—	61
Listing expenses	(4,060)	—	(4,060)	(7,625)	—	(7,625)	(5,727)	—	(5,727)	(4,315)	—	(4,315)	(6,016)	—	(6,016)
Selling and distribution expenses	(500)	—	(500)	(457)	—	(457)	(420)	—	(420)	(307)	—	(307)	(241)	—	(241)
Administrative and other expenses	(11,583)	—	(11,583)	(13,924)	—	(13,924)	(12,354)	—	(12,354)	(9,436)	—	(9,436)	(8,019)	—	(8,019)
Profit from operation	43,906	1,055	44,961	48,023	177	48,200	38,116	(5,404)	32,712	25,310	(4,921)	20,389	41,012	767	41,779
Finance costs	(1,183)	—	(1,183)	(897)	—	(897)	(900)	—	(900)	(688)	—	(688)	(662)	—	(662)
Profit before tax	42,723	1,055	43,778	47,126	177	47,303	37,216	(5,404)	31,812	24,622	(4,921)	19,701	40,350	767	41,117
Income tax expense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Profit for the year/period	42,723	1,055	43,778	47,126	177	47,303	37,216	(5,404)	31,812	24,622	(4,921)	19,701	40,350	767	41,117
Other comprehensive (loss)/income for the year/period, net of tax:															
Item that may be reclassified to profit or loss:															
Exchange differences on translating foreign operations	(1)	—	(1)	1	—	1	(3)	—	(3)	(5)	—	(5)	(6)	—	(6)
Total comprehensive income for the year/period	42,722	1,055	43,777	47,127	177	47,304	37,213	(5,404)	31,809	24,617	(4,921)	19,696	40,344	767	41,111
Earnings per share *(RMB)*															
Basic and diluted			0.11			0.12			0.08			0.05			0.10

DESCRIPTION OF SELECTED STATEMENTS OF PROFIT OR LOSS ITEMS

Revenue

During the Track Record Period, we derived all of our revenue from the sales of our potted vegetable produce, and approximately 87.1%, 91.2%, 90.3%, 90.4% and 91.6% of our revenue was derived from the sales of our potted vegetable produce in Shandong province during FY2020, FY2021, FY2022, 9M2022 and 9M2023, respectively.

The sales revenue of our potted vegetable produce was affected by both the sales volume and selling price of our potted vegetable produce in the corresponding periods. During the Track Record Period, we sold our potted vegetable produce primarily through a network of distributors in the PRC, which is consistent with industry practice. Our distributors then on-sold our products to over 1,000 end-user customers in Shandong, Liaoning and Shaanxi provinces in the PRC, the majority of which are hotels and restaurants. To a lesser-extent, we also sold our products to end-user customers through WeMall. The following table sets forth a breakdown of our sales volume and average selling price by sales channels during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2020		2021		2022		2022		2023	
	Sales volume (*'000 pots*)	Average selling price (*RMB*) (*Note*)	Sales volume (*'000 pots*)	Average selling price (*RMB*) (*Note*)	Sales volume (*'000 pots*)	Average selling price (*RMB*) (*Note*)	Sales volume (*'000 pots*) (unaudited)	Average selling price (*RMB*) (*Note*)	Sales volume (*'000 pots*)	Average selling price (*RMB*) (*Note*)
Potted vegetable produce										
Sales to distributors	8,004	15.1	10,273	15.1	8,395	15.1	5,873	15.1	8,044	15.1
Direct sales to end-user customers	18	20.5	—*	20.0	—*	19.7	—*	19.9	—*	20.2
Total/overall	8,022	15.1	10,273	15.1	8,395	15.1	5,873	15.1	8,044	15.1

Note: Average selling price represents total revenue divided by sales volume during the respective period.

* *The total sales volume attributable to direct sales to end-user customers in FY2021, FY2022, 9M2022 and 9M2023 represents the online sales to end-user customers of approximately 400 pots, 100 pots, 100 pots and 100 pots, respectively.*

Our revenue increased from approximately RMB121.4 million in FY2020 to approximately RMB154.9 million in FY2021. Such increase in our revenue in the said period was primarily attributable to the increase in the sales volume of our potted vegetable produce from approximately 8.0 million pots in FY2020 to approximately 10.3 million pots in FY2021 due to (i) the deployment of 40 enhanced greenhouses in our Laixi Facility in July 2020 and August 2020 leading to an increase in our productivity; and (ii) the increase in popularity of our potted vegetable produce in the corresponding period. On the other hand, the average selling price per pot of our potted vegetable produce remained to be stable at approximately RMB15.1 in FY2020 and FY2021.

Our revenue decreased from approximately RMB154.9 million in FY2021 to approximately RMB126.7 million in FY2022. Such decrease in revenue in the said period was primarily attributable to the decrease in the sales volume of our potted vegetable produce from approximately 10.3 million pots in FY2021 to approximately 8.4 million pots in FY2022 due to the resurgence of COVID-19 cases in Shandong province between March 2022 to April 2022 which had led to a temporary suspension of business activities of our Laixi Facility during the lockdown period. The said incident led to the direct loss of approximately 549,000 unsellable pots of our vegetable produce, the estimated cost of which was approximately RMB4.5 million. It is estimated that it led to a loss of potential sales revenue of approximately RMB8.2 million based on the average selling price of our potted vegetable produce in Shandong province of approximately RMB15.0 per pot in FY2022.

Our revenue increased from approximately RMB88.6 million in 9M2022 to approximately RMB121.3 million in 9M2023. Such increase in revenue in the said period was primarily attributable to the increase in the sales volume of our potted vegetable produce from approximately 5.9 million pots in 9M2022 to approximately 8.0 million pots in 9M2023 as our business operation was no longer affected by COVID-19 epidemic in 9M2023. On the other hand, the average selling price per pot of our potted vegetable produce remained to be stable at approximately RMB15.1 in 9M2022 and 9M2023. We maintain long-term relationships with our 12 distributors, which maintain stable relationships with our end-user customers, unlike the general wholesale market for vegetable products with a vast number of different producers and purchasers. Any price volatility of our potted vegetable produce poses many uncertainties for customers, particularly hotels and restaurants, in terms of cost control and operational management. Besides, the COVID-19 epidemic lasted from 2020 to 2022, which created uncertainties over the market and business environment. Accordingly, we decided to maintain a stable selling price of our products during the Track Record Period.

The following table sets forth our revenue generated by sales channel of our operations for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
Sales to distributors	121,028	99.7	154,937	100.0	126,692	100.0	88,624	100.0	121,292	100.0
Direct sales to end-user customers *(Note)*	377	0.3	9	—*	2	—*	2	—*	2	—*
Total	121,405	100.0	154,946	100.0	126,694	100.0	88,626	100.0	121,294	100.0

Note: Total revenue attributable to direct sales to end-user customers in each of FY2020, FY2021, FY2022 and 9M2023 includes revenue attributable to the online sales to end-user customers of approximately RMB8,000, RMB9,000, RMB2,000 and RMB2,000, respectively.

* *represents percentage ratio of less than 0.1%.*

The following table sets forth our revenue generated by geographical location of our customers for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
Shandong province										
Qingdao	74,787	61.6	99,547	64.3	81,911	64.6	57,322	64.7	79,601	65.7
Yantai	24,496	20.2	32,726	21.1	26,966	21.3	18,735	21.1	27,429	22.6
Weifang	6,454	5.3	9,018	5.8	5,591	4.4	4,070	4.6	4,028	3.3
Shaanxi province										
Xi'an	8,704	7.2	6,206	4.0	5,316	4.2	3,932	4.4	4,517	3.7
Liaoning province										
Dalian	6,964	5.7	7,449	4.8	6,910	5.5	4,567	5.2	5,719	4.7
	121,405	100.0	154,946	100.0	126,694	100.0	88,626	100.0	121,294	100.0

During the Track Record Period, we sold our products primarily to distributors located in Shandong province where we derived approximately 87.1%, 91.2%, 90.3% and 91.6% of our revenue during FY2020, FY2021, FY2022 and 9M2023, respectively. In 2019, we extended our geographical coverage by commencing sales of our potted vegetable produce in Xi'an, Shaanxi province and Dalian, Liaoning province.

Our revenue attributable to our sales in Shandong province increased by approximately RMB35.6 million from approximately RMB105.7 million in FY2020 to approximately RMB141.3 million in FY2021. Such increase was principally attributable to (i) the deployment of 40 enhanced greenhouses in our Laixi Facility in July 2020 and August 2020 leading to an increase in our productivity; and (ii) the increase in popularity of our potted vegetable produce. The overall increase in revenue from approximately RMB121.4 million to approximately RMB154.9 million was partially offset by the decrease in cultivation volume resulting from (i) the wear and tear of three enhanced greenhouses in our Xi'an Facility; and (ii) the loss of unsold potted vegetable produce and the potential sales revenue during the lockdown of our Xi'an Facility as a result of the outbreak of COVID-19 epidemic in Xi'an in December 2021 and thus sales in Shaanxi province decreased by approximately RMB2.5 million.

Our revenue attributable to our sales in Shandong province decreased by approximately RMB26.8 million from approximately RMB141.3 million in FY2021 to approximately RMB114.5 million in FY2022. Such decrease was principally attributable to (i) the decrease in sales in Qingdao by approximately RMB17.6 million, and (ii) the decrease in sales in Yantai by approximately RMB5.8 million, and (iii) the decrease in sales in Weifang by approximately RMB3.4 million resulting from the temporary suspension of business activities of our Laixi Facility caused by the lockdown measures as a result of the resurgence of COVID-19 cases in Shandong province between March 2022 to April 2022. The overall decrease in revenue by RMB28.2 million from approximately RMB154.9 million in FY2021 to approximately RMB126.7 million in FY2022 was principally attributable to the decrease in sales of our potted vegetable produce in Shandong province from approximately RMB141.3 million in FY2021 to approximately RMB114.5 million in FY2022 for the above reasons.

Our revenue attributable to our sales in Shandong province increased by approximately RMB31.0 million from approximately RMB80.1 million in 9M2022 to approximately RMB111.1 million in 9M2023. Such increase was principally attributable to (i) the increase in sales in Qingdao by approximately RMB22.3 million, and (ii) the increase in sales in Yantai by approximately RMB8.7 million as our business operation was no longer affected by COVID-19 epidemic in 9M2023. The overall increase in revenue by RMB32.7 million from approximately RMB88.6 million in 9M2022 to approximately RMB121.3 million in 9M2023 was principally attributable to the increase in sales of our potted vegetable produce in Shandong province from approximately RMB80.1 million in 9M2022 to approximately RMB111.1 million in 9M2023 for the above reasons.

Cost of sales

Our cost of sales primarily consists of raw materials, labour and cultivation overheads. Our raw materials primarily include (i) components of organic substrates; (ii) seeds; and (iii) fertilisers (such as foliar fertilisers) and biopesticides (such as matrine). Our labour cost represents subcontracting labour cost. Cultivation overheads primarily represent depreciation of property, plant and equipment, depreciation of right-of-use assets, utility expenses and other cultivation related cost. In addition, the cost of unsold vegetable produce (other than those arising from the temporary suspension of our Laixi Facility and

Dalian Facility from March 2022 to April 2022) during the Track Record Period was charged to the cost of sales in the consolidated statements of profit or loss and other comprehensive income of the Group in the relevant periods.

The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*% of cost of sales*	*RMB'000*	*% of cost of sales*	*RMB'000*	*% of cost of sales*	*RMB'000* (unaudited)	*% of cost of sales*	*RMB'000*	*% of cost of sales*
Raw materials										
Components of organic substrates	31,267	46.0	40,100	45.0	32,727	44.1	22,920	43.0	31,258	45.1
Seeds	1,265	1.9	1,549	1.7	1,386	1.9	1,013	1.9	988	1.4
Fertilisers and biopesticides	834	1.2	1,069	1.2	873	1.2	612	1.1	834	1.2
	33,366	49.1	42,718	47.9	34,986	47.2	24,545	46.0	33,080	47.7
Subcontracting labour cost	28,285	41.6	37,168	41.7	30,315	40.9	21,238	39.9	28,999	41.8
Cultivation overheads	4,177	6.2	6,113	6.8	5,503	7.4	4,137	7.8	4,706	6.8
Biological assets fair value adjustments	2,119	3.1	3,174	3.6	3,351	4.5	3,351	6.3	2,532	3.7
Total	67,947	100.0	89,173	100.0	74,155	100.0	53,271	100.0	69,317	100.0

In FY2020, FY2021, FY2022, 9M2022 and 9M2023, our cost of sales was approximately RMB67.9 million, RMB89.2 million, RMB74.2 million, RMB53.3 million and RMB69.3 million, representing approximately 56.0%, 57.6%, 58.5%, 60.1% and 57.1%, respectively, of our revenue from operations for the same periods. The change in our cost of sales during the Track Record Period was in line with the change in our sales volume in the respective period.

The cost of raw materials was the largest component of our cost of sales and accounted for approximately 49.1%, 47.9%, 47.2%, 46.0% and 47.7% of the total cost of sales in FY2020, FY2021, FY2022, 9M2022 and 9M2023, respectively. The increase in our cost of raw materials from FY2020 to FY2021 was in line with the increase in our sales volume in the corresponding period. Further, the decrease in our cost of raw materials from FY2021 to FY2022 was in line with the decrease in our sales volume in the corresponding period. Further, the increase in our cost of raw materials from 9M2022 to 9M2023 was in line with the increase in our sales volume in the corresponding period. During the Track Record Period, components of organic substrates and seeds were the two largest components of our cost of raw materials. In FY2020, FY2021, FY2022, 9M2022 and 9M2023, components of organic substrates accounted for approximately 46.0%, 45.0%, 44.1%, 43.0% and 45.1% of our total cost of sales whereas seeds accounted for approximately 1.9%, 1.7%, 1.9%, 1.9%, and 1.4% of our total cost of sales, respectively. The subcontractor labour cost was the second largest component of our cost of sales and accounted for approximately 41.6%, 41.7%, 40.9%, 39.9% and 41.8% of our total cost of sales in FY2020, FY2021, FY2022, 9M2022 and 9M2023, respectively.

Our subcontractor labour cost increased by approximately 31.4% from approximately RMB28.3 million in FY2020 to approximately RMB37.2 million in FY2021 mainly because our sales volume increased by approximately 28.1% from approximately 8.0 million pots in FY2020 to approximately 10.3 million pots in FY2021.

Our subcontractor labour cost decreased by approximately 18.4% from approximately RMB37.2 million in FY2021 to approximately RMB30.3 million in FY2022 mainly because our sales volume decreased by approximately 18.3% from approximately 10.3 million pots in FY2021 to approximately 8.4 million pots in FY2022.

Our subcontractor labour cost increased by approximately 36.5% from approximately RMB21.2 million in 9M2022 to approximately RMB29.0 million in 9M2023 mainly because our sales volume increased by approximately 37.0% from approximately 5.9 million pots in 9M2022 to approximately 8.0 million pots in 9M2023.

The following table sets forth the sensitivity analysis on the impact of hypothetical fluctuations on (i) labour cost; and (ii) cost of raw materials on our net profit for the Track Record Period, assuming all other factors affecting our profit margin remain unchanged:

(1) Hypothetical fluctuation on labour cost

Change in net profit *(RMB'000)*	**Increase/ decrease by 10%**	**Increase/ decrease by 15%**	**Increase/ decrease by 20%**
FY2020	2,829	4,243	5,657
FY2021	3,717	5,576	7,434
FY2022	3,032	4,547	6,063
9M2022	2,124	3,186	4,248
9M2023	2,900	4,350	5,800

(2) Hypothetical fluctuation on cost of raw materials

Change in net profit *(RMB'000)*	**Increase/ decrease by 10%**	**Increase/ decrease by 15%**	**Increase/ decrease by 20%**
FY2020	3,337	5,005	6,673
FY2021	4,272	6,408	8,544
FY2022	3,499	5,248	6,997
9M2022	2,455	3,682	4,909
9M2023	3,308	4,962	6,616

Gross profit

Our gross profit increased by approximately RMB12.3 million (or 23.0%) from approximately RMB53.5 million in FY2020 to approximately RMB65.8 million in FY2021. Such increase was primarily the result of the increase in our revenue by approximately RMB33.5 million (or 27.6%) in the corresponding period, mainly attributable to the increase in the sales volume of our potted vegetable produce.

Our gross profit decreased by approximately RMB13.3 million (or 20.2%) from approximately RMB65.8 million in FY2021 to approximately RMB52.5 million in FY2022. Such decrease was primarily the result of the decrease in our revenue by approximately RMB28.3 million (or 18.2%) in the corresponding period, mainly attributable to the decrease in the sales volume of our potted vegetable produce due to lockdown measures in light of COVID-19 epidemic. The COVID-19 epidemic had led to a temporary drop of our Group's revenue in FY2022. For details, please refer to the paragraph headed "Business — Impact of the outbreak of COVID-19 epidemic" in this prospectus.

Our gross profit increased by approximately RMB16.6 million (or 47.0%) from approximately RMB35.4 million in 9M2022 to approximately RMB52.0 million in 9M2023. Such increase was primarily the result of the increase in our revenue by approximately RMB32.7 million (or 36.9%) in the corresponding period, mainly attributable to the increase in the sales volume of our potted vegetable produce.

Other income

Other income consists of (i) interest income; (ii) rental income; (iii) government grants; and (iv) compensation received. The following table sets forth our other income for the periods indicated:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income	19	8	17	17	44
Rental income	640	640	640	480	480
Net foreign exchange gains	—	—	3	5	6
Government grants	3,627	544	227	170	170
Compensation received	304	30	—	—	18
Total	**4,590**	**1,222**	**887**	**672**	**718**

In FY2020, FY2021, FY2022, 9M2022 and 9M2023, our other income amounted to approximately RMB4.6 million, RMB1.2 million, RMB0.9 million, RMB0.7 million and RMB0.7 million, respectively.

Rental income represents mainly the rental income derived from renting our cold storage at Dianbu Town, Laixi and a portion of the self-owned land in our Laixi Facility to Independent Third Parties. For details, please refer to the paragraph headed "Business — Properties — Owned properties" in this prospectus.

Government grants represent subsidies from relevant government authorities of approximately RMB3.6 million, RMB0.5 million, RMB0.2 million and RMB0.2 million during the Track Record Period in relation to, among others, agricultural development and supporting the listing of local enterprises provided by the Municipal Government of Laixi of RMB3.0 million in FY2020.

Compensation received mainly represents the compensation paid by our insurance company covering our losses resulted from the heavy hail which took place in Qingdao in May 2020 and a fire incident in January 2021.

Changes in fair value of biological assets less cost to sell

Our biological assets consist of potted vegetable produce held by us and stated at fair value less estimated cost to sell as at the end of reporting period. During the Track Record Period, the fair value of our biological assets were assessed at each reporting date by Savills, our independent valuer. The resultant gain or loss arising from the changes in the fair value adjustment between each reporting period are recognised in our consolidated statements of profit or loss.

In FY2020, we recorded a gain arising from the changes in fair value of biological assets less cost to sell of approximately RMB3.2 million. The gain represents the difference between the fair value of the biological assets and the original cost of the biological assets as at 31 December 2020.

In FY2021, we recorded a gain arising from changes in fair value of biological assets less cost to sell of approximately RMB3.4 million. The gain represents the difference between the fair value of the biological assets and the original cost of the biological assets as at 31 December 2021.

In FY2022, we recorded a loss from changes in fair value of biological assets less cost to sell of approximately RMB2.1 million. In FY2022, our changes in fair value of biological assets included the unsold vegetable produce of approximately RMB4.6 million as a result of the temporary suspension of our facilities due to the outbreak of COVID-19 epidemic from March 2022 to April 2022. Most of the unsold potted vegetable produce from our Laixi Facility was donated to the government for the distribution to the local residents for their consumption during the lockdown period of the COVID-19 epidemic in FY2022. For details, please refer to the paragraph headed "Business — Impact of the outbreak of COVID-19 epidemic" in this prospectus. The remaining gain of approximately RMB2.5 million represents the difference between the fair value of the biological assets and the original cost of the biological assets as at 31 December 2022.

In 9M2022, we recorded a loss from changes in fair value of biological assets less cost to sell of approximately RMB1.6 million. In 9M2022, our changes in fair value of biological assets included the unsold vegetable produce of approximately RMB4.6 million as a result of the temporary suspension of our facilities due to the outbreak of COVID-19 epidemic from March 2022 to April 2022. The remaining gain of approximately RMB3.0 million represents the difference between the fair value of the biological assets and the original cost of the biological assets as at 30 September 2022.

In 9M2023, we recorded a gain from changes in fair value of biological assets less cost to sell of approximately RMB3.3 million. The gain represents the difference between the fair value of the biological assets and the original cost of the biological assets as at 30 September 2023.

For more information about the valuation method adopted by Savills, please refer to the paragraph headed "Valuation of biological assets" in this section of the prospectus.

Allowance/Reversal of allowance for expected credit losses ("ECL") of trade receivables

Our allowance for ECL mainly represents the loss allowance of our trade receivables, net of reversal. We use provision matrix to calculate ECL of our trade receivables. The provision rates used in the provision matrix are based on our internal credit ratings as grouping of various debtors that have similar loss patterns. The provision matrix is based on our historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. The provision of ECL is sensitive to changes in estimates.

In FY2020, FY2021, FY2022, 9M2022 and 9M2023, we recorded an allowance for ECL of trade receivables of approximately RMB0.1 million, RMB0.1 million, RMB0.2 million, RMB0.01 million and a reversal of allowance for ECL of trade receivables of approximately RMB0.1 million, respectively.

Selling and distribution expenses

Selling and distribution expenses consist of salary, depreciation, office expenses, advertising fees, motor vehicles expenses and other expenses.

The following table sets forth a breakdown of our selling and distribution expenses of our operations for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total selling and distribution expenses*	*RMB'000*	*% of total selling and distribution expenses*	*RMB'000*	*% of total selling and distribution expenses*	*RMB'000* (unaudited)	*% of total selling and distribution expenses*	*RMB'000*	*% of total selling and distribution expenses*
Salary	237	47.5	234	51.2	221	52.6	168	54.7	106	44.0
Depreciation	139	27.7	162	35.4	182	43.3	137	44.7	132	54.8
Office expenses	1	0.2	15	3.3	14	3.3	1	0.3	1	0.4
Advertising fees	12	2.4	8	1.8	—	—	—	—	1	0.4
Motor vehicles expenses	54	10.7	28	6.1	—	—	—	—	—	—
Other expenses	57	11.5	10	2.2	3	0.8	1	0.3	1	0.4
Total	500	100.0	457	100.0	420	100.0	307	100.0	241	100.0

In FY2020, FY2021, FY2022, 9M2022 and 9M2023, our selling and distribution expenses amounted to approximately RMB0.5 million, RMB0.5 million, RMB0.4 million, RMB0.3 million and RMB0.2 million, respectively. As a percentage of total revenue, our selling and distribution expenses accounted for approximately 0.4%, 0.3%, 0.3%, 0.3% and 0.2% in FY2020, FY2021, FY2022, 9M2022 and 9M2023, respectively. During FY2020, FY2021 and FY2022, salary was the largest component of our selling and distribution expenses, which mainly represents the salary payment to our salesmen.

Administrative and other expenses

Administrative and other expenses consist of salary, legal, professional and auditing fees, depreciation of property, plant and equipment, depreciation of investment properties, depreciation of right-of-use assets, entertainment and travelling expenses, write-off of property, plant and equipment and other expenses.

The following table sets forth a breakdown of our administrative and other expenses of our operations for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total administrative and other expenses*	*RMB'000*	*% of total administrative and other expenses*	*RMB'000*	*% of total administrative and other expenses*	*RMB'000* (unaudited)	*% of total administrative and other expenses*	*RMB'000*	*% of total administrative and other expenses*
Salary	2,492	21.5	2,596	18.7	2,502	20.3	1,866	19.8	1,693	21.1
Legal, professional and auditing fees	259	2.2	1,252	9.0	1,312	10.6	1,073	11.4	831	10.4
Depreciation of property, plant and equipment	3,762	32.5	3,900	28.0	4,363	35.3	3,282	34.8	3,239	40.4
Depreciation of investment properties	295	2.6	295	2.1	295	2.4	221	2.3	391	4.9
Depreciation of right-of-use assets	464	4.0	493	3.5	496	4.0	372	3.9	348	4.3
Entertainment and travelling expenses	879	7.6	831	6.0	404	3.3	296	3.1	240	3.0
Loss on disposal of property, plant and equipment	—	—	—	—	214	1.7	214	2.3	—	—
Loss on write-off of property, plant and equipment	—	—	33	0.2	382	3.1	382	4.0	—	—
Other expenses	3,432	29.6	4,524	32.5	2,386	19.3	1,730	18.4	1,277	15.9
Total	11,583	100.0	13,924	100.0	12,354	100.0	9,436	100.0	8,019	100.0

In FY2020, FY2021, FY2022, 9M2022 and 9M2023, our administrative and other expenses amounted to approximately RMB11.6 million, RMB13.9 million, RMB12.4 million, RMB9.4 million and RMB8.0 million, respectively. As a percentage of total revenue, our administrative and other expenses accounted for approximately 9.5%, 9.0%, 9.8%, 10.6% and 6.6% in FY2020, FY2021, FY2022, 9M2022 and 9M2023, respectively. Depreciation expenses accounted for the largest component of our administrative and other expenses during the Track Record Period. The other expenses include, among others, motor vehicles expenses, repair and maintenance fees and sundry expenses.

Listing expenses

Listing expenses amounted to approximately RMB5.3 million, RMB4.1 million, RMB7.6 million, RMB5.7 million, RMB4.3 million and RMB6.0 million for the period before the Track Record Period, FY2020, FY2021, FY2022, 9M2022 and 9M2023, respectively. The change in our Listing expenses during the Track Record Period is in line with the phase of work of the professional parties engaged for the purpose of our application for Listing in the corresponding periods.

Finance cost

Our finance cost represents interest on bank borrowings and lease liabilities. Our finance cost decreased from approximately RMB1.2 million in FY2020 to approximately RMB0.9 million in FY2021 since we obtained bank loans with more favourable terms. The effective interest rates of our bank borrowings as at 1 January 2020 was relatively high at 6.09% per annum, which were later replaced by bank borrowings with lower effective interest rates ranging from 3.85% per annum to 4.55% per annum during FY2020. Meanwhile, the effective interest rates of our bank borrowings throughout FY2021 ranged from 3.95% per annum to 4.55% per annum. In FY2022, our finance cost remained to be stable at approximately RMB0.9 million. The effective interest rates of our bank borrowings throughout FY2022 ranged from 3.75% per annum to 4.55% per annum. In 9M2022 and 9M2023, our finance cost remained to be stable at approximately RMB0.7 million and RMB0.7 million. The effective interest rates of our bank borrowings throughout 9M2023 ranged from 3.45% per annum to 4.40% per annum.

Income tax expense

We are not subject to taxation in the Cayman Islands and the British Virgin Islands. No provision for Hong Kong Profits Tax is required since we have no assessable profits in Hong Kong during the Track Record Period.

Our income tax expense remained nil during the Track Record Period. Our effective tax rate remained nil for the same period. According to the Article 27 of the EIT Law and Article 86 of the Regulations of Enterprise Income Tax Law, enterprise income from agriculture, forestry, husbandry and fishery projects may be reduced or exempted from taxation. Pursuant to the abovementioned provisions and with the approval of Dianbu Branch of the State Taxation Bureau of Laixi City, Fujing Agriculture's enterprise income from agriculture has been exempted from taxation for the period from 1 May 2010 to 1 May 2050. For details, please refer to the paragraph headed "Regulatory Overview — Laws and regulations relating to taxation" in this prospectus.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not have any dispute or unresolved tax issue with any tax authority.

Profit for the year

As a result of the foregoing, our net profit increased by approximately RMB3.5 million (or 8.0%) from approximately RMB43.8 million in FY2020 to approximately RMB47.3 million in FY2021. Meanwhile, our net profit decreased by approximately RMB15.5 million (or 32.8%) from approximately RMB47.3 million in FY2021 to approximately RMB31.8 million in FY2022 mainly due to the series of lockdown measures in Dalian and various areas in Shandong province due to the COVID-19 epidemic in 2022 which had a temporary adverse impact on our business in FY2022 as discussed above and in the paragraph headed "Business — Impact of the outbreak of COVID-19 epidemic" in this prospectus. Meanwhile, our net profit increased by approximately RMB21.4 million (or 108.7%) from approximately RMB19.7 million in 9M2022 to approximately RMB41.1 million in 9M2023, which was primarily attributable to the increase in the sales volume of our potted vegetable produce as our business operation was no longer affected by COVID-19 epidemic in 9M2023.

PERIOD TO PERIOD COMPARISON OF OUR RESULTS OF OPERATIONS

9M2022 compared to 9M2023

Revenue

Please refer to the paragraph headed "Description of selected statements of profit or loss items — revenue" in this section of the prospectus for the description of changes in revenue of our Group in 9M2022 and 9M2023.

Cost of sales

Please refer to the paragraph headed "Description of selected statements of profit or loss items — Cost of sales" in this section of the prospectus for the description of changes in cost of sales of our Group in 9M2022 and 9M2023.

Gross profit and gross profit margin

Please refer to the paragraphs headed "Description of selected statements of profit or loss items — Gross profit" and "Financial Information — Key Financial Ratios — Gross profit margin" in this section of the prospectus for the description of changes in gross profit and gross profit margin of our Group in 9M2022 and 9M2023.

Other income

Our other income remained to be stable at approximately RMB0.7 million and RMB0.7 million in 9M2022 and 9M2023, respectively.

Allowance/Reversal of allowance for ECL

Our allowance for ECL of trade receivables remained to be minimal at approximately RMB10,000 in 9M2022 and we have a reversal of allowance for ECL of trade receivables of approximately RMB0.1 million in 9M2023, respectively.

Selling and distribution expenses

Our selling and distribution expenses remained to be relatively stable at approximately RMB0.3 million in 9M2022 and approximately RMB0.2 million in 9M2023.

Administrative and other expenses

Our administrative and other expenses decreased by approximately RMB1.4 million (or 15.0%) from approximately RMB9.4 million in 9M2022 to approximately RMB8.0 million in 9M2023. Such decrease was primarily attributable to (i) the loss on write-off of property, plant and equipment of approximately RMB0.4 million in 9M2022; and (ii) the decrease in other expenses by approximately RMB0.5 million (or 26.2%) in 9M2023.

Finance costs

Our finance costs remained to be stable at approximately RMB0.7 million and RMB0.7 million in 9M2022 and 9M2023, respectively.

Income tax expense

Our income tax expense remained to be nil and nil in 9M2022 and 9M2023, respectively. Our effective tax rate remained to be nil and nil for the same period. Please refer to the paragraph headed "Description of selected statements of profit or loss items — Income tax expense" in this section of the prospectus for the description of tax exemptions granted to us due to the nature of our business.

Profit for the period

Our profit for the period increased by approximately RMB21.4 million (or 108.7%) from approximately RMB19.7 million in 9M2022 to approximately RMB41.1 million in 9M2023, which mainly resulted from (i) the increase in our revenue by approximately RMB32.7 million (or 36.9%) from 9M2022 to 9M2023 mainly attributable to the increase in our sales volume of our potted vegetable produce as our business operation was no longer affected by COVID-19 epidemic in 9M2023. Our revenue and sales volume for 9M2022 was significantly lower due to the temporary suspension of our Laixi Facility and Dalian Facility as a result of the resurgence of COVID-19 cases and the lockdown measures during March 2022 and April 2022. Meanwhile, our net profit margin increased from approximately 22.2% in 9M2022 to approximately 33.9% in 9M2023 as our business operation was no longer affected by COVID-19 epidemic in 9M2023.

FY2022 compared to FY2021

Revenue

Please refer to the paragraph headed "Description of selected statements of profit or loss items — Revenue" in this section of the prospectus for the description of changes in revenue of our Group in FY2021 and FY2022.

Cost of sales

Please refer to the paragraph headed "Description of selected statements of profit or loss items — Cost of sales" in this section of the prospectus for the description of changes in cost of sales of our Group in FY2021 and FY2022.

Gross profit and gross profit margin

Please refer to the paragraph headed "Description of selected statements of profit or loss items — Gross profit" and "Key Financial Ratios — Gross profit margin" in this section of the prospectus for the description of changes in gross profit and gross profit margin of our Group in FY2021 and FY2022.

Other income

Our other income decreased by approximately RMB0.3 million (or 27.4%) from approximately RMB1.2 million in FY2021 to approximately RMB0.9 million in FY2022. Such decrease was primarily attributable to the decrease in government grants by approximately RMB0.3 million (or 58.3%), a majority of which was granted in FY2021 on one-off basis being subsidy provided by the Municipal Government of Laixi for supporting the listing of local enterprises.

Allowance for ECL

Our allowance for ECL of trade receivables remained to be minimal at approximately RMB0.1 million in FY2021 and approximately RMB0.2 million in FY2022, respectively.

Selling and distribution expenses

Our selling and distribution expenses remained to be relatively stable at approximately RMB0.5 million in FY2021 and approximately RMB0.4 million in FY2022.

Administrative and other expenses

Our administrative and other expenses decreased by approximately RMB1.6 million (or 11.3%) from approximately RMB13.9 million in FY2021 to approximately RMB12.4 million in FY2022. Such decrease was primarily attributable to the decrease in our other expenses by approximately RMB2.1 million (or 47.3%) in FY2022, which was partially offset by the increase in our depreciation of property, plant and equipment by approximately RMB0.5 million (or 11.9%) in FY2022.

Finance cost

Our finance cost remained to be stable at approximately RMB0.9 million and RMB0.9 million in FY2021 and FY2022, respectively.

Income tax expense

Our income tax expense remained to be nil and nil in FY2021 and FY2022, respectively. Our effective tax rate remained to be nil and nil for the same period. Please refer to the paragraph headed "Description of selected statements of profit or loss items — Income tax expense" in this section of the prospectus for the description of tax exemptions granted to us due to the nature of our business.

Profit for the year

Our profit for the period decreased by approximately RMB15.5 million (or 32.8%) from approximately RMB47.3 million in FY2021 to approximately RMB31.8 million in FY2022, which mainly resulted from (i) the decrease in our revenue by approximately RMB28.3 million (or 18.2%) from FY2021 to FY2022 mainly attributable to the decrease in our sales volume due to the temporary suspension of our Laixi Facility as a result of the resurgence of COVID-19 cases and the lockdown measures during March 2022 and April 2022; and (ii) the decrease in our other income by approximately RMB0.3 million (or 27.4%) in the corresponding period. Meanwhile, our net profit margin decreased from approximately 30.5% to approximately 25.1%. The series of lockdown measures in Dalian and various areas in Shandong province due to the COVID-19 epidemic in 2022 has temporary adverse impact on our business in FY2022.

FY2021 compared to FY2020

Revenue

Please refer to the paragraph headed "Description of selected statements of profit or loss items — revenue" in this section of the prospectus for the description of changes in revenue of our Group in FY2020 and FY2021.

Cost of sales

Please refer to the paragraph headed "Description of selected statements of profit or loss items — Cost of sales" in this section of the prospectus for the description of changes in cost of sales of our Group in FY2020 and FY2021.

Gross profit and gross profit margin

Please refer to the paragraph headed "Description of selected statements of profit or loss items — Gross profit" and "Key Financial Ratios — Gross profit margin" in this section of the prospectus for the description of changes in gross profit and gross profit margin of our Group in FY2020 and FY2021.

Other income

Our other income decreased by approximately RMB3.4 million (or 73.4%) from approximately RMB4.6 million in FY2020 to approximately RMB1.2 million in FY2021. Such decrease was primarily attributable to the decrease in government grants by approximately RMB3.1 million (or 85.0%), a majority of which was an one-off subsidy granted by the Municipal Government of Laixi for supporting the listing of local enterprises in FY2020.

Allowance for ECL

Our allowance for ECL of trade receivables remained to be minimal at approximately RMB0.1 million in FY2020 and approximately RMB0.1 million in FY2021, respectively.

Selling and distribution expenses

Our selling and distribution expenses remained to be relatively stable at approximately RMB0.5 million and RMB0.5 million in FY2020 and FY2021, respectively.

Administrative and other expenses

Our administrative and other expenses increased by approximately RMB2.3 million (or 20.2%) from approximately RMB11.6 million in FY2020 to approximately RMB13.9 million in FY2021. Such increase was primarily attributable to (i) the increase in our legal, professional and auditing fees by approximately RMB1.0 million (or 383.4%) due to payment of the supplemental service fees to our professional advisers; and (ii) increase in our other expenses by approximately RMB1.1 million (or 31.8%) in FY2021.

Finance cost

Our finance cost decreased from approximately RMB1.2 million to approximately RMB0.9 million in FY2020 and FY2021, respectively. Such decrease was mainly because we obtained bank loans with more favourable terms. The effective interest rates of our bank borrowings as at 1 January 2020 was relatively high at 6.09% per annum, which were later replaced by bank borrowings with lower effective interest rates ranging from 3.85% per annum to 4.55% per annum during FY2020. Meanwhile, the effective interest rates of our bank borrowings throughout FY2021 ranged from 3.95% per annum to 4.55% per annum.

Income tax expense

Our income tax expense remained to be nil and nil in FY2020 and FY2021, respectively. Our effective tax rate remained to be nil and nil for the same period. Please refer to the paragraph headed "Description of selected statements of profit or loss items — Income tax expense" in this section of the prospectus for the description of tax exemptions granted to us due to the nature of our business.

Profit for the year

Our profit for the year increased by approximately RMB3.5 million (or 8.0%) from approximately RMB43.8 million in FY2020 to approximately RMB47.3 million in FY2021, which mainly resulted from the increase in our revenue by approximately RMB33.5 million (or 27.6%) from FY2020 to FY2021 mainly attributable to the increase in our sales volume; effect of which was partially offset by (i) the increase in our Listing expenses by approximately RMB3.6 million (or 87.8%) and (ii) the decrease in our other income by approximately RMB3.4 million (or 73.4%) in the corresponding period. Meanwhile, our net profit margin decreased from approximately 36.1% to approximately 30.5%.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, we met our liquidity requirements principally through our cash flow from operations. Our use of cash is mainly for the financing of our operations and working capital requirements going forward. We do not expect any material changes to the underlying drivers of our source of cash and uses of cash, except for the net proceeds from the Share Offer which will be used according to our future plans as set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

Cash flow

The following table sets forth a summary of our cash flows information for the periods indicated:

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from operating activities	51,612	33,818	50,235	42,959	42,200
Net cash used in investing activities	(55,222)	(16,812)	(1,091)	(1,091)	(22,965)
Net cash generated from/(used in) financing activities	5,495	(1,012)	(1,025)	(770)	(719)
Net increase/(decrease) in cash and cash equivalents	1,885	15,994	48,119	41,098	18,516
Effect of foreign exchange rate changes	—	1	(3)	(3)	—
Cash and cash equivalents at the beginning of the year/period	5,083	6,968	22,963	22,963	71,079
Cash and cash equivalents at the end of the year/period	6,968	22,963	71,079	64,058	89,595

Cash flows generated from operating activities

We derive our cash inflow from operating activities principally from the receipt of payments for the sale of our products. Our cash outflow from operating activities is principally for purchases of raw materials, salaries and employee benefits and cultivation overheads.

In 9M2023, we had a net cash generated from operating activities of approximately RMB42.2 million, which was mainly attributable to our operating profit before working capital changes of approximately RMB49.5 million, adjusted for increase in accruals and other payables of approximately RMB1.1 million. These cash inflow were partially offset by the increase in trade receivables of approximately RMB4.9 million and the decrease in trade payables of approximately RMB3.4 million during the same period. Our net cash generated from operating activities during 9M2023 remained stable as compared to our net cash generated from operating activities during 9M2022.

In 9M2022, we had net cash generated from operating activities of approximately RMB43.0 million, which was mainly attributable to our operating profit before working capital changes of approximately RMB34.2 million, adjusted for increase in trade payables of approximately RMB8.3 million, decrease in prepayments and other receivables of approximately RMB2.7 million, and decrease in trade receivables of approximately RMB2.3 million. These cash inflow were partially offset by the increase in biological assets of approximately RMB4.2 million during the same period.

In FY2022, we had a net cash generated from operating activities of approximately RMB50.2 million, which was mainly attributable to our operating profit before working capital changes of approximately RMB49.9 million, adjusted for decrease in prepayments and other receivables of approximately RMB2.8 million and increase in trade payables of approximately RMB10.2 million. These cash inflow were partially offset by the increase in trade receivables of approximately RMB7.0 million during the same period. We had higher net cash generated from operating activities during FY2022 than in FY2021 mainly because of the increase in trade payables during FY2022.

In FY2021, we had a net cash generated from operating activities of approximately RMB33.8 million, which was mainly attributable to our operating profit before working capital changes of approximately RMB59.0 million. These cash inflows were partially offset by (i) the increase in trade receivables by approximately RMB15.6 million; and (ii) the increase in our prepayments and other receivables of approximately RMB6.0 million during the same period.

In FY2020, we had net cash generated from operating activities of approximately RMB51.6 million, which was primarily attributable to our operating profit before working capital changes of approximately RMB53.1 million. These cash inflows were partially offset by the decrease in our accruals and other payables by approximately RMB1.1 million during the same period.

Cash flows used in investing activities

Our cash outflow for investing activities primarily consisted of (i) payments for property, plant and equipment; (ii) payments for right-of-use assets; and (iii) interest received from bank deposit.

In 9M2023, our net cash used in investing activities amounted to approximately RMB23.0 million, which was primarily due to payments of approximately RMB12.2 million for the renovation of our Laixi Land and Buildings for Investment Purpose and payments of approximately RMB10.8 million for renovation of our property, plant and equipment conducted during the same period; whereas in 9M2022, our net cash used in investing activities amounted to approximately RMB1.1 million.

In FY2022, our net cash used in investing activities amounted to approximately RMB1.1 million, which was primarily due to our payment for purchase of property, plant and equipment of approximately RMB1.5 million for the cultivation of our potted vegetable produce, which was partially offset by the proceeds from disposals of property, plant and equipment of approximately RMB0.4 million during the same period.

In FY2021, our net cash used in investing activities amounted to approximately RMB16.8 million, which was primarily due to our payment for purchase of property, plant and equipment of approximately RMB16.8 million for the renovation of the office premises and other maintenance and improvement works in our Laixi Facility during the same period.

In FY2020, our net cash used in investing activities amounted to approximately RMB55.2 million, which was primarily due to our purchase of property, plant and equipment of approximately RMB55.1 million for the expansion of our cultivation capacity during the same period.

Cash flows (used in)/generated from financing activities

Our cash inflows for financing activities primarily consisted of (i) bank borrowings; and (ii) contribution from our pre-IPO investor. Our cash outflows for financing activities primarily consisted of (i) repayments of bank borrowings; (ii) principal elements of lease liabilities; and (iii) interest payment.

In 9M2023, our net cash used in financing activities amounted to approximately RMB0.7 million, which was primarily attributable to the interest paid of approximately RMB0.7 million during the same period; whereas in 9M2022, we recorded a net cash used in financing activities amounted to approximately RMB0.8 million, which was primarily attributable to the interest paid of approximately RMB0.7 million during the same period.

In FY2022, our net cash used in financing activities amounted to approximately RMB1.0 million, which was primarily attributable to the interest paid of approximately RMB0.8 million during the same period.

In FY2021, our net cash used in financing activities amounted to approximately RMB1.0 million, which was primarily attributable to the interest paid of approximately RMB0.8 million during the same period.

In FY2020, our net cash generated from financing activities amounted to approximately RMB5.5 million, which was primarily due to raising of additional bank borrowings of RMB5.0 million and investment into our subsidiary by Mr. Xie Xing of approximately RMB1.8 million. This cash inflows was partially offset by our interest payment of approximately RMB1.1 million during the same period.

CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth details of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 January
	2020	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current Assets					
Biological assets	9,395	9,781	8,371	8,876	9,082
Inventories	31	199	1,557	1,331	1,747
Trade receivables	31,121	46,590	53,444	58,376	64,901
Prepayments and other receivables	3,052	9,075	6,252	6,701	8,372
Amount due from the ultimate holding company	6	6	6	6	6
Amounts due from Shareholders	3	3	3	3	3
Bank and cash balances	6,968	22,963	71,079	89,595	89,501
	50,576	88,617	140,712	164,888	173,612
Current liabilities					
Trade payables	9,149	5,323	15,552	12,177	10,540
Accruals and other payables	3,295	1,719	1,546	2,628	3,907
Amount due to a Director	20	30	30	30	30
Bank borrowings	20,000	20,000	20,000	19,995	19,995
Lease liabilities	80	124	98	106	109
Deferred income	227	227	227	227	227
	32,771	27,423	37,453	35,163	34,808
Net current assets	17,805	61,194	103,259	129,725	138,804

As at 31 December 2020, 31 December 2021, 31 December 2022, 30 September 2023 and 31 January 2024, we had net current assets of approximately RMB17.8 million, RMB61.2 million, RMB103.3 million, RMB129.7 million and RMB138.8 million, respectively.

We recorded net current assets of approximately RMB61.2 million as at 31 December 2021 as compared with net current assets of approximately RMB17.8 million as at 31 December 2020. Such change was primarily attributable to (i) the increase in our trade receivables by approximately RMB15.5 million (or 49.7%); (ii) the increase in our bank and cash balances by approximately RMB16.0 million (or 229.5%); and (iii) the increase in our prepayments and other receivables by approximately RMB6.0 million (or 197.3%).

We recorded net current assets of approximately RMB103.3 million as at 31 December 2022 as compared with net current assets of approximately RMB61.2 million as at 31 December 2021. Such change was primarily attributable to the increase in our bank and cash balances by approximately RMB48.1 million (or 209.5%) which was mainly due to the settlement of our trade receivables in the corresponding period.

We recorded net current assets of approximately RMB129.7 million as at 30 September 2023 as compared with net current assets of approximately RMB103.3 million as at 31 December 2022. Such change was primarily attributable to the increase in our bank and cash balances by approximately RMB18.5 million (or 26.0%) which was mainly due to the settlement of our trade receivables in the corresponding period.

We recorded net current assets of approximately RMB138.8 million as at 31 January 2024 as compared with net current assets of approximately RMB129.7 million as at 30 September 2023. Such change was primarily attributable to the increase in our trade receivables by approximately RMB6.5 million (or 11.2%) which was mainly due to the increase in sales revenue and trade receivables in the fourth quarter of 2023.

The amount due from the ultimate holding company are non-trade in nature and will be settled prior to Listing.

ANALYSIS OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Biological assets

Our biological assets represent the potted vegetable produce stated at fair value less estimated cost to sell as at the end of reporting period. The fair value has been assessed by Savills, a firm of independent qualified professional valuers not connected with us, which has appropriate qualifications and experiences in valuation of biological assets, with reference to market prices, scrap rate, species, growing conditions and cost incurred. We are required under HKFRS to recognise such changes under "changes in fair value of biological assets". This item represents fair value changes of our biological assets due to the changes in physical attributes and market prices of our biological assets, in particular, our potted vegetable produce at the end of each of the Track Record Period. The following table sets forth the value of our biological assets as at the dates indicated:

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Value of biological assets				
At 1 January, comprising:				
Original cost before fair valuation adjustment	4,605	6,221	6,430	5,839
Fair value adjustment	2,119	3,174	3,351	2,532
	6,724	9,395	9,781	8,371
Adjusted for:				
Increase due to plantation	67,444	86,208	74,798	66,523
Decrease due to sales	(65,828)	(85,999)	(70,804)	(66,785)
Fair value adjustment on the closing balance of biological assets	3,174	3,351	2,532	3,299
Less: Unsold vegetable produce	—	—	(4,585)	—
Less: Fair value adjustment on the opening balance of biological assets	(2,119)	(3,174)	(3,351)	(2,532)
Biological assets fair value adjustments	1,055	177	(5,404)	767
At 31 December/30 September	9,395	9,781	8,371	8,876
Value of biological assets at 31 December/ 30 September, comprising:				
Original cost before fair value adjustment	6,221	6,430	5,839	5,577
Fair value adjustment	3,174	3,351	2,532	3,299
	9,395	9,781	8,371	8,876

According to our Group's accounting policies, (i) a biological asset shall be measured at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably; and (ii) agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest.

Our biological assets represent the potted vegetable produce stated at fair value less estimated cost to sell as at the end of the reporting period. Between each reporting dates, our fair value of biological assets is affected by our production and sale of these biological assets in our business operation. As our biological assets are stated at fair value less estimated cost to sell as at the end of the reporting period, the carrying amounts are affected by the number, maturity and therefore the fair value of our potted vegetable produce as at the end of the reporting period.

The resultant changes in the fair value adjustment between each reporting period are recognised as gain or loss and charged to "changes in fair value of biological assets" in our consolidated statements of profit or loss. The fair value adjustment represented the difference between the fair value less estimated cost to sell of biological assets and the original cost of biological assets as at the end of each reporting period.

As the potted vegetable produce was sold to the customers in pots filled with organic substrates, the potted vegetable was sold while still fresh and living and has not been harvested upon sales, there is no need to revalue potted vegetable produce upon sales. While the Group's biological asset at the end of each reporting period is measured at its fair value less costs to sell, the fair value of potted vegetables that are planted and sold within the same financial period results in no changes in fair value of biological assets recognised during that reporting period. The "gain" on these potted vegetables that are planted and sold within the same financial period are recognised in our gross profit.

During the first week of growing period, our potted vegetable produce typically does not yet sprout and does not have observable significant biological transformation above the organic substrate. Cost approach is adopted for these newly planted potted vegetable produce. The cost of direct raw materials, labour cost, and other related expenses have been considered in the calculation of the fair values of our potted vegetable produce. After the first week of growing period but before reaching the mature period, our potted vegetable produce typically has observable significant biological transformation since planting with sprout and leaves visible above the organic substrate. Based on our historical record, more than 65% of our total cost have been incurred after the first week of growing period. Unit fair value of growing potted vegetable produce is estimated based on market price for mature potted vegetable produce less remaining cultivation cost and associated profit, adjusted for expected scrappage prior to reaching maturity. Market approach is adopted since observable biological transformation has taken place. During the mature period, our potted vegetable produce has reached the saleable state and market approach is adopted. The fair values of our biological assets as at the end of respective years are calculated to be the product of unit market value and the quantity held, deducting the reasonable cost related to sales.

In FY2022, our changes in fair value of biological assets included the unsold vegetable produce of approximately RMB4.6 million as a result of the temporary suspension of our facilities due to the outbreak of COVID-19 epidemic from March 2022 to April 2022. Most of the unsold potted vegetable produce from our Laixi Facility was donated to the government for the distribution to the local residents for their consumption during the lockdown period of the COVID-19 epidemic in FY2022.

The fair value of our biological assets increased by approximately RMB0.4 million (or 4.1%) from approximately RMB9.4 million as at 31 December 2020 to approximately RMB9.8 million as at 31 December 2021, primarily due to the increase in the number of our potted vegetable produce in our cultivation facilities as at 31 December 2021. This was mainly attributable to the increase in the number of potted vegetables under cultivation on 31 December 2021 as compared to that of 31 December 2020, of which a larger portion is in the growing and mature stage.

The fair value of our biological assets decreased slightly by approximately RMB1.4 million (or 14.4%) from approximately RMB9.8 million as at 31 December 2021 to approximately RMB8.4 million as at 31 December 2022, primarily due to the decrease in the number of potted vegetable produce in our cultivation facilities as at 31 December 2022.

The fair value of our biological assets increased slightly by approximately RMB0.5 million (or 6.0%) from approximately RMB8.4 million as at 31 December 2022 to approximately RMB8.9 million as at 30 September 2023, primarily due to the increase in the number of potted vegetable produce in growing and mature stage in our cultivation facilities as at 30 September 2023.

For more information about the valuation method adopted by Savills, please refer to the paragraph headed "Valuation of biological assets" in this section of the prospectus.

Inventories

Our inventories primarily consist of pots and agricultural materials which mainly include seeds, fertilisers and biopesticides which were not utilised at the end of each of the Track Record Period. The following table sets forth the breakdown of our inventories as at the dates indicated:

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pots and agricultural materials	31	199	1,557	1,331

Due to the nature of our business (i.e. we do not harvest our potted vegetable produce upon selling of the same), and that our potted vegetable produce is not reclassified from biological assets to inventories when it becomes mature as it is not harvested, our inventory level is low. While it is our policy to keep low raw material inventory level in general, we have however gradually made more purchases and kept more inventories since FY2021 to reduce the risk of supply interruption after years of the pandemic from 2020 to 2022, with intermittent lockdowns in various regions. Our purchasing strategies also helped us keep our raw material cost stable at a reasonable level in spite of the increasing price trend of raw materials in general as explained in the paragraph headed "Industry Overview — Historical price trend of raw materials and potted vegetable produce" in this prospectus. Our inventories increased by approximately RMB168,000 from approximately RMB31,000 as at 31 December 2020 to approximately RMB199,000 as at 31 December 2021 primarily because we had purchased some of the components of organic substrates in FY2021 which were not yet utilised near the year end. Our inventories increased by approximately RMB1.4 million to approximately RMB1.6 million as at 31 December 2022 primarily because we had purchased a relatively large amount of the components of organic substrates to prepare for the cultivation during the fourth quarter of FY2022. Our inventories decreased slightly by approximately RMB0.2 million to approximately RMB1.3 million as at 30 September 2023 primarily because of utilisation of raw materials.

The following table sets out the ageing analysis of the inventories:

Ageing analysis	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–180 days	23	199	1,557	1,329
181–365 days	—	—	—	2
Over 1 year	8	—	—	—
	31	199	1,557	1,331

The following table sets out the average inventory turnover day(s) for the Track Record Period:

	Year ended 31 December			Nine months ended 30 September
	2020	**2021**	**2022**	**2023**
Average inventory turnover days *(Note)*	0.6	0.5	4.3	5.9

Note: Average inventory turnover day(s) for each of the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023 are equal to the average inventories divided by cost of sales, before fair value adjustment, and multiplied by the number of days in the relevant year/period. Average inventories is equal to the average of inventory at the beginning of the year/period and inventory at the end of the year/period.

The average inventory turnover day(s) remained stable at 0.6 days and 0.5 days between FY2020 and FY2021, and increased to 4.3 days for FY2022, primarily because we have made more purchases and kept more inventories since FY2022 to reduce the risk of supply interruption. Our inventory turnover day for 9M2023 is higher at 5.9 days because we maintained a comparatively higher inventory of over RMB1.3 million as at both 31 December 2022 and 30 September 2023 and our average inventory for 9M2023 is higher. Despite our higher inventory turnover day for FY2022 and 9M2023, our inventory turnover day is lower than 10 days in line with our general policy to keep low raw material inventory level.

As at the Latest Practicable Date, all of our inventories as at 30 September 2023 were subsequently utilised.

Trade receivables

Our trade receivables primarily consist of receivables associated with the sales of our potted vegetable produce to our customers. The following table sets forth the breakdown of our trade receivables as at the dates indicated:

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	32,339	46,591	53,605	58,476
Allowance for ECL	(1,218)	(1)	(161)	(100)
	31,121	46,590	53,444	58,376

During the Track Recorded Period, we grant our distributors and end-user customers generally a credit period of 60 days to 120 days and 180 days respectively depending on their credit history, historical sales performance, estimated future purchases, relationship history with us and business scale.

Our trade receivables increased by approximately RMB14.3 million (or 44.1%) from approximately RMB32.3 million as at 31 December 2020 to approximately RMB46.6 million as at 31 December 2021, in line with the increase in our sales of approximately 27.6% in the corresponding period. Our trade receivables increased by approximately RMB7.0 million (or 15.1%) to approximately RMB53.6 million as at 31 December 2022, primarily due to the slight increase in our sales revenue in the fourth quarter of FY2022 of approximately RMB38.1 million as compared to the sales revenue of approximately RMB37.7 million in the fourth quarter of FY2021. Since the third quarter of the year is our peak season, our trade receivables increased by approximately RMB4.9 million (or 9.1%) to approximately RMB58.5 million as at 30 September 2023, primarily due to the increase in our sales revenue in the third quarter of 2023 of approximately RMB50.0 million as compared to our sales revenue in the fourth quarter of FY2022 of approximately RMB38.1 million. Our allowance for ECL dropped from approximately RMB1.2 million as at 31 December 2020 to approximately RMB1,000 as at 31 December 2021 mainly because we wrote off certain long outstanding trade receivables of approximately RMB1.4 million during FY2021. Our allowance for ECL increased slightly to approximately RMB0.2 million as at 31 December 2022. Our allowance for ECL remained to be relatively stable at approximately RMB0.1 million as at 30 September 2023.

An ageing analysis of our trade receivables at the end of each reporting period, based on the invoice date and net of allowance for ECL, is as follows:

	At 31 December			At 30 September		
	2020	2021	2022	2023		
	Trade receivables *RMB'000*	Trade receivables *RMB'000*	Trade receivables *RMB'000*	Trade receivables *RMB'000*	Less: amount subsequently settled up to the Latest Practicable Date *RMB'000*	Remaining balances up to the Latest Practicable Date *RMB'000*
0–90 days	30,540	36,609	37,550	48,558	(37,913)	10,645
91–180 days	383	9,981	15,894	9,818	(9,818)	—
181–365 days	198	—	—	—	—	—
Over 1 year	—	—	—	—	—	—
	31,121	46,590	53,444	58,376	(47,731)	10,645

A majority of our trade receivables as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 were aged within 90 days, as most of the credit period granted to our distributors and end-user customers were due within 60 days to 120 days and 180 days respectively from the date of billing.

As at the Latest Practicable Date, approximately RMB47.7 million, or 81.7% of trade receivables as at 30 September 2023 were subsequently settled. Our Group did not record any bad debt during the Track Record Period, our Directors are of the view that there is no recoverability issue for our trade receivables and sufficient allowance for doubtful debts provision has been provided for.

The following table sets forth our average trade receivables turnover days for the periods indicated:

	Year ended 31 December			Nine months ended 30 September
	2020	**2021**	**2022**	**2023**
Average trade receivables turnover days *(Note)*	99.2	93.0	144.3	126.1

Note: Average trade receivables turnover day(s) in each of FY2020, FY2021, FY2022 and 9M2023 are equal to the average trade receivables divided by revenue and multiplied by 366 days in FY2020, 365 days in FY2021, 365 days in FY2022 and 273 days in 9M2023. Average trade receivables is equal to the average of trade receivables at the beginning of the year/period and trade receivables at the end of the year/period.

There was no material change in our trade receivables turnover days in FY2020 and FY2021. In light of the uncertainty over the business environment in relation to the lockdown measures in various regions in China during the COVID-19 epidemic, we have been more flexible in enforcing our credit terms for distributors in FY2022 which ranged from 60 to 120 days. Therefore our average trade receivables turnover day for FY2022 increased to 144.3 days and was higher than our credit term range. Besides, our revenue for FY2022 was lower than usual due to the lockdown measures in Dalian and various areas in Shandong province in March and April 2022, with monthly average revenue of only approximately RMB10.6 million, as compared with the monthly average revenue of approximately RMB12.9 million for FY2021. With a substantially lower average revenue, our average trade receivables turnover day for FY2022 was also higher than usual.

As the PRC government has substantially lifted its COVID-19 prevention and control policies since December 2022, we have pressed our distributors for faster settlement of trade receivables and enforced our credit terms in 2023, leading to the lower trade receivables turnover days of approximately 126.1 days for 9M2023 as compared to 144.3 days for FY2022. However, it is still higher than our credit terms for distributors which ranged from 60 to 120 days mainly because of our high trade receivable balances as at 31 December 2022 which led to higher average trade receivable balances for the 9M2023. As confirmed by the Directors, there is no recoverability issue for our trade receivables as at the Latest Practicable Date and sufficient allowance has been made for the trade receivables during the Track Record Period.

Prepayments and other receivables

The following table sets forth a summary of our balance of prepayments and other receivables as at the dates indicated:

	At 31 December			**At 30 September**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets:				
Prepayments for renovation of property, plant and equipment	—	—	—	6,000
Current assets:				
Prepayments	434	4,503	334	690
Prepaid Listing expenses	1,672	4,082	5,412	5,380
Other receivables	946	490	506	631
	3,052	9,075	6,252	12,701

Our prepayments increased from RMB0.4 million as at 31 December 2020 to RMB4.5 million as at 31 December 2021, primarily due to the increase in the purchase of the components of organic substrate near the end of FY2021 for the purpose of stocking up some components of organic substrate as our contingency plan to avoid any delay in production that may be caused by any unforeseeable events in the market, and to hedge the risk of fluctuation of the cost of the raw materials. Our prepayment as at 31 December 2021 consist of prepayment of the components of organic substrate of approximately RMB4.2 million. Our prepayments decreased from approximately RMB4.5 million as at 31 December 2021 to RMB0.3 million as at 31 December 2022 mainly because our prepayment for the purchase of the components of organic substrate as at 31 December 2021 has been utilised. Our prepayments increased slightly from approximately RMB0.3 million as at 31 December 2022 to RMB0.7 million as at 30 September 2023.

Our prepayments of renovation of property, plant and equipment in the amount of approximately RMB6.0 million were made primarily for the renovation of the greenhouses in the Group's cultivation facilities. Our Group commenced such renovation work in May 2023. Such renovation work is still ongoing as at the Latest Practicable Date.

Our prepaid Listing expenses amounted to approximately RMB1.7 million, RMB4.1 million, RMB5.4 million and RMB5.4 million as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, respectively. The change in our prepaid Listing expenses during the Track Record Period is in line with the phase of work of the professional parties engaged for the purpose of our application for Listing in the corresponding periods.

Our other receivables mainly represented the outstanding rental receivables due from our tenant for the Laixi Land and Buildings for Investment of approximately RMB0.9 million, RMB0.5 million, RMB0.5 million and RMB0.6 million as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 respectively.

Trade payables

Our trade payables primarily relate to our subcontracting labour cost and purchase of raw materials from our suppliers with general credit terms of no more than one month. We normally settle such payables by bank transfers.

The following table sets forth our trade payables as at the dates indicated:

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	9,149	5,323	15,552	12,177

Our trade payables decreased by approximately RMB3.8 million (or 41.8%) from approximately RMB9.1 million as at 31 December 2020 to approximately RMB5.3 million as at 31 December 2021, primarily due to our timely settlement of trade payables. Our trade payables increased by approximately RMB10.2 million (or 192.2%) to approximately RMB15.6 million as at 31 December 2022, primarily due to the late settlement of the labour subcontracting fee due to the COVID-19 epidemic in FY2022. Our trade payables decreased slightly by approximately RMB3.4 million (or 21.7%) to approximately RMB12.2 million as at 30 September 2023, primarily due to our timely settlement of trade payables.

An ageing analysis of our trade payables at the end of each reporting period, based on invoice date, is as follows:

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	8,333	5,282	13,139	11,969
91–180 days	797	—	2,372	167
181–365 days	3	22	—	—
Over 1 year	16	19	41	41
	9,149	5,323	15,552	12,177

As at the Latest Practicable Date, approximately RMB12.2 million, or 100% of our trade payables outstanding as at 30 September 2023 were subsequently settled.

The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended 31 December			Nine months ended 30 September
	2020	**2021**	**2022**	**2023**
Average trade payables turnover days *(Note)*	46.3	29.6	51.4	54.6

Note: Average trade payables turnover day(s) in each of FY2020, FY2021, FY2022 and 9M2023 are equal to the average trade payables divided by cost of sales and multiplied by 366 days in FY2020, 365 days in FY2021, 365 days in FY2022 and 273 days in 9M2023. Average trade payables is equal to the average of trade payables at the beginning of the year/period and trade payables at the end of the year/period.

Our average trade payables turnover days decreased from 46.3 days in FY2020 to 29.6 days in FY2021. Such decrease was primarily due to our timely settlement of trade payables.

Our average trade payable turnover days increased from 29.6 days in FY2021 to 51.4 days in FY2022. Such increase was primarily due to the fact that (i) we made purchase of the components of organic substrate and incurred more cost of labour near the end of FY2022 leading to the higher trade payable balances as at 31 December 2022 and (ii) the decrease in cost of sales in FY2022.

Our trade payables for 9M2023 of 54.6 days were higher than our trade payables credit terms of generally no more than one month. The higher trade payables for 9M2023 were primarily due to the longer time required for our administrative procedure as a result of the temporary shortage of our accounting staff caused by the prolonged leave taken by one of the staff in our accounts department in 9M2023. Therefore, our payment to our suppliers and subcontractors was slower in 9M2023 and our average trade payable turnover days increased from 51.4 days in FY2022 to 54.6 days in 9M2023. However, the average trade payables turnover days has returned to normal level as at the Latest Practicable Date.

Accruals and other payables

The following table sets forth our accruals and other payables as at the dates indicated:

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	391	412	512	492
Other payables	2,904	1,307	1,034	2,136
	3,295	1,719	1,546	2,628

Our accruals primarily consist of accrued salaries of our employees. Our accruals remained to be relatively stable at approximately RMB0.4 million, RMB0.4 million, RMB0.5 million and RMB0.5 million as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, respectively.

Our other payables primarily consist of construction cost payables relating to the construction of our greenhouses and the relevant site formation cost and payables for listing and professional fee. Our other payables decreased by approximately RMB1.6 million (or 55.0%) from approximately RMB2.9 million as at 31 December 2020 to approximately RMB1.3 million as at 31 December 2021, which were primarily attributable to the settlement of our construction cost associated with the improvement and expansion works of our Laixi Facilities in early 2021. Our other payables decreased slightly by approximately RMB0.3 million (or 21.0%) to approximately RMB1.0 million as at 31 December 2022 which was mainly due to payable for listing and professional fee of approximately RMB0.5 million as at 31 December 2022. Our other payables increased by approximately RMB1.1 million (or 106.6%) to approximately RMB2.1 million as at 30 September 2023 which was mainly due to the fact that we incurred more listing and professional fee near the end of 9M2023.

Deferred income

During the Track Record Period, our deferred income principally represents government grants in relation to agricultural development, greening purposes, subsidising the interest payment of our borrowings in 2018 and supporting the listing of local enterprises provided by the Municipal Government of Laixi in FY2020. The following table sets forth our deferred income as at the dates indicated:

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants:				
At 1 January	3,995	3,953	3,727	3,500
Additions	3,585	318	—	—
Amortisation	(3,627)	(544)	(227)	(170)
At 31 December/ 30 September	3,953	3,727	3,500	3,330

RELATED PARTY TRANSACTIONS

With respect to the related party transaction set forth in the Accountants' Report as set out in Appendix I to this prospectus, our Directors confirm that the transaction was conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that after taking into account the existing financial resources available to our Group including internally generated funds from operating activities, existing bank facilities and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for its present requirements for the next 12 months from the date of this prospectus.

CAPITAL EXPENDITURES

Capital expenditures during the Track Record Period

The following table sets forth our capital expenditures for the periods indicated:

	Year ended 31 December			Nine months ended 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to property, plant and equipment	44,354	14,420	1,522	4,787
Additions to investment properties	—	—	—	12,222

Our capital expenditures for FY2020, FY2021, FY2022 and 9M2023 represented additions of property, plant and equipment primarily made for the site formation and the construction, renovation of greenhouses in our cultivation facilities, the renovation of the office premises in our Laixi Facility and the renovation of our Laixi Land and Buildings for Investment Purpose during the Track Record Period.

Besides, we have also made prepayment of approximately RMB 6.0 million mainly for renovation of our Laixi Land and Buildings for Investment Purpose as at 30 September 2023.

Planned capital expenditures

Save for the planned usage of the net proceeds from the Share Offer as disclosed in the section headed "Future Plans and Use of Proceeds" in this prospectus and the additions to property, plant and equipment and our investment properties necessary for our business operations which will be made by our Group from time to time, including periodic repair, upgrade, renovation and replacement, we had no material planned capital expenditure as at the Latest Practicable Date.

We expect to fund our capital expenditure principally through the net proceeds raised from the Share Offer, bank borrowings and cash generated from our operating activities. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months from the date of this prospectus.

CONTRACTUAL COMMITMENTS

Capital Commitments

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, the capital commitments of our Group in respect of the payments for purchase of property, plant and equipment contracted but not yet incurred were nil, nil, nil and RMB6.5 million, respectively.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as at the dates indicated:

	At 31 December			At 30 September	At 31 January
	2020	**2021**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current portion					
Amount due to a Director	20	30	30	30	30
Bank borrowings	20,000	20,000	20,000	19,995	19,995
Lease liabilities	80	124	98	106	109
	20,100	20,154	20,128	20,131	20,134
Non-current portion					
Lease liabilities	641	553	454	394	349
	20,741	20,707	20,582	20,525	20,483

As at 31 December 2020, 31 December 2021, 31 December 2022, 30 September 2023 and 31 January 2024, the amount due to a Director were approximately RMB20,000, RMB30,000, RMB30,000, RMB30,000 and RMB30,000, respectively. The amounts due to a Director are non-trade in nature and will be settled prior to Listing.

Bank borrowings

As at 31 December 2020, 31 December 2021, 31 December 2022, 30 September 2023 and 31 January 2024, our total outstanding balance of bank loans was approximately RMB20.0 million, RMB20.0 million, RMB20.0 million, RMB20.0 million and RMB20.0 million, respectively.

The following table sets forth a breakdown of our bank borrowings as at the dates indicated:

	At 31 December			At 30 September	At 31 January
	2020	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank borrowings, secured	20,000	20,000	20,000	19,995	19,995

During the Track Record Period, we primarily used our bank borrowings for general working capital. As at 31 January 2024, we did not have any unutilised banking facilities.

Our bank borrowings remained to be stable at RMB20.0 million, RMB20.0 million, RMB20.0 million, RMB20.0 million and RMB20.0 million as at 31 December 2020, 31 December 2021, 31 December 2022, 30 September 2023 and 31 January 2024, respectively.

As at 31 December 2020, 31 December 2021, 31 December 2022, 30 September 2023 and 31 January 2024, our bank borrowings of RMB20.0 million were secured by, among others, (i) personal guarantees provided by Mr. Zhang and Ms. Geng Juan; (ii) investment properties of our Group (i.e. the Laixi Land and Buildings for Investment) with net carrying amount of approximately RMB6.7 million, RMB6.4 million, RMB6.1 million, RMB18.0 million and RMB17.6 million as at 31 December 2020, 31 December 2021, 31 December 2022, 30 September 2023 and 31 January 2024, respectively; and (iii) right-of-use assets (i.e. the Laixi Land Parcel A) with net carrying amount of approximately RMB19.7 million, RMB19.2 million, RMB18.7 million, RMB18.3 million and RMB18.1 million as at 31 December 2020, 31 December 2021, 31 December 2022, 30 September 2023 and 31 January 2024, respectively of our Group.

The personal guarantees provided by Mr. Zhang and Ms. Geng Juan will be released upon Listing.

As at 31 December 2020, 31 December 2021, 31 December 2022, 30 September 2023 and 31 January 2024, our bank borrowings were denominated in RMB and due within one year, whereas the effective interest rates of our bank borrowings per annum were from 3.85% to 4.55%, from 3.95% to 4.55%, from 3.75% to 4.55%, from 3.45% to 4.40% and from 3.45% to 4.40%, respectively.

There are no material covenants relating to our outstanding bank borrowings which would impact or restrict our ability to undertake additional debt or equity financing. Our Directors confirmed that our Group had not had any material default with regard to our trade or other payables or any bank borrowings, and had not breached any covenants in our bank borrowings during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirmed that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in obtaining credit facilities or withdrawal of facilities, request for early repayment, default in payments or breach of financial covenants of bank borrowings. Our Directors further confirmed that we did not have any plan to raise material external debt financing as at the date of this prospectus.

Lease liabilities

The following table sets forth our lease liabilities as at the dates indicated:

	Present value of minimum lease payments				
	As at 31 December			At 30 September	At 31 January
	2020	**2021**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Within one year	80	124	98	106	109
In the second to fifth years, inclusive	369	362	354	287	349
After five years	272	191	100	107	—
Present value of lease obligations	721	677	552	500	458
Less: Amount due for settlement within 12 months (shown under current liabilities)	(80)	(124)	(98)	(106)	(109)
Amount due for settlement after 12 months	641	553	454	394	349

Our Group leases office and cultivation facilities for operations. Lease contracts are entered into for fixed term of up to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, our Group applies the definition of a contract and determines the period for which the contract is enforceable.

Except as disclosed above, as at 31 January 2024, being the latest practicable date for the purpose of this indebtedness statement, we did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees. We confirm that there had not been any material adverse change in our indebtedness position since 31 January 2024.

CONTINGENT LIABILITIES

At 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, our Group did not have any contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth certain financial ratios as at the dates or for the periods indicated:

	As at/For the year ended 31 December			As at/For the nine months ended 30 September
	2020	2021	2022	2023
Profitability Ratios				
Turnover growth *(Note 1)*	3.3%	27.6%	(18.2)%	36.9%
Gross profit margin *(Note 2)*	44.0%	42.4%	41.5%	42.9%
Net profit growth *(Note 3)*	12.2%	8.1%	(32.7)%	108.7%
Net profit margin *(Note 4)*	36.1%	30.5%	25.1%	33.9%
Return on assets *(Notes 5&6)*	17.6%	16.3%	9.6%	11.1% *(Note 6)*
Return on equity *(Notes 6&7)*	20.7%	18.3%	11.0%	12.4% *(Note 6)*
Liquidity Ratios				
Current ratio *(Note 8)*	1.5 times	3.2 times	3.8 times	4.7 times
Quick ratio *(Note 9)*	1.5 times	3.2 times	3.7 times	4.7 times
Solvency Ratios				
Interest coverage ratio *(Note 10)*	38.0 times	53.7 times	36.3 times	63.1 times
Net debt to equity ratio *(Note 11)*	6.5%	-0.9% *(Note 13)*	-17.4% *(Note 13)*	-20.8% *(Note 13)*
Gearing Ratio *(Note 12)*	9.8%	8.0%	7.1%	6.2%

Notes:

1. Turnover growth represents the difference between revenue for the current year/period and prior year/period, divided by the revenue for the prior year/period and multiplied by 100%.

2. The gross profit margin represents the gross profit divided by the revenue for the respective year/period multiplied by 100%. For details, please refer to the paragraphs headed "Description of selected statements of profit or loss items — Gross profit " and "Key Financial Ratios — Gross profit margin" in this section of the prospectus.

3. Net profit growth represents the difference between net profit for the current year/period and prior year/period, divided by the net profit for the prior year/period and multiplied by 100%.

4. The net profit margin represents the net profit divided by the revenue for the respective year/period multiplied by 100%.

5. Return on assets represents net profit divided by total assets as at the respective year/period end and multiplied by 100%.

6. Return on equity and return on assets are calculated on a full year basis except for 9M2023.

7. Return on equity represents net profit divided by total equity as at the respective year/period end and multiplied by 100%.

8. Current ratio represents total current assets divided by total current liabilities as at the respective year/period end.

9. Quick ratio represents total current assets less inventories divided by total current liabilities as at the respective year/period end.

10. Interest coverage ratio represents profit before income tax and interest expenses divided by interest expenses for the respective year/period.

11. Net debt to equity ratio represents net debt divided by total equity as at the respective year/period end. Net debt is calculated as the total interest-bearing debt including borrowings and lease liabilities less bank and cash balances.

12. Gearing ratio represents the total interest-bearing debt including borrowings and lease liabilities divided by total equity as at the respective year/period end multiplied by 100%.

13. We recorded a negative net debt to equity ratio for FY2021, FY2022 and 9M2023 as the Group is in a net cash position deriving the same periods.

Turnover growth

Our revenue increased from approximately RMB121.4 million in FY2020 to approximately RMB154.9 million in FY2021. Such increase in our revenue in the said period was primarily attributable to the increase in the sales volume of our potted vegetable produce from approximately 8.0 million pots in FY2020 to approximately 10.3 million pots in FY2021 due to (i) the deployment of 40 enhanced greenhouses in our Laixi Facility in July 2020 and August 2020 leading to an increase in our productivity; and (ii) the increase in popularity of our potted vegetable produce in the corresponding period. On the other hand, the average selling price of our potted vegetable produce remained to be stable at approximately RMB15.1 per pot in FY2020 and approximately RMB15.1 per pot in FY2021.

Our revenue decreased from approximately RMB154.9 million in FY2021 to approximately RMB126.7 million in FY2022. Such decrease in revenue in the said period was primarily attributable to the decrease in the sales volume of our potted vegetable produce from approximately 10.3 million pots in FY2021 to approximately 8.4 million pots in FY2022 due to the resurgence of COVID-19 cases in Shandong province between March 2022 to April 2022 which had led to a temporary suspension of business activities of our Laixi Facility during the lockdown period. The said incident led to the direct loss of approximately 549,000 unsellable pots of our vegetable produce, the estimated cost of which was approximately RMB4.6 million. It is estimated that it led to a loss of potential sales revenue of approximately RMB8.3 million based on the average selling price of our potted vegetable produce in Shandong province of approximately RMB15.1 per pot in FY2022.

Our revenue increased from approximately RMB88.6 million in 9M2022 to approximately RMB121.3 million in 9M2023. Such increase in revenue in the said period was primarily attributable to the increase in the sales volume of our potted vegetable produce from approximately 5.9 million pots in 9M2022 to approximately 8.0 million pots in 9M2023 as our business operation was no longer affected by COVID-19 epidemic in 9M2023. On the other hand, the average selling price per pot of our potted vegetable produce remained to be stable at approximately RMB15.1 in 9M2022 and 9M2023.

Gross profit margin

Our gross profit margin slightly decreased from approximately 44.0% in FY2020 to approximately 42.4% in FY2021 mainly because of the increase in cultivation overheads from approximately RMB4.2 million for FY2020 to RMB6.1 million for FY2021 which are predominantly depreciation charges. Such increase in cultivation overheads was due to the significant capital expenditure on our cultivation facilities including greenhouses and infrastructure which amounted to approximately RMB44.4 million and RMB14.4 million for FY2020 and FY2021 respectively. Had the cultivation overheads in FY2021 remained at the same level as in FY2020, our gross profit margin would have increased by 1.2% to 43.7%.

Our gross profit margin decreased from approximately 42.4% in FY2021 to approximately 41.5% in FY2022 mainly because our revenue decreased by approximately 18.2% due to the temporary suspension of our cultivation facilities in FY2022, yet our cultivation overheads remain at a similar level. As a result, our cultivation overheads accounted for a larger proportion of cost of sales in FY2022, leading to lower gross profit margin in FY2022.

Our gross profit margin increased from approximately 39.9% in 9M2022 to approximately 42.9% in 9M2023 mainly because of the increase in revenue from the sale of our potted vegetable produce by approximately RMB32.7 million (or 36.9%) from 9M2022 to 9M2023, which overwhelmed the increase in our cost of sales by approximately RMB16.0 million (or 30.1%) during the same period. Moreover, due to the temporary suspension of business activities of our Laixi Facility and Dalian Facility during the lockdown period between March and April 2022, our revenue decreased significantly during the period, leading to a lower gross profit margin for 9M2022.

Net profit growth

Our profit for the period increased by approximately RMB3.5 million (or 8.1%) from approximately RMB43.8 million in FY2020 to approximately RMB47.3 million in FY2021, which mainly resulted from the increase in our revenue by approximately RMB33.5 million (or 27.6%) from FY2020 to FY2021 mainly attributable to the increase in our sales volume; effect of which was partially offset by (i) the increase in our Listing expenses by approximately RMB3.6 million (or 87.8%) and (ii) the decrease in our other income by approximately RMB3.4 million (or 73.4%) in the corresponding period.

Our profit for the period decreased by approximately RMB15.5 million (or 32.7%) from approximately RMB47.3 million in FY2021 to approximately RMB31.8 million in FY2022, which mainly resulted from (i) the decrease in our revenue by approximately RMB28.3 million (or 18.2%) from FY2021 to FY2022 mainly attributable to the decrease in our sales volume due to the temporary suspension of our Laixi Facility as a result of the resurgence of COVID-19 cases and the lockdown measures during March 2022 and April

2022; and (ii) the decrease in our other income by approximately RMB0.3 million (or 27.4%) in the corresponding period. The series of lockdown measures in Dalian and various areas in Shandong province due to the COVID-19 epidemic in 2022 has temporary adverse impact on our business in FY2022.

We recorded a profit for the period of approximately RMB41.1 million in 9M2023, compared to a net profit of approximately RMB19.7 million recorded in 9M2022, which was primarily due to the increase in our revenue as a result of our increase in the volume of our actual cultivation output during the corresponding period as our business operation was no longer affected by COVID-19 epidemic in 9M2023. Our revenue and sales volume for 9M2022 was significantly lower due to the temporary suspension of our Laixi Facility and Dalian Facility as a result of the resurgence of COVID-19 cases and the lockdown measures during March 2022 and April 2022.

Net profit margin

Our net profit margin decreased from approximately 36.1% in FY2020 to approximately 30.5% in FY2021. Such decrease was primarily the result of (i) the increase in our Listing expenses of approximately RMB3.6 million (or 87.8%) and (ii) the decrease in our other income by approximately RMB3.4 million (or 73.4%); effect of which was partially offset by the increase in our revenue by approximately RMB33.5 million (or 27.6%) from FY2020 to FY2021 mainly attributable to the increase in our sales volume in the corresponding period.

Our net profit margin decreased from approximately 30.5% in FY2021 to approximately 25.1% in FY2022. Such decrease was primarily the result of the decrease in our revenue of approximately RMB28.3 million (or 18.2%) from FY2021 to FY2022 due to the temporary adverse impact of the COVID-19 epidemic which seriously affected our Laixi Facility and Dalian Facility and Shandong province market during FY2022.

We have a net profit margin of 33.9% in 9M2023, which is higher than the net profit margin of 25.1% in FY2022. Our net profit margin for FY2022 was particularly low primarily because of the decrease in our revenue of approximately RMB28.3 million (or 18.2%) from FY2021 to FY2022 due to the temporary adverse impact of the COVID-19 epidemic which seriously affected our Laixi Facility and Dalian Facility and Shandong province market during FY2022.

Please refer to the paragraph headed "Period to period comparison of our results of operations" in this section of the prospectus for more details of our net profit margin.

Return on assets

Our return on assets decreased from approximately 17.6% in FY2020 to approximately 16.3% in FY2021. Such decrease was primarily due to the increase in our total assets mainly resulting from (i) the increase of our bank and cash balances by approximately RMB16.0 million (or 229.5%); and (ii) the increase of our trade receivables by approximately RMB15.5 million (or 49.7%) from FY2020 to FY2021.

Our return on assets decreased from approximately 16.3% in FY2021 to approximately 9.6% in FY2022. Such decrease was primarily due to (i) the decrease in our net profit of approximately RMB15.5 million (or 32.8%); and (ii) the increase in our total assets mainly resulting from the increase of our bank and cash balances by approximately RMB48.1 million (or 209.5%) from FY2021 to FY2022.

Our return on assets for 9M2023 was approximately 11.1%, which was higher than our return on assets of approximately 9.6% for FY2022, primarily due to the increase in our net profit in 9M2023 despite the fact that our return on assets for 9M2023 was calculated based on the net profit recorded in 9M2023 as contrary to the full year net profit for the calculation of the return on assets for FY2022.

Return on equity

Our return on equity decreased from 20.7% in FY2020 to 18.3% in FY2021. Such decrease was primarily due to the increase in our total equity by approximately RMB47.3 million (or 22.4%) from FY2020 to FY2021.

Our return on equity decreased from approximately 18.3% in FY2021 to approximately 11.0% in FY2022. Such decrease was primarily due to (i) the decrease in our net profit of approximately RMB15.5 million (or 32.8%); and (ii) the increase in our total equity by approximately RMB31.8 million (or 12.3%) from FY2021 to FY2022.

Our return on equity for 9M2023 was approximately 12.4%, which was higher than our return on equity of approximately 11.0% for FY2022, primarily due to the increase in our net profit in 9M2023 despite the fact that our return on equity for 9M2023 was calculated based on the net profit recorded in 9M2023 as contrary to the full year net profit for the calculation of the return on equity for FY2022.

Current ratio

Our current ratio was approximately 1.5 times, 3.2 times, 3.8 times and 4.7 times as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, respectively. Our current ratio increased from approximately 1.5 times as at 31 December 2020 to approximately 3.2 times as at 31 December 2021 primarily because of (i) the increase in our trade receivables by approximately RMB15.5 million (or 49.7%); (ii) the increase in our bank and cash balances by approximately RMB16.0 million (or 229.5%); and (iii) the increase in our prepayments and other receivables by approximately RMB6.0 million (or 197.3%) in the corresponding period. Our current ratio increased further to approximately 3.8 times as at 31 December 2022 primarily because of the increase in our bank and cash balances by approximately RMB48.1 million (or 209.5%) in the corresponding period. Our current ratio increased further to approximately 4.7 times as at 30 September 2023, primarily because of the increase in our bank and cash balances by approximately RMB18.5 million (or 26.0%) in the corresponding period.

Quick ratio

Our quick ratio was approximately 1.5 times, 3.2 times, 3.7 times and 4.7 times as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, respectively. Our quick ratio increased from approximately 1.5 times as at 31 December 2020 to approximately 3.2 times as at 31 December 2021 primarily because of (i) the increase in our trade receivables by approximately RMB15.5 million (or 49.7%); (ii) the increase in our bank and cash balances by approximately RMB16.0 million (or 229.5%); and (iii) the increase in our prepayments and other receivables by approximately RMB6.0 million (or 197.3%) in the corresponding period. Our quick ratio increased further to approximately 3.7 times as at 31 December 2022 primarily because of the increase in our bank and cash balances by approximately RMB48.1 million (or 209.5%) in the corresponding period. Our quick ratio increased further to approximately 4.7 times as at 30 September 2023, primarily because of the increase in our bank and cash balances by approximately RMB18.5 million (or 26.0%) in the corresponding period.

Interest coverage ratio

Our interest coverage ratio was approximately 38.0 times, 53.7 times, 36.3 times and 63.1 times as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, respectively. Our interest coverage ratio increased from approximately 38.0 times as at 31 December 2020, to approximately 53.7 times as at 31 December 2021, which was primarily due to the decrease in our interest expenses by approximately RMB0.3 million (or 24.2%) in FY2021 compared to FY2020. Our interest coverage ratio decreased from approximately 53.7 times as at 31 December 2021, to approximately 36.3 times as at 31 December 2022, which was primarily due to the decrease of our profit before income tax and interest expenses by approximately RMB15.5 million (or 32.1%) in the corresponding period. Our interest coverage ratio then rebounded to approximately 63.1 times as at 30 September 2023 primarily due to the increase in our profit before income tax and interest expenses by approximately RMB21.4 million (or 104.9%) as compared to the profit before income tax and interest expenses for the 9M2022.

Net debt to equity ratio

Our net debt to equity ratio was approximately 6.5% as at 31 December 2020. Net debt to equity ratio is not applicable to our Group as at 31 December 2021, 31 December 2022 and 30 September 2023 as our Group recorded net cash as at 31 December 2021, 31 December 2022 and 30 September 2023.

Gearing ratio

Our gearing ratio was approximately 9.8%, 8.0%, 7.1% and 6.2% as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, respectively. Our gearing ratio decreased slightly from approximately 9.8% as at 31 December 2020 to approximately 8.0% as at 31 December 2021, which was primarily due to the increase in our total equity by approximately RMB47.3 million (or 22.4%) during the same period. Our gearing ratio decreased slightly to approximately 7.1% as at 31 December 2022, which was primarily due to the increase in our total equity by approximately RMB31.8 million (or 12.3%) during the same period. Our gearing ratio decreased slightly to approximately 6.2% as at 30 September 2023, which was primarily due to the increase in our total equity by approximately RMB41.1 million (or 14.2%) during the same period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, save as disclosed in notes 37 and 38 to the Accountants' Report as set out in Appendix I to this prospectus, we had not entered into any off-balance sheet transactions.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Our activities expose us to a variety of financial risks: foreign currency risk, credit risk, interest rate risk and liquidity risk. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

Details of the risk to which we are exposed are set out in note 6 to the Accountants' Report as set out in Appendix I to this prospectus.

Categories of financial instruments

	Our Group			
	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial assets at amortised cost	39,044	70,052	125,038	148,611
Financial liabilities:				
Financial liabilities at amortised cost	32,464	27,072	37,128	34,830

Fair value

The carrying amounts of the financial assets and financial liabilities of our Group and our Company at amortised cost as reflected in our consolidated statements of financial position approximate their respective fair values.

DIVIDEND POLICY

We may distribute dividends in the form of cash, shares or a combination of cash and shares. Our Board formulates our profit distribution plan based on our results of operations, cash flows, financial condition, future business prospects, statutory and regulatory restrictions on the payment of dividends and other factors that our Board deems relevant. All of our Shareholders have equal rights to dividends and other distributions proportionate to their shareholding.

During the Track Record Period, we did not declare or pay any dividends to our equity holders. As members of our Group did not declare or pay any dividend since its inception, the dividend declared represents the return to shareholders accumulated since the inception of the Group.

Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future.

Our Company does not intend to adopt fixed dividend policy specifying a dividend payout ratio after Listing. The declaration, payment and amount of dividends will be subject to our discretion. There shall be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. Our historical dividends may not be indicative of the amount of our future dividends.

DISTRIBUTABLE RESERVES

As at 30 September 2023, the Company had no reserves available for distribution to our Shareholders. The Companies Act provides that share premium account of an exempted company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

LISTING EXPENSES

Our total estimated Listing expenses primarily consist of our estimated underwriting commissions for the Share Offer in addition to our professional fees paid in relation to the Share Offer.

Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.18, being the mid-point of our indicative price range for the Share Offering, our total Listing expenses is estimated to be approximately RMB54.8 million (equivalent to approximately HK$60.4 million), representing approximately 51.2% of the gross proceeds from the Share Offer. The Listing expenses comprise (i) underwriting-related expenses of approximately RMB6.4 million (equivalent to HK$7.1 million); (ii) non-underwriting-related expenses of RMB48.4 million (equivalent to HK$53.3 million), including (a) fees and expenses of legal advisers and reporting accountants of approximately RMB25.1 million (equivalent to HK$27.7 million); and (b) other non-underwriting-related fees and expenses of approximately RMB23.3 million (equivalent to HK$25.6 million). Our Listing expenses of approximately RMB14.3 million (equivalent to approximately HK$15.8 million) is directly attributable to the issue of the Offer Shares in the Share Offer which was and is expected to be accounted for as a deduction from equity in accordance with relevant accounting standards. Our remaining Listing expenses of RMB40.5 million (equivalent to HK$44.3 million) were or are expected to be charged as expenses to our consolidated statements of profit or loss and other comprehensive income, of which approximately RMB5.3 million (equivalent to approximately HK$5.8 million), approximately RMB4.1 million (equivalent to approximately HK$4.4 million), approximately RMB7.6 million (equivalent to approximately HK$8.4 million), approximately RMB5.7 million (equivalent to approximately HK$6.3 million) and approximately RMB6.0 million (equivalent to approximately HK$6.6 million) was charged for the period before Track Record Period, FY2020, FY2021, FY2022 and 9M2023 respectively, while the balance of approximately RMB11.8 million (equivalent to approximately HK$13.1 million) is expected to be charged in the remaining months in the year ended 31 December 2023 and the year ending 31 December 2024. Our above total estimated Listing expenses are the latest practicable estimates for reference only. The final amount to be recognised may differ from these estimates.

Our Directors consider that our financial results will be adversely affected by the expenses in relation to the Share Offer for the year ending 31 December 2023.

VALUATION OF BIOLOGICAL ASSETS

The independent valuers

We have engaged Savills, a firm of independent qualified professional valuers, to determine the fair value of our biological assets as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, respectively. The key members of Savills comprised Ms. Sofia Luo, Mr. Yue Xu and Mr. Tony Tung.

Ms. Sofia Luo, Senior Associate Director at Savills, is specialised in accounting compliance valuation, biological asset valuation and derivative and is currently responsible for the business valuation for initial public offering, financial reporting, merger and acquisition, and project finance. She has provided various business and biological asset valuation services to numerous listed and unlisted companies of different industries primarily resided in the PRC, such as China Tontine Wines Group Limited (a company listed on the Stock Exchange with stock code 0389), COFCO Meat Holdings Limited (a company listed on the Stock Exchange with stock code 1610) and PuraPharm Corporation Limited (a company listed on the Stock Exchange with stock code 1498), for financial reporting purpose.

Mr. Yue Xu, Associate Director at Savills, holds the Chartered Financial Analyst, Financial Risk Manager and Certified Management Accountants' designations. He is also a member of the Royal Institute of Chartered Surveyors. He has over 8 years' experiences in business valuation, including company valuation, merger consideration allocation, intangible assets, and valuation of financial instruments to various listed and unlisted companies in different industries in the PRC and Hong Kong, such as Tycoon Group Holdings Limited (a company listed on the Stock Exchange with stock code 3390) for transactional purpose, and PuraPharm Corporation Limited (a company listed on the Stock Exchange with stock code 1498) for financial reporting purpose.

Mr. Tony Tung, Valuation Manager at Savills, is a member of the Hong Kong Institute of Certified Public Accountants and holds the Chartered Financial Analyst and the Financial Risk Manager designations. He has over 6-year experience in business and financial instrument valuation to numerous listed and unlisted companies of different industries in the PRC and Hong Kong and 10-year experience in auditing.

Based on market reputation and relevant background research, our Directors and the Sole Sponsor are satisfied that Savills is independent from us and is competent in conducting a valuation on our biological assets.

Valuation method

The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established market may be valued by this approach.

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes.

The Sole Sponsor held discussions with Savills in relation to the valuation procedures, valuation techniques and information required to prepare their valuation report. The Sole Sponsor further compared the valuation in technique chosen with those used in other similar transactions and market practice.

In the valuation by Savills, market and cost approaches are adopted to value our potted vegetable produce as at the valuation dates. In terms of the biological nature of our potted vegetable produce, the whole life cycle can be classified as growing period and mature period. We employed industrial cultivation method for our potted vegetable produce. The cultivation process of our potted vegetable produce until the point of sales takes approximately 22 to 31 days. Potted vegetable produce has longer growth cycles in colder seasons. The following table set forth the growing period and mature period of our potted vegetable produce (assuming that they are growing in optimal cultivation conditions) as at the valuation dates:

Valuation dates	Growing period	Mature period
31 December 2020, 31 December 2021 and 31 December 2022	1 day to 27 days	28 days or above
30 September 2023	1 day to 20 days	21 days or above

During the first week of growing period, our potted vegetable produce typically does not yet sprout and does not have observable significant biological transformation above the organic substrate. Cost approach is adopted for these newly planted potted vegetable produce. The cost of direct raw materials, subcontracting labour cost, and other related expenses have been considered in the calculation of the fair values for our potted vegetable produce. After the first week of growing period but before reaching the mature period, the potted vegetable produce typically has observable significant biological transformation since planting with sprout and leaves visible above the organic substrate. Based on our historical record, more than 65% of our total cost have been incurred after the first week of growing period. Unit fair value of growing potted vegetable produce is estimated based on market price for mature potted vegetable produce less remaining cultivation cost and associated profit, adjusted for expected scrappage prior to reaching maturity. Market approach is adopted since observable biological transformation has taken place. During the mature period, the potted vegetable produce has reached the saleable state and market approach is adopted. The fair values of our biological assets as at the end of respective years are calculated to be the product of unit fair value and the quantity held, deducting the reasonable cost related to sales.

Key assumptions and inputs

The key assumptions and inputs include the classification of cultivation methods, scrap rate, market price of potted vegetable produce and cost. Savills also assumes that historical trend and data will be maintained and there will be no material change in the existing political, legal, technological, fiscal or economic condition which may adversely affect our business. Our Directors confirmed, and the Sole Sponsor concurred, that the components used by Savills in the valuation process are consistent with market factors and assumptions used in the measurement.

The key assumptions and inputs for determining the fair value of our biological assets include the following:

- accounting and operating records at our Company are accurate. Cost, quality and quantity of our biological assets are properly reflected in the information kept and provided by our Company;

- in accordance with HKFRS 13, potential blockage discount due to the volume of potted vegetable produce held by our Company is not considered as it is the characteristics of the holding rather than the characteristics of our biological assets;

- in the absence of a future or forward market of potted vegetable produce as confirmed by our Company, prevailing market prices for our mature potted vegetable produce based on transaction with Independent Third Parties at and near as at each valuation date is considered the best estimate of price receivable when our biological assets are sold upon maturity;

- cost to be incurred in completing the planting cycle for our growing potted vegetable produce will not deviate significantly from that of our mature potted vegetable produce as at each valuation date respectively;

- our biological assets are properly planted by appropriate methods and are properly cultivated under appropriate environment such that they will grow in a normal condition and meet the relevant quality requirements;

- there will be no major changes in existing political, legal, technological, tax, fiscal or economic conditions in the country or district where the business is in operation;

- the long term inflation rate, interest rate and currency exchange rate will not differ materially from those then prevailing as at each valuation date;

- our Company will retain sufficient management and technical personnel to maintain our ongoing operations;

- there will be no major business disruptions through diseases, riots, international crisis, industrial disputes, industrial accidents or severe weather conditions, other than those prevailing as at the valuation dates, that will significantly affect our biological assets;

- our businesses are unaffected by any statutory notice and the operation of our business does not give, or will not give, rise to a contravention of any statutory requirements. All applicable laws and regulations were and will be complied with;

- our business is not and will not be subject to any unusual or onerous restrictions or encumbrances which may render our Company defaulted against our outstanding commitment or obligation; and

- any potential bad debt of our Company will not materially significantly affect value of our biological assets.

As the cultivation process of our potted vegetable produce until the point of sales takes approximately 22 to 31 days only (affected by seasonal factors and weather conditions), all our biological assets as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 have been subsequently sold if applicable as at the date of the valuation report, thus, taking into account the information of the subsequent sales of our biological assets, our Directors consider that the above key assumptions and inputs are reasonable.

The representatives of Sole Sponsor and Savills conducted the physical inspection for the quality and quantity of our biological assets as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 without experiencing any limitation in material aspect. In particular, Savills has performed the following work with respect to the valuation of our biological assets:

- Savills conducted inspection of our cultivation facilities and physically counted the number of potted vegetable produce on various dates and compared with the same of the historical record, checked and cultivation status of our potted vegetable produce; took photos of our potted vegetable produce to observe their physical appearance;

- Savills obtained and reviewed that our Company has kept proper record of quantity of our biological assets; and

- Savills conducted market research to assess if the historical selling prices of the potted vegetable produce sold by us were in line with market transactions.

The valuation conducted by Savills is subject to the caveat that Savills relied substantially on the accuracy, completeness and reasonableness of the various assumptions and other data provided by us in preparation of the valuation report. There is no assurance that there will be no significant deviation in the future. Please refer to the paragraph headed "Risk Factors — Risks relating to our business — Our results of operations are subject to changes in fair value of biological assets, which are subject to a few assumptions. Any increase in the selling prices of our biological assets will increase both our sales revenue and changes in fair value of biological assets, and vice versa" in this prospectus.

The Sole Sponsor discussed with Savills in relation to the valuation bases and assumptions and understands that Savills has conducted the biological asset valuation in accordance with Hong Kong Accounting Standard 41 — Agriculture, issued by the Hong Kong Institute of Certified Public Accountants. The key assumptions, as detailed above, are made based on the historical actual operation performance of our Company and market data. Savills has obtained and discussed with us and our Reporting Accountants regarding the historical actual operation data from us, and considered and reviewed whether they are appropriate and reasonable to be used in the valuation. Our Directors confirm that the assumptions adopted are consistent with industry practice and in line with the actual figures during the Track Record Period.

Further, our Reporting Accountants have performed the procedures in accordance with the Hong Kong Standards on Auditing. Our Reporting Accountants have made inquiries regarding the source data used and procedures undertaken by Savills in the valuations and obtained an understanding on the assumptions and methods used. Based on the procedures undertaken, our Reporting Accountants are satisfied that the valuation technique chosen and the source data used in the valuation are appropriate and reasonable. The Sole Sponsor has held discussions with Savills in relation to the valuation methodology and assumptions adopted, the valuation techniques and the inputs used in the valuation by Savills to understand their valuation process and reviewed the qualification and relevant valuation experience of Savills and its professional valuers. The Sole Sponsor has further compared the valuation technique chosen, bases and assumptions of the valuation with those used in other similar transactions and market practice. In addition, the Sole Sponsor has discussed with our Reporting Accountants regarding the valuation of biological assets by Savills and noted that our Reporting Accountants had performed procedures in accordance with the relevant auditing standards. Given the above, the Sole Sponsor is satisfied that the valuation methodology and major inputs used in the valuation of the biological assets of our Company are appropriate and reasonable.

Sensitivity analysis

The following tables illustrate the sensitivity of the fair value of our biological assets that would arise if the weighted average market price of potted vegetable produce had changed during the periods indicated, assuming all other variables remained constant. The fair value of our biological assets increases when the market price increases, and decreases when the market price decreases.

Market price of our potted vegetable produce was maintained at approximately RMB15 per pot to RMB16 per pot during the Track Record Period.

Change in market price	–30%	–15%	15%	30%
	(Decrease)/Increase in fair valve *(RMB'000)*			
For the year ended 31 December 2020	(2,477)	(1,239)	1,239	2,477
For the year ended 31 December 2021	(2,537)	(1,268)	1,268	2,537
For the year ended 31 December 2022	(2,018)	(1,009)	1,009	2,018
For the nine months ended 30 September 2023	(2,345)	(1,172)	1,172	2,345

Stock-take and internal control

Stock-take

We perform a full stock-take of our potted vegetable produce every month at our cultivation facilities to ensure the physical existence and monitor the physical condition of our biological assets. For each full stock-take, we prepare a detailed stock-take plan with instructions. The team of a full stock-take includes four members, normally staff from our finance staff and staff member of our cultivation facilities. The result of each full stock-take is documented on a stock count sheet which is signed by all members and the responsible person of each cultivation facility who participated in the stock-take. The stock count sheet will be submitted to and kept by our finance staff. Any variance between the results of the stock-take and the inventory record shall be reported to our management. The results of the stock-take will be recorded after the approval of our management. If the variance between the results of the full stock-take and the inventory record exceed ten pots for each greenhouse, a new full stock-take needs to be performed. During the Track Record Period, there was no material damage or death of our biological assets.

Internal control and management system

We have maintained a comprehensive policy for biological asset management. Our biological asset management policy covers, among others, purchase and inspection of raw materials, monitoring the cultivation process, accounting records, record keeping and stock-take. To facilitate the implementation of our biological asset management policy, we plan to employ an electronic information management system developed by a third-party developer to keep comprehensive record of our biological assets.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For details of our unaudited pro forma statement of adjusted consolidated net tangible assets, please refer to the section headed "Unaudited Pro Forma Financial Information" as set out in Appendix II to this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position since 30 September 2023 and there has been no event since 30 September 2023 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, our Directors confirmed that there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

The value of our property interests as of 31 December 2023 as valued by BMI Appraisals Limited, an independent property valuer, was RMB121 million. There was a net revaluation deficit, representing the deficiency in market value of the properties below their net book value as of 31 December 2023. We considered that there is no impairment on these properties as the value in use of these properties are higher than the carrying amount as of 31 December 2023. Management of the Company considered there is no impairment indicator on these properties as these properties are profit generating. Further details of our property interests and the text of the letter and valuation certificates of these property interests prepared by BMI Appraisals Limited are set out in Appendix IV to this prospectus.

Disclosure of the reconciliation of the valuation of the interests in properties attributable to us as of 31 December 2023 and such property interests in our consolidated statements of financial position as of 30 September 2023 as required under Rule 5.07 of the Listing Rules is set forth below:

	RMB'000
Net book value of following properties as at 30 September 2023:	
Properties in property, plant and equipment	156,999
Properties in investment properties	17,966
Properties in right-of-use assets	20,835
	195,800
Less: Depreciation on properties in property, plant and equipment for the period from 1 October 2023 to 31 December 2023	(2,036)
Less: Depreciation on properties in investment properties for the period from 1 October 2023 to 31 December 2023	(243)
Less: Depreciation on properties in right-of-use assets for the period from 1 October 2023 to 31 December 2023	(150)
Add: Additions on properties in property, plant and equipment for period from 1 October 2023 to 31 December 2023	5,000
Net book value of properties as at 31 December 2023:	**198,371**
Valuation deficit	**(77,371)**
Valuation as at 31 December 2023	**121,000**

BUSINESS OBJECTIVES AND STRATEGIES

Our business objectives are to strengthen our position in the business of potted vegetable produce cultivation in the PRC and further expand our business operations with a view to achieving sustainable growth in our business. For a detailed description of our business strategies, please refer to the paragraph headed "Business — Our business strategies" in this prospectus.

REASONS FOR THE SHARE OFFER

Our Directors believe that the Share Offer will be beneficial to our Company and its Shareholders as a whole, notwithstanding the expenses involved in the Share Offer process and the dilution effect to our Controlling Shareholders, taking into consideration of the reasons below:

— a listing status on the Stock Exchange can enhance our corporate profile and business reputation, and would be beneficial for us to explore new markets and compete against our competitors. We will have the required funding to support our business growth and expedite the expansion of our business operations;

— with our business strategy of expanding and improving our cultivation capacity in our existing geographical market and establishing a new cultivation facility in a new geographical market, we will have a long term need of substantial amount of financial resources to support our business growth and development;

— more stringent internal control and corporate governance culture could be instilled through the Share Offer process and continuous compliance with the Listing Rules requirements. These are important to us to maintain our position as a leading potted vegetable producer and will facilitate the healthy development of our Group in the industry environment;

— our Directors have considered but believe that other means of financing should not be used to support our long-term business growth, in view that a high gearing ratio would not be entirely favourable to our business growth, whereas equity financing would not require us to retain a portion of our business income for loan repayment and thus gives us greater flexibility and capability for business development and dividend payment to create greater value for our Shareholders; and

— our Company could establish an efficient and sustainable fund-raising platform through Listing, thereby enabling us to gain direct access to the capital market to fund our existing operations and future expansion.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised at all, based on the Offer Price of HK$1.18 per Offer Share, being the mid-point of the proposed Offer Price range of HK$1.28 to HK$1.08 per Offer Share, the net proceeds of the Share Offer, after deduction of underwriting fees and other expenses payable by our Company in relation to the Share Offer, are estimated to be HK$57.6 million (equivalent to approximately RMB52.3 million). Our Company currently intends to use the net proceeds from the Share Offer as follows:

	For the period from the Latest Practicable Date to 31 December 2024	For the period from 1 January 2025 to 31 December 2025	For the period from 1 January 2026 to 31 December 2026	Total	Approximate % of the total net proceeds
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*	
Expansion of our cultivation capacity					
— Improvement and expansion of cultivation facilities at existing geographical markets	17.5	10.1	1.5	29.1	55.7
— Establishing new cultivation facilities in new geographical markets	9.1	2.3	—	11.4	21.8
Setting up a dedicated organic substrates production facility	7.4	—	—	7.4	14.1
Strengthening our operating efficiency through upgrade of information technology system	4.4	—	—	4.4	8.4
Total	38.4	12.4	1.5	52.3	100.0

For details of how we intend to implement the proceeds raised from Listing, please refer to the paragraph headed "Business — Our business strategies" in this prospectus.

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Share Offer will increase or decrease by approximately HK$9.4 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range.

If the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK$17.7 million (assuming that the final Offer Price is set at the mid-point of the indicative Offer Price range) received from the Share Offer will be allocated in accordance with the above allocations on a pro rata basis. For details of the Over-allotment Option, please refer to the paragraph headed "Structure and Conditions of the Share Offer — Over-allotment option" in this prospectus.

We will issue an announcement in accordance with the Listing Rules requirement if there is any material change in the use of proceeds as described above.

Investors should be aware that any part of the business plans of our Group may or may not proceed according to the time frame as described under the paragraph headed "Implementation Plans" in this section of the prospectus due to various factors such as changes in customers' demand and changes in market conditions. We will only place the net proceeds from the Share Offer which are not immediately required for the disclosed purposes in short-term interest-bearing accounts at licensed banks or authorized financial institutions (as defined under the Securities and Futures Ordinance, or the applicable laws in the relevant jurisdiction for non-Hong Kong based deposits, as the case may be). Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institutions. In the event that we would require financing in addition to the net proceeds from the Share Offer for our business plans, the shortfall will be financed by our internal resources and/or bank financing, as appropriate.

IMPLEMENTATION PLANS

Our implementation plans are set forth below for the period from the Latest Practicable Date to 31 December 2026. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraph headed "Bases and key assumptions" in this section of the prospectus. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" in this prospectus. Our actual course of business may vary from our business strategies set out in this prospectus. There is no assurance that our plans will materialise in accordance with our expected time frame or that our objectives will be accomplished.

While the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans. In the event of any material modifications to the use of proceeds as described above, we will issue announcement in accordance with the Listing Rules and disclose in our annual report for the relevant year as required by the Stock Exchange.

For the period from the Latest Practicable Date to 31 December 2024

Business strategies	Implementation plans	Estimated cost *(approximate)*
Expansion of our cultivation capacity	— Construction of ten greenhouses at our Jinan Facility	RMB11.4 million
	— Upgrading ten greenhouses at our Laixi Facility	RMB5.1 million
	— Upgrading five greenhouses at our Xi'an Facility	RMB1.0 million
	— Construction of new cultivation facilities with eight greenhouses at Langfang, Hebei province	RMB9.1 million
Strengthening our operating efficiency and recruitment of employees	— Installation of ERP system	RMB4.4 million
Setting up a dedicated organic substrates production facility	— Set up of new organic substrates production facility	RMB7.4 million

For the period from the 1 January 2025 to 31 December 2025

Business strategies	Implementation plans	Estimated cost *(approximate)*
Expansion of our cultivation capacity	— Construction of five new greenhouses at our Jinan Facility	RMB5.7 million
	— Upgrading five greenhouses at our Laixi Facility	RMB2.5 million
	— Upgrading two greenhouses at our Xi'an Facility	RMB0.4 million
	— Construction of two new greenhouses at our Dalian Facility	RMB1.5 million
	— Construction of new cultivation facilities with two greenhouses at Langfang, Hebei province	RMB2.3 million

For the period from the 1 January 2026 to 31 December 2026

Business strategies	Implementation plans	Estimated cost *(approximate)*
Expansion of our cultivation capacity	— Upgrading 11 greenhouses at our Laixi Facility	RMB1.5 million

BASES AND KEY ASSUMPTIONS

The future plans set out by our Directors are based on the following bases and assumptions:

— there be no material adverse change/disaster in the existing government policies or political, legal, fiscal, market or economic conditions in the PRC and Hong Kong;

— there be no material changes in legislation or regulations or rules in the operating regions which will adversely affect our business;

— there be no material change in the bases (such as inflation, interest rate and foreign exchange rate) or rates of taxation and duties in the PRC and Hong Kong or in any other places in which any member of our Group operates or will operate or is incorporated;

— we will have sufficient financial resources to meet the planned capital and business development requirements during the period to which our business objective relates;

— the respective offering financial institutions will not withdraw any of the existing available facilities;

— there be no material change in the interest rate of our bank borrowings;

— there be no change to the existing accounting policies from those stated in the consolidated audited financial statements of our Group for the Track Record Period;

— the Share Offer be completed in accordance with and as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus;

— our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel;

— there be no change in the effectiveness of the certifications, licences, permits or approvals obtained by us;

— there be no change in the funding requirement for the business strategies described in this prospectus from the amount as estimated by our Directors;

— we will not be materially and adversely affected by the risk factors as set out in the section headed "Risk Factors" in this prospectus;

— there be no disasters, natural, political or otherwise, which would materially disrupt our business or operations or cause substantial loss, damage or destruction to our properties or facilities;

— there be no material changes in the market demand and the competitive landscape of potted vegetable produce market; and

— we be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period.

UNDERWRITERS

Public Offer Underwriters

Grande Capital Limited
CMBC Securities Company Limited
Cinda International Capital Limited
BOCOM International Securities Limited
ABCI Securities Company Limited
CCB International Capital Limited
ICBC International Securities Limited
Haitong International Securities Company Limited
Zhongtai International Securities Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Eddid Securities and Futures Limited
Alliance Capital Partners Limited
Caitong International Securities Company Limited
Ruibang Securities Limited
Victory Securities Company Limited
Patrons Securities Limited
Fosun International Securities Limited
SBI China Capital Financial Services Limited
Sheung Yuan Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus.

Subject to, among other conditions, the granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally to apply or procure applications, on the terms and conditions of this prospectus and the Public Offer Underwriting Agreement, for their respective applicable proportions of the Public Offer Shares which are being offered but are not taken up under the Public Offer.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Overall Coordinators and the Joint Global Coordinators, at their sole and absolute discretion, may, for themselves and on behalf of the Public Offer Underwriters, upon the giving of notice in writing to us and/or the other warrantors (including our Controlling Shareholders and all our executive Directors), terminate the Public Offer Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

(1) there has come to the notice of the Joint Overall Coordinators and the Joint Global Coordinators that:

(a) any statement, estimate, forecast or expression of opinion, intention or expectation contained in this prospectus or any other documents which have been approved by our Company issued or used by or on behalf of our Company in connection with the Share Offer (collectively, the "**Offer Documents**") (including any supplement or amendment thereto), was, when it was issued, or has become, untrue, incomplete, incorrect or misleading in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents, in any material respect, is not fair and honest and based on reasonable assumptions, when taken as a whole; or

(b) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or omission in any material aspect; or

(c) any of the representations, warranties, indemnities, agreements and undertakings given by our Company or the other warrantors in the Public Offer Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached; or

(d) any breach of any of the obligations or undertakings imposed upon any party (other than any of the Joint Overall Coordinators or the Joint Global Coordinators or the Underwriters) to any of the Underwriting Agreements or the agreement between ourselves and the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries) to record our agreement of the Offer Price; or

(e) any material adverse change or prospective material adverse change in the condition, business, assets and liabilities, properties, results of operations, in the financial or trading position or prospects of any member of our Group; or

(f) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(g) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or

(h) any matter, event, act or omission which gives or is likely to give rise to any liability of any of our Company or the other warrantors pursuant to the indemnities given by us or any of the other warrantors in the Public Offer Underwriting Agreement; or

(i) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(2) there shall develop, occur, exist, or come into effect:

(a) any change or development involving a prospective material change in, or any event or series of events resulting or likely to result in or representing any material change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions and matters and/or disaster or any monetary or trading settlement systems (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a revaluation or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, or any other jurisdiction relevant to our Group (each a "**Relevant Jurisdiction**"); or

(b) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(c) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, economic sanctions, outbreak of disease or epidemic (including without limitation Severe Acute Respiratory Syndrome, avian influenza A (H5N1), swine influenza (H1N1) and COVID-19), in or affecting any of the Relevant Jurisdictions; or

(d) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(e) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq Stock Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, or (B) a general moratorium of commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(f) any material adverse change or development or event involving a prospective material adverse change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or

(g) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or

(h) any material adverse change or development or event involving a prospective material adverse change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or

(i) the commencement by any judicial or regulatory body or organisation of any public action against our Company or a Director or the other warrantors in the Public Offer Underwriting Agreement or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or

(j) other than with the approval of the Joint Overall Coordinators and the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplementary prospectus or offering document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Joint Overall Coordinators and the Joint Global Coordinators materially adverse to the marketing for or implementation of the Share Offer; or

(k) an order or a petition is presented for the winding up or liquidation of our Company or any of its subsidiaries, or our Company or any of its subsidiaries makes any compromise or arrangement with our Company's or any of its subsidiaries' creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of its subsidiaries or anything analogous thereto occurs in respect of our Company or any of its subsidiaries; or

(l) a valid demand by any creditor for repayment or payment of any of our Company's indebtedness or those of any of its subsidiaries or in respect of which our Company or any of its subsidiaries is liable prior to its stated maturity, or any loss or damage sustained by our Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(m) any litigation or claim being threatened or instigated against our Company or any of its subsidiaries or our Directors or our Controlling Shareholders of material importance,

and which, in any of the above cases:

(a) is or may or will be or is likely to be adverse to, or affect, the business or financial or trading position or prospects of our Company or its subsidiaries as a whole; or

(b) has or may have or will have or is likely to have an adverse effect on the success of the Share Offer and/or make it impracticable or inadvisable for any part of the Public Offer Underwriting Agreement, the Public Offer or the Share Offer to be performed or implemented as envisaged; or

(c) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus.

UNDERTAKINGS TO THE STOCK EXCHANGE UNDER THE LISTING RULES

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Share Offer, the Over-allotment Option and the Share Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (4) of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to and save as permitted under the Listing Rules, he/she/it shall not and shall procure that the relevant registered holder(s) shall not:

(i) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules); and

(ii) in the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder or a group of controlling shareholders (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to the Stock Exchange that within the period commencing from the date by reference to which disclosure of the shareholding of such persons is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

(a) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company will inform the Stock Exchange in writing as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of a press announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Public Offer Underwriters that, except pursuant to the Capitalisation Issue, the Share Offer, the Over-allotment Option and the options and/or awards which may be granted under the Share Scheme or as otherwise with prior written consent of the Joint Overall Coordinators and the Joint Global Coordinator (for themselves and on behalf of the Public Offer Underwriters and the Capital Market Intermediaries) (which consent not to be unreasonably withheld or delayed) and unless in compliance with the requirements of the Listing Rules, our Company will not, at any time during the First Six-month Period:

(i) offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to issue or sell, sell any option or contract to sell, grant or agree to grant any option or award, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any such share capital or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive any such capital or securities or any interest therein); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such share capital or securities of our Company or any interest therein; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i) or (ii) above, whether any such transaction described in (i) or (ii) or (iii) above is to be settled by delivery of Shares or other securities, in cash or otherwise.

Undertakings by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Public Offer Underwriters that during the First Six-month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters and the Capital Market Intermediaries) (which consent not to be unreasonably withheld or delayed) and unless pursuant to the Stock Borrowing Agreement or otherwise in compliance with the requirements of the Listing Rules:

(i) offer, pledge, charge (other than any pledge or charge of our Company's issued share capital after the Share Offer (assuming the Over-allotment Option is not exercised) in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, sell, sell any option or contract to purchase, purchase any option or award or contract to sell, grant or agree to grant any option or award, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any share capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above, whether any such transaction is to be settled by delivery of such capital or securities, in cash or otherwise.

Each of our Controlling Shareholders has also undertaken to each of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Public Offer Underwriters that during the Second Six-month Period, he/it will not enter into any of the transactions specified in (i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has also undertaken to each of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Public Offer Underwriters that until the expiry of the Second Six-month Period, in the event that he/it enters into any such transactions or agrees or contracts to, or publicly announces any intention to enter into any such transactions, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company.

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint

Lead Managers, the Capital Market Intermediaries and the Public Offer Underwriters that from the date of the Public Offer Underwriting Agreement up to and including the expiry of the Second Six-month Period, he/it will:

(a) if and when he/it pledges or charges any securities or interests in the securities of our Company, immediately inform our Company, the Joint Overall Coordinators and the Joint Global Coordinators in writing of such pledge or charge together with the number of securities and nature of interest so pledged or charged; and

(b) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Joint Overall Coordinators and the Joint Global Coordinators in writing of such indications. Our Company will inform the Stock Exchange as soon as we have been informed of the matters referred to above (if any) by any of our Controlling Shareholders and disclose such matters by way of a press announcement to be published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

VOLUNTARY UNDERTAKINGS

Voluntary Undertaking by Mr. Xie Xing

Mr. Xie Xing has voluntarily undertaken to our Company, the Sole Sponsor, the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters and Capital Market Intermediaries) that, without the prior written consent of the Company, he shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of his Shares in the Company during the period commencing from the date of this prospectus up to and including the date which is 6 months from the Listing Date.

Voluntary Undertakings by the shareholders of Beauty Sources, Vortex Festive, Caring Plentiful, Well Resourced, Great Winner and Yuen Sang Tai

Each of Ms. Geng Qi, Mr. Li Changbai, Mr. Cui Wei, Ms. Zhang and Ms. Bi Ailing, who are the shareholders of Beauty Sources, Vortex Festive, Caring Plentiful, Well Resourced, Great Winner and Yuen Sang Tai, has voluntarily undertaken to our Company, the Sole Sponsor, the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters and Capital Market Intermediaries) that during the period commencing from the date of this prospectus up to and including the date which is 6 months from the Listing Date, unless with the prior written consent of the Company, each of them shall not:

(i) dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she is shown by this prospectus to be the beneficial owner; or

(ii) dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of any of his/her shares in the respective BVI company mentioned above.

In addition, each of the above individual shareholders has voluntarily undertaken to our Company, the Sole Sponsor, the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters and Capital Market Intermediaries) that during the period commencing from the date of this prospectus up to and including the date which is 6 months from the Listing Date, unless with the prior written consent of the Company, each of them shall procure the respective BVI company mentioned above not to:

(i) dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of his/her Shares in respect of which he/she is shown by this prospectus to be the beneficial owner; or

(ii) issue any new shares or engage in any act that would change the current share capital structure of the respective BVI company mentioned above which would result in the change in the percentage of his/her shareholding in such company.

Public Offer Underwriters' interests in our Company

Save as disclosed in this section and save for their respective interests and obligations under the Public Offer Underwriting Agreement, none of the Public Offer Underwriters is interested beneficially or otherwise in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for, or to nominate persons to subscribe for, any shares in any member of our Group.

THE PLACING

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriters. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions set out therein, agree severally to apply or procure applications for their respective applicable proportions of the Placing Shares.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Joint Overall Coordinators and the Joint Global Coordinators on behalf of the Placing Underwriters at any time from the Listing Date until the date which is 30 days from the last date of lodging application under the Share Offer, to require our Company to allot and issue up to and not more than 15,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Share Offer) at the Offer Price to cover, among others, over-allocations (if any) in the Placing.

COMMISSIONS AND EXPENSES

The Capital Market Intermediaries will receive an underwriting commission of 2.0% of the aggregate Offer Price of all the Offer Shares (including the Offer Shares to be issued pursuant to the Over-allotment Option) (collectively, the "**Gross Proceeds**"). The Joint Overall Coordinators will receive 2.5% of the Gross Proceeds as the Joint Overall Coordinators' fee (together with the underwriting commission, the "**Fixed Fees**"). In addition, our Company may, at our sole and absolute discretion, pay to any one or more Capital Market Intermediaries an additional incentive fee of up to 1.5% of the Gross Proceeds (the "**Discretionary Fees**"). Assuming the Discretionary Fees are paid in full, the ratio of Fixed Fees and Discretionary Fees payable is therefore approximately 3:1. The Fixed Fees and Discretionary Fees, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, the AFRC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, assuming an Offer Price of HK$1.18 per Offer Share (being the mid-point of the indicative Offer Price range of HK$1.28 and HK$1.08), full payment of the Discretionary Fees and that the Over-allotment Option is not being exercised, are estimated to amount to approximately RMB54.8 million in total (equivalent to approximately HK$60.4 million).

Indemnity

Our Company and our Controlling Shareholders have agreed to indemnify the Capital Market Intermediaries and the Public Offer Underwriters against certain losses which they may suffer, including but not limited to losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

INDEPENDENCE OF THE SOLE SPONSOR

Grande Capital, being the Sole Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Public Offer, or the distribution of this prospectus in any jurisdiction other than Hong Kong.

Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer.

The Share Offer consists of (subject to reallocation and the Over-allotment Option):

- the Public Offer of 10,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed "The Public Offer" in this section of the prospectus; and

- the Placing of 90,000,000 Placing Shares (subject to reallocation and the Over-allotment Option as mentioned below) as described under the paragraph headed "The Placing" in this section of the prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Placing Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for the Public Offer Shares in the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed "Pricing and allocation" in this section of the prospectus.

If (i) there is any change to the offer size due to the changes in (a) the number of Offer Shares initially offered in the Share Offer (other than described in this prospectus) or (b) the Offer Price outside the indicative Offer Price range as stated in this prospectus; and/or (ii) if our Company becomes aware of any material adverse change after the issue of this prospectus and before the commencement of dealing in our Shares on the Stock Exchange as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Share Offer and relaunch the offer with a supplemental prospectus or a new prospectus giving investors at least 3 business days to consider the new information.

PRICING AND ALLOCATION

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book building", is expected to continue up to, and to cease on or about Tuesday, 26 March 2024.

The Offer Price is expected to be fixed by agreement between the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Tuesday, 26 March 2024. If, for any reason, the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the websites of our Company and the Stock Exchange at **http://fujingnongye.com** and **www.hkexnews.hk**, respectively.

If, for any reason, our Company, the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not proceed and will lapse.

Offer Price range

The Offer Price will be not more than HK$1.28 per Offer Share and will be not less than HK$1.08 per Offer Share.

Price payable on application

Applicants for the Public Offer Shares under the Public Offer may be required to pay, on application (subject to application channels), the maximum indicative Offer Price of HK1.28 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy, a 0.00015% AFRC transaction levy and a 0.00565% Stock Exchange trading fee, amounting to a total of HK$2,585.81 for one board lot of 2,000 Shares. If the Offer Price, as finally determined in the manner described below, is less than the maximum Offer Price of HK$1.28 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without any interest (subject to application channels).

Pricing outside the indicative Offer Price range

If the final Offer Price is outside the indicative Offer Price range, our Company is required to cancel the Share Offer and relaunch the offer at the revised offer price and the process under the Main Board Listing Rule 11.13 will apply.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing and the level of applications in the Public Offer and the basis of allocations of the Public Offer Shares are expected to be published on Wednesday, 27 March 2024 on websites of our Company and the Stock Exchange at **http://fujingnongye.com** and **www.hkexnews.hk**, respectively.

Results of allocations in the Public Offer, including the Hong Kong identity card/ passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the paragraph headed "How to Apply for Public Offer Shares — B. Publication of results" in this prospectus.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) agreeing on the Offer Price.

Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date. These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional upon, among others:

- the Listing Committee granting the approval of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer (including our Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options and/or awards which may be granted under the Share Scheme);

- the Offer Price having been duly agreed on or around the Price Determination Date;

- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among others, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by our Company on the websites of our Company and the Stock Exchange at **http://fujingnongye.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, 27 March 2024 but will only become valid evidence of title at 8:00 a.m. on Thursday, 28 March 2024, provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination" in this prospectus has not been exercised.

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 10,000,000 Shares at the Offer Price, representing 10% of the 100,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Shares offered under the Public Offer will represent 2.0% of the total issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer (assuming that none of the Over-allotment Option is exercised). The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section of the prospectus.

Allocation

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any reallocation in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally (subject to adjustment of odd lot size) into two pools for allocation purposes: Pool A and Pool B, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with an aggregate subscription price of HK$5 million (excluding brokerage fee, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee) or less will fall into Pool A and all valid applications that have been received for Public Offer Shares with an aggregate subscription price of more than HK$5 million (excluding brokerage fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 5,000,000 Public Offer Shares.

Reallocation

If both the Public Offer Shares and the Placing Shares are undersubscribed, the Share Offer shall not proceed unless the Underwriters would subscribe or procure subscribers to subscribe for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions in this prospectus and the Underwriting Agreements.

If the Placing Shares are fully subscribed or oversubscribed and

(a) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 20,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 30,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer;

(b) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 30,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 40,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and

(c) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 40,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer.

In each case, the additional Offer Shares reallocated to the Public Offer will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced in such manner as the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate.

If the Public Offer Shares are not fully subscribed, and provided that the Placing Shares are fully subscribed, the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such amount as they deem (for themselves and on behalf of the Underwriters) appropriate to satisfy the demand under the Placing.

Pursuant to Chapter 4.14 of the Guide for New Listing Applicants:

(a) if the Placing Shares are undersubscribed and if the Public Offer Shares are fully subscribed or oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer; or

(b) if the Placing Shares are fully subscribed or oversubscribed, and if the Public Offer Shares are fully subscribed or oversubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of Offer Shares initially available for subscription under the Public Offer,

then, up to 10,000,000 Offer Shares may be reallocated from the Placing to the Public Offer to satisfy valid applications under the Public Offer, so that the total number of Offer Shares available for subscription under the Public Offer shall be not more than double the initial allocation to the Public Offer (i.e. 20,000,000 Offer Shares, representing 20% of the total number of Offer Shares initially available under the Share Offer), and in the event of such reallocation of Offer Shares, the final Offer Price will be fixed at the bottom-end of the indicative Offer Price range (i.e. HK$1.08 per Offer Share) as stated in this prospectus.

In addition, the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may in their sole and absolute discretion reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters).

Applications

The Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application for Offer Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person for whose benefit he/she/it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the Placing will be 90,000,000 Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional. The Placing Shares are expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

Allocation

The Placing Underwriters are soliciting from prospective professional, institutional and other investors, indications of interest in subscribing for the Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of Placing Shares they would be prepared to subscribe for at the Offer Price. This process is known as "book building".

Allocation of Placing Shares is based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell our Shares after Listing. Such allocation is generally intended to result in a distribution of Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of our Company and our Shareholders as a whole.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement and/or the reallocation of the Offer Shares between the Public Offer and the Placing as described in the paragraph headed "The Public Offer — Reallocation" in this section.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, our Company has granted the Over-allotment Option to the Placing Underwriters, exercisable by the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) under the Placing Underwriting Agreement.

The Joint Overall Coordinators and the Joint Global Coordinators (for themselves or on behalf of the Placing Underwriters) can exercise the Over-allotment Option, which will be exercisable at any time from the Listing Date to the 30th day from the last day for lodging applications under the Share Offer. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to an aggregate of 15,000,000 additional Shares representing 15% of the Offer Shares initially available under the Share Offer. These Shares will be allotted and issued at the Offer Price.

If the Over-allotment Option is exercised in full, the additional 15,000,000 Shares and the 100,000,000 Shares initially offered in the Share Offer will represent approximately 2.9% and approximately 19.4% of enlarged share capital of our Company respectively immediately after completion of the Capitalisation Issue, the Share Offer and the exercise in full of the Over-allotment Option.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Shares at such prices, in such amounts and in such manner as the Stabilising Manager may determine at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely, 15,000,000 Shares, which is 15% of the number of Offer Shares initially available under the Share Offer.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong) (the "**Securities and Futures (Price Stabilising) Rules**") includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in our Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for, and therefore the price of, our Shares could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period. Such stabilisation action, if commenced, may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO.

All stabilising actions will be taken in accordance with the laws, rules and regulation in place in Hong Kong on stabilisation.

STOCK BORROWING AGREEMENT

The Stabilising Manager, or any person acting for it may choose to borrow 15,000,000 Shares from Wider International, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Wider International is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Wider International under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Wider International or its nominees within three business day after the earlier of (i) the last day on which the Over-allotment Option may be exercised; and (ii) the date on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Wider International by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling our Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 28 March 2024, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 28 March 2024. Our Shares will be traded in board lots of 2,000 Shares. The stock code of our Shares will be 2497.

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Public Offer. We will not provide printed copies of this prospectus to the public in relation to the Public Offer.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at http://fujingnongye.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Public Offer Shares electronically. We will not provide any physical channels to accept any application for the Public Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application online via the **HK eIPO White Form** Service for the Public Offer Shares, you may call the enquiry hotline of our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at (852) 3907 7333 on the following dates:

Wednesday, 20 March 2024	**—**	**9:00 a.m. to 6:00 p.m.**
Thursday, 21 March 2024	**—**	**9:00 a.m. to 6:00 p.m.**
Friday, 22 March 2024	**—**	**9:00 a.m. to 6:00 p.m.**
Monday, 25 March 2024	**—**	**9:00 a.m. to 12:00 noon**

A. APPLICATION FOR PUBLIC OFFER SHARES

1. Who Can Apply

You can apply for Public Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address *(for the* online application through the **HK eIPO White Form** service *only)*.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or any of his/her close associates.

2. Application Channels

The Public Offer period will begin at 9:00 am on Wednesday, 20 March 2024 and end at 12:00 noon on Monday, 25 March 2024 (Hong Kong time).

To apply for Public Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	**www.hkeipo.hk** or the **IPO App** Enquiries: +852 3907 7333	Investors who would like to receive a physical Share certificate. Public Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 am on Wednesday, 20 March 2024 to 11:30 am on Monday, 25 March, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Monday, 25 March 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical Share certificate. Public Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form service** and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Public Offer Shares.

For those applying through the **HK eIPO White Form service**, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form service** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form service** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form service**, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form service**.

By instructing your broker or custodian to apply for the Public Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Public Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Public Offer.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Public Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. Legal Entity Identifier ("**LEI**") registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form service**, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong Address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint account holders on FINI is capped at 4 in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii) the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we, the Joint Overall Coordinators and Joint Global Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Public Offer Shares for Application

Board lot size	:	2,000
Permitted number of Public Offer Shares for application and amount payable on application/ successful allotment	:	Public Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK$1.28 per Share.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Public Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated bank for your broker or custodian.

If you are applying through the **HK eIPO White Form service**, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Public Offer Shares.

No. of Public Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment *HK$*	No. of Public Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment *HK$*
2,000	2,585.81	200,000	258,581.75
4,000	5,171.64	300,000	387,872.65
6,000	7,757.45	400,000	517,163.52
8,000	10,343.28	500,000	646,454.40
10,000	12,929.09	600,000	775,745.28
12,000	15,514.90	700,000	905,036.15
14,000	18,100.72	800,000	1,034,327.05
16,000	20,686.54	900,000	1,163,617.92
18,000	23,272.35	1,000,000	1,292,908.80
20,000	25,858.18	1,500,000	1,939,363.20
30,000	38,787.27	2,000,000	2,585,817.60
40,000	51,716.35	2,500,000	3,232,272.00
50,000	64,645.45	3,000,000	3,878,726.40
60,000	77,574.53	3,500,000	4,525,180.80
70,000	90,503.61	4,000,000	5,171,635.20
80,000	103,432.70	4,500,000	5,818,089.60
90,000	116,361.79	5,000,000[1]	6,464,544.00
100,000	129,290.88		

(1) Maximum number of Public Offer Shares you may apply for and this is 50% of the Public Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the Hong Kong Branch Share Registrar (for applications made through the application channel of the Hong Kong Branch Share Registrar) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "A. Application for Public Offer Shares — 3. Information required to apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form service**, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form service** or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply for any Placing Shares.

6. Terms and Conditions of An Application

By applying for Public Offer Shares through the **HK eIPO White Form service** or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) **undertake** to execute all relevant documents and instruct and authorise us and/or the Joint Overall Coordinators and the Joint Global Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Public Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) **confirm** that you have read and understand the terms and conditions and application procedures set out in this prospectus and the **IPO App** or the designated website of the **HK eIPO White Form service** (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the HKSCC EIPO channel) **agree** to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Public Offer Shares;

(iv) **confirm** that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) **confirm** that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) **agree** that the Relevant Persons, the Hong Kong Branch Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) **agree** to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Branch Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "G. Personal data — 3. Purposes and 4. Transfer of personal data" in this section;

(viii) **agree** (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) **agree** that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Branch Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "— B. Publication of Results" in this section;

(x) **confirm** that you are aware of the situations specified in the paragraph headed "C. Circumstances in which you will not be allocated public offer shares" in this section;

(xi) **agree** that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) **confirm** that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(xiv) **warrant** that the information you have provided is true and accurate;

(xv) **confirm** that you understand that we, the Joint Overall Coordinators and Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) **agree** to accept Public Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Public Offer Shares through:

Platform		Date/Time
Applying through **HK eIPO White Form service** or **HKSCC EIPO channel**:		
Website and the **IPO App**	The designated results of allocation at **www.tricor.com.hk/ipo/result** (**alternatively: www.hkeipo.hk/IPOResult**) or "IPO Results" function in the **IPO App** with a "search by ID" function.	24 hours, from 11:00 p.m. on Wednesday, 27 March 2024 to 12:00 midnight on Tuesday, 2 April 2024 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form service** and HKSCC EIPO channel, and (ii) the number of Offer Shares conditionally allotted to them, among other things, will be displayed on the designated results of allocation website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult**.	

Platform		Date/Time
	The Stock Exchange's website at www.hkexnews.hk and our website at http://fujingnongye.com which will provide links to the above mentioned websites of the Hong Kong Branch Share Registrar.	No later than 11:00 p.m. on Wednesday, 27 March 2024 (Hong Kong time).
Telephone	+852 3691 8488 — the allocation results telephone enquiry line provided by the Hong Kong Branch Share Registrar	between 9:00 a.m. and 6:00 p.m., from Thursday, 28 March 2024 to Friday, 5 April 2024 (Hong Kong time) on a business day

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Tuesday, 26 March 2024 (Hong Kong time)

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Tuesday, 26 March 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the Share Offer, the level of applications in the Public Offer and the basis of allocations of Public Offer Shares on the Stock Exchange's website at www.hkexnews.hk and our website at http://fujingnongye.com by no later than 11:00 p.m. on Wednesday, 27 March 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

You should note the following situations in which Public Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Joint Overall Coordinators, the Joint Global Coordinators, the Hong Kong Branch Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Public Offer Shares is void:

The allocation of Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "A. Application for Public Offer Shares — 5. Multiple applications prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we, the Joint Overall Coordinators or the Joint Global Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated bank before balloting. After balloting of Public Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Public Offer Share allotment from their Designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Public Offer Shares will be reallocated to the Share Offer. Public Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Public Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Branch Share Registrar and HKSCC is or will be liable if Public Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made through the HKSCC EIPO channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid at 8:00 a.m. on Thursday, 28 March 2024 (Hong Kong time), provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Despatch/collection of Share certificate[1]		
For application of 1,000,000 Public Offer Shares or more	Collection in person for Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong **Time:** from 9:00 a.m. to 1:00 p.m. on Thursday, 28 March 2024 (Hong Kong time) If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar. **Note:** If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account No action by you is required

(1) Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an "Extreme Conditions" announcement issued after a super typhoon in force in Hong Kong in the morning on Wednesday, 27 March 2024 rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Branch Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "E. Severe weather arrangements" in this section.

	HK eIPO White Form service	HKSCC EIPO channel
For application of less than 1,000,000 Public Offer Shares	Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk Time: on or before Wednesday, 27 March 2024	
Refund mechanism for surplus application monies paid by you		
Date	Thursday, 28 March 2024	Subject to the arrangement between you and your broker or custodian
Responsible party	Hong Kong Branch Share Registrar	Your broker or custodian
Application monies paid through single bank account	e-Auto Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Monday, 25 March 2024 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- an "Extreme Conditions" announcement issued after a super typhoon,

(collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 25 March 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Severe** Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at www.hkexnews.hk and our website at http://fujingnongye.com of the revised timetable.

If a **Severe** Weather Signal is hoisted on Wednesday, 27 March, 2024, the Hong Kong Branch Share Registrar will make appropriate arrangements for the delivery of the share certificates to the CCASS Depository's service counter so that they would be available for trading on Thursday, 28 March 2024.

If a **Severe** Weather Signal is hoisted on Wednesday, 27 March, 2024, for application of less than 1,000,000 Hong Kong Offer Shares, the despatch of physical Share certificate(s) will be made by ordinary post when the post office re-opens after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, 27 March, 2024 or on Thursday, 28 March, 2024).

If a **Severe** Weather Signal is hoisted on Thursday, 28 March, 2024, for application of 1,000,000 Hong Kong Offer Shares or more, physical Share certificate(s) will be available for collection in person at the Hong Kong Share Registrar's office after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Thursday, 28 March, 2024 or on Tuesday, 2 April, 2024).

Prospective investors should be aware that if they choose to receive physical share certificates issued in their own name, there may be a delay in receiving the share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the Hong Kong Branch Share Registrar, the receiving bank(s) and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Public Offer Shares, of the policies and practices of the Company and the Hong Kong Branch Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Public Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Branch Share Registrar is accurate and up-to-date when applying for Public Offer Shares or transferring Public Offer Shares into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Public Offer Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Public Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) and/or refund cheque(s) to which you are entitled.

It is important that applicants for and holders of Public Offer Shares inform the Company and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Public Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Public Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Branch Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the Hong Kong Branch Share Registrar relating to the applicants for and holders of Public Offer Shares will be kept confidential but the Company and the Hong Kong Branch Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank(s) and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Branch Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Public Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Branch Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Public Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the Hong Kong Branch Share Registrar will keep the personal data of the applicants and holders of Public Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Public Offer Shares have the right to ascertain whether the Company or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Branch Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Branch Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report, set out on pages I-1 to I-61, received from the Company's independent joint reporting accountants, Crowe (HK) CPA Limited and McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

長青(香港)會計師事務所有限公司
McMillan Woods (Hong Kong) CPA Limited
香港灣仔駱克道188號兆安中心24樓
24/F., Siu On Centre,
188 Lockhart Road, Wan Chai,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FUJING HOLDINGS CO., LIMITED AND GRANDE CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Fujing Holdings Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages I-4 to I-61, which comprises the consolidated statements of financial position as at 31 December 2020, 2021 and 2022 and 30 September 2023 and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and 30 September 2023 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023 (the "Track Record Period") and a summary of 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-61 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 20 March 2024 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' 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 (the "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.

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 accountants' 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 accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 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 of the Company, 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 accountants' report, a true and fair view of the Group's consolidated financial position as at 31 December 2020, 2021 and 2022 and 30 September 2023, of the Company's financial position as at 31 December 2020, 2021 and 2022 and 30 September 2023 and of the Group's consolidated financial performance and consolidated cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 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 comprising the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 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 enquiries, 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 purpose of the accountants' report, is not prepared, in all material aspects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (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 15 to the Historical Financial Information which states that no dividend has been paid by the group entities comprising the Group 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.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 20 March 2024

Chung Wai Chuen Alfred
Audit Engagement Director
Practising Certificate Number: P05444

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong, 20 March 2024

Lo Ka Ki
Audit Engagement Director
Practising Certificate Number: P06633

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 accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were prepared by the directors of the Company in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Crowe (HK) CPA Limited and McMillan Woods (Hong Kong) CPA Limited under separate terms of engagement with the Company 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 (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December									Nine months ended 30 September					
		2020			2021			2022			2022			2023		
	Notes	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000	Results before biological assets fair value adjustments RMB'000 (Unaudited)	Biological assets fair value adjustments RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000
Revenue	9	121,405	—	121,405	154,946	—	154,946	126,694	—	126,694	88,626	—	88,626	121,294	—	121,294
Cost of sales		(65,828)	(2,119)	(67,947)	(85,999)	(3,174)	(89,173)	(70,804)	(3,351)	(74,155)	(49,920)	(3,351)	(53,271)	(66,785)	(2,532)	(69,317)
Gross profit		55,577	(2,119)	53,458	68,947	(3,174)	65,773	55,890	(3,351)	52,539	38,706	(3,351)	35,355	54,509	(2,532)	51,977
Other income	10	4,590	—	4,590	1,222	—	1,222	887	—	887	672	—	672	718	—	718
Changes in fair value of biological assets		—	3,174	3,174	—	3,351	3,351	—	(2,053)	(2,053)	—	(1,570)	(1,570)	—	3,299	3,299
(Allowance)/reversal of allowance for expected credit losses ("ECL") of trade receivables	6(b)	(118)	—	(118)	(140)	—	(140)	(160)	—	(160)	(10)	—	(10)	61	—	61
Listing expenses		(4,060)	—	(4,060)	(7,625)	—	(7,625)	(5,727)	—	(5,727)	(4,315)	—	(4,315)	(6,016)	—	(6,016)
Selling and distribution expenses		(500)	—	(500)	(457)	—	(457)	(420)	—	(420)	(307)	—	(307)	(241)	—	(241)
Administrative and other expenses		(11,583)	—	(11,583)	(13,924)	—	(13,924)	(12,354)	—	(12,354)	(9,436)	—	(9,436)	(8,019)	—	(8,019)
Profit from operations		43,906	1,055	44,961	48,023	177	48,200	38,116	(5,404)	32,712	25,310	(4,921)	20,389	41,012	767	41,779
Finance costs	11	(1,183)	—	(1,183)	(897)	—	(897)	(900)	—	(900)	(688)	—	(688)	(662)	—	(662)
Profit before tax		42,723	1,055	43,778	47,126	177	47,303	37,216	(5,404)	31,812	24,622	(4,921)	19,701	40,350	767	41,117
Income tax expense	12	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Profit for the year/period	13	42,723	1,055	43,778	47,126	177	47,303	37,216	(5,404)	31,812	24,622	(4,921)	19,701	40,350	767	41,117
Other comprehensive (loss)/income for the year/period, net of tax:																
Item that may be reclassified to profit or loss:																
Exchange differences on translating foreign operations		(1)	—	(1)	1	—	1	(3)	—	(3)	(5)	—	(5)	(6)	—	(6)
Total comprehensive income for the year/period		42,722	1,055	43,777	47,127	177	47,304	37,213	(5,404)	31,809	24,617	(4,921)	19,696	40,344	767	41,111
Earnings per share *(RMB)*																
Basic and diluted	16			0.11			0.12			0.08			0.05			0.10

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December 2020 RMB'000	2021 RMB'000	2022 RMB'000	At 30 September 2023 RMB'000
Non-current assets					
Property, plant and equipment	18	167,631	172,278	162,756	159,890
Investment properties	19	6,725	6,430	6,135	17,966
Right-of-use assets	20	23,519	22,768	22,003	21,453
Intangible assets	21	—	—	—	—
Prepayments	26	—	—	—	6,000
		197,875	201,476	190,894	205,309
Current assets					
Biological assets	23	9,395	9,781	8,371	8,876
Inventories	24	31	199	1,557	1,331
Trade receivables	25	31,121	46,590	53,444	58,376
Prepayments and other receivables	26	3,052	9,075	6,252	6,701
Amount due from the ultimate holding company	27	6	6	6	6
Amounts due from shareholders	27	3	3	3	3
Bank and cash balances	28	6,968	22,963	71,079	89,595
		50,576	88,617	140,712	164,888
Current liabilities					
Trade payables	29	9,149	5,323	15,552	12,177
Accruals and other payables	30	3,295	1,719	1,546	2,628
Amount due to a director	27	20	30	30	30
Bank borrowings	31	20,000	20,000	20,000	19,995
Lease liabilities	32	80	124	98	106
Deferred income	33	227	227	227	227
		32,771	27,423	37,453	35,163
Net current assets		17,805	61,194	103,259	129,725
Total assets less current liabilities		215,680	262,670	294,153	335,034
Non-current liabilities					
Lease liabilities	32	641	553	454	394
Deferred income	33	3,726	3,500	3,273	3,103
		4,367	4,053	3,727	3,497
NET ASSETS		211,313	258,617	290,426	331,537
Capital and reserves					
Share capital	35	10	10	10	10
Reserves	36(a)	211,303	258,607	290,416	331,527
TOTAL EQUITY		211,313	258,617	290,426	331,537

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At 31 December			At 30 September
		2020	2021	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-currents asset					
Investments in subsidiaries	*22*	—*	—*	—*	—*
Current assets					
Amount due from the ultimate holding company	*27*	6	6	6	6
Amounts due from shareholders	*27*	3	3	3	3
Bank and cash balances	*28*	—	1	3	1
		9	10	12	10
Current liability					
Amount due to a subsidiary	*27*	—*	2	7	7
Net current assets		9	8	5	3
Total assets less current liabilities		9	8	5	3
NET ASSETS		9	8	5	3
Capital and reserves					
Share capital	*35*	10	10	10	10
Reserves	*36(b)*	(1)	(2)	(5)	(7)
TOTAL EQUITY		9	8	5	3

* *Represents amount less than RMB1,000.*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *(note 35)* *RMB'000*	Share premium *(note 36(c)(i))* *RMB'000*	Merger reserve *(note 36(c)(ii))* *RMB'000*	Foreign currency translation reserve *(note 36(c)(iii))* *RMB'000*	Statutory reserve *(note 36(c)(iv))* *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2020 *(note 35(a))*	70,000	397	—	—	9,266	86,095	165,758
Issue of shares *(note 35(c))*	10	—	—	—	—	—	10
Contribution from a pre-IPO investor	1,768	—	—	—	—	—	1,768
Group reorganisation *(note 2)*	(71,768)	(397)	72,165	—	—	—	—
Total comprehensive income for the year	—	—	—	(1)	—	43,778	43,777
Appropriations	—	—	—	—	4,378	(4,378)	—
Changes in equity for the year	(69,990)	(397)	72,165	(1)	4,378	39,400	45,555
At 31 December 2020 and 1 January 2021	10	—	72,165	(1)	13,644	125,495	211,313
Issue of shares *(note 35(d))*	—*	—	—	—	—	—	—*
Total comprehensive income for the year	—	—	—	1	—	47,303	47,304
Appropriations	—	—	—	—	4,738	(4,738)	—
Changes in equity for the year	—*	—	—	1	4,738	42,565	47,304
At 31 December 2021 and 1 January 2022	10	—	72,165	—	18,382	168,060	258,617
Total comprehensive income for the year	—	—	—	(3)	—	31,812	31,809
Appropriations	—	—	—	—	3,189	(3,189)	—
Changes in equity for the year	—	—	—	(3)	3,189	28,623	31,809
At 31 December 2022 and 1 January 2023	10	—	72,165	(3)	21,571	196,683	290,426
Total comprehensive income for the period	—	—	—	(6)	—	41,117	41,111
Appropriations	—	—	—	—	4,115	(4,115)	—
Changes in equity for the period	—	—	—	(6)	4,115	37,002	41,111
At 30 September 2023	10	—	72,165	(9)	25,686	233,685	331,537
At 1 January 2022	10	—	72,165	—	18,382	168,060	258,617
Total comprehensive income for the period (unaudited)	—	—	—	(5)	—	19,701	19,696
Appropriations (unaudited)	—	—	—	—	1,975	(1,975)	—
Changes in equity for the period (unaudited)	—	—	—	(5)	1,975	17,726	19,696
At 30 September 2022 (unaudited)	10	—	72,165	(5)	20,357	185,786	278,313

* *Represents amount less than RMB1,000.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
		2020	2021	2022	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		43,778	47,303	31,812	19,701	41,117
Adjustments for:						
Interest income		(19)	(8)	(17)	(17)	(44)
Depreciation of property, plant and equipment		7,932	9,740	10,034	7,507	7,653
Depreciation of investment properties		295	295	295	221	391
Depreciation of right-of-use assets		860	822	765	574	550
Finance costs		1,183	897	900	688	662
Biological assets fair value adjustments		(1,055)	(177)	5,404	4,921	(767)
Allowance/(reversal of allowance) for ECL of trade receivables		118	140	160	10	(61)
Loss on disposal of property, plant and equipment		—	—	214	214	—
Loss on write-off of property, plant and equipment		—	33	382	382	—
Operating profit before working capital changes		53,092	59,045	49,949	34,201	49,501
(Increase)/decrease in biological assets		(1,616)	(209)	(3,994)	(4,202)	262
Decrease/(increase) in inventories		153	(168)	(1,358)	(1,323)	226
Decrease/(increase) in trade receivables		1,143	(15,609)	(7,014)	2,295	(4,871)
(Increase)/decrease in prepayments and other receivables		(1,119)	(6,023)	2,823	2,719	(449)
Increase in amount due from the ultimate holding company		(7)	—	—	—	—
Increase in amounts due from shareholders		(3)	—	—	—	—
Increase/(decrease) in trade payables		1,121	(3,826)	10,229	8,267	(3,375)
(Decrease)/increase in accruals and other payables		(1,130)	824	(173)	1,172	1,076
Decrease in deferred income		(42)	(226)	(227)	(170)	(170)
Increase in amount due to a director		20	10	—	—	—
Net cash generated from operating activities		51,612	33,818	50,235	42,959	42,200
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments for investment properties		—	—	—	—	(12,222)
Payments for property, plant and equipment		(55,056)	(16,820)	(1,522)	(1,522)	(10,787)
Payments for right-of-use assets		(185)	—	—	—	—
Proceeds from disposal of property, plant and equipment		—	—	414	414	—
Interest received		19	8	17	17	44
Net cash used in investing activities		(55,222)	(16,812)	(1,091)	(1,091)	(22,965)
CASH FLOWS FROM FINANCING ACTIVITIES						
Bank borrowings raised		20,000	20,000	10,000	10,000	19,995
Repayments of bank borrowings		(15,000)	(20,000)	(10,000)	(10,000)	(20,000)
Principal elements of lease liabilities		(100)	(115)	(125)	(82)	(52)
Contribution from a pre-IPO investor		1,768	—	—	—	—
Interest paid		(1,130)	(824)	(836)	(639)	(620)
Interest on lease liabilities		(53)	(73)	(64)	(49)	(42)
Issue of shares		10	—	—	—	—
Net cash generated from/(used in) financing activities		5,495	(1,012)	(1,025)	(770)	(719)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,885	15,994	48,119	41,098	18,516
Effect of foreign exchange rate changes		—	1	(3)	(3)	—
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		5,083	6,968	22,963	22,963	71,079
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD		6,968	22,963	71,079	64,058	89,595
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Bank and cash balances	*28*	6,968	22,963	71,079	64,058	89,595

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands on 23 July 2019. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and has not carried out any business operations since the date of its incorporation. The principal activities of its subsidiaries are set out in note 22 to the Historical Financial Information.

In the opinion of the directors of the Company, as at 30 September 2023, Wider International Group Limited, a company incorporated in the British Virgin Islands (the "BVI"), is the immediate and ultimate parent of the Company and Mr. Zhang Yonggang ("Mr. Zhang"), a director of the Company, is the ultimate controlling party of the Company.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION

Pursuant to the Group reorganisation (the "Group Reorganisation") as more fully explained in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" to this Prospectus, the Company became the holding company of the companies now comprising the Group on 8 February 2021. The companies now comprising the Group has been under the common control of Mr. Zhang immediately prior to and after the Group Reorganisation. The Group now comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. The Group Reorganisation did not result in any change in economic substance and control of the Group. In substance, there is no real change in the control of the Group before and after the completion of the Group Reorganisation, and accordingly the Historical Financial Information for the Track Record Period has been prepared as a continuation of the existing companies using principles of merger accounting. The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current group structure had been existence throughout the Track Record Period. The consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 September 2023 presented the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates. The consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 September 2023 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Group Reorganisation. All intra-group transactions and balances have been eliminated in full on combination.

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKASs"); and Interpretations. The Historical Financial Information also complies with the applicable disclosures required by the Listing Rules and with the disclosure requirements of the Hong Kong Companies Ordinance.

The Stub Period Comparative Financial Information has been prepared in accordance with same basis and accounting policies adopted in respect of the Historical Financial Information.

As at the date of this report, the Company had direct and indirect interests in the following subsidiaries now comprising the Group:

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Particulars of issued/paid-up capital	Percentage of ownership interest/voting power/profit sharing					Principal activities/ place of operation
				At 31 December			At 30 September	At the date of this report	
				2020	2021	2022	2023		
Directly held:									
Glory Team International Group Limited ("Glory Team")	8 August 2019	BVI	United State dollar ("US$") US$1	100%	100%	100%	100%	100%	Investment holding, Hong Kong
Prosperity Plentiful Holdings Limited ("Prosperity Plentiful (BVI)")	16 May 2019	BVI	US$1	100%	100%	100%	100%	100%	Investment holding, Hong Kong
Indirectly held:									
Fujing Holdings (Hong Kong) Co., Limited ("Fujing Holdings (HK)")	9 October 2019	Hong Kong	Hong Kong dollars ("HK$") HK$1	100%	100%	100%	100%	100%	Investment holding, Hong Kong
Prosperity Plentiful Holdings (Hong Kong) Co., Limited ("Prosperity Plentiful (HK)")	6 June 2019	Hong Kong	HK$1	100%	100%	100%	100%	100%	Investment holding, Hong Kong
Qingdao Xinfujing Technology Company Limited* (青島鑫富景科技有限公司) ("Xinfujing")	6 May 2020	The People's Republic of China (the "PRC")	—	100%	100%	100%	100%	100%	Investment holding, the PRC
Qingdao Fujing Agriculture Development Company Limited* (青島富景農業開發有限公司) ("Fujing Agriculture")	4 December 2006	The PRC	RMB70,707,080	100%	100%	100%	100%	100%	Growing, processing and selling of potted vegetables, the PRC

* *English name is for identification purpose only*

All subsidiaries of the Group have adopted 31 December as their financial year end date.

No audited statutory financial statements have been prepared for Glory Team and Prosperity Plentiful (BVI) since their respective dates of incorporation as they are incorporated in jurisdictions where there are no statutory requirements.

The statutory audited financial statements of Prosperity Plentiful (HK) and Fujing Holdings (HK) for the years ended 31 December 2020, 2021 and 2022 have been prepared in accordance with HKFRSs issued by the HKICPA and was audited by Choi Mei Bik, Certified Public Accountant (Practising), certified public accountants registered in Hong Kong.

The statutory audited financial statements of Fujing Agriculture for the years ended 31 December 2020, 2021 and 2022 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by 青島信通有限責任會計師事務所 and 青島茂生會計師事務所, certified public accountants registered in the PRC.

No statutory audited financial statements have been prepared for Xinfujing since its date of incorporation.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has early adopted all the new and revised HKFRSs issued by the HKICPA that are effective for its accounting period beginning on 1 January 2023, together with the relevant transitional provision, throughout the Track Record Period.

(b) Revised HKFRSs in issue but not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRSs which are not yet effective for its accounting period beginning on 1 January 2023 and which have not been adopted in these financial statements. These amendments include the following which may be relevant to the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

The directors of the Company anticipate that the application of these revised HKFRSs will not have material impact on the Group's consolidated financial performance and financial position.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. biological assets that are measured at fair value less cost to sell).

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in note 5.

The material accounting policy information applied in the preparation of the Historical Financial Information is set out below.

(a) Consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries made up to 31 December/30 September. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Merger accounting for business combination under common control

This Historical Financial Information includes the financial statements of the entities now comprising the Group for the Track Record Period. As explained in note 2 to the Historical Financial Information, the acquisition of subsidiaries and business under common control has been accounted for using merger accounting.

The merger accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information 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 are presented in RMB, which is different from the Company's functional currency, HK$. As the major revenue and assets of the Group are derived from operations in the PRC, RMB is chosen as the presentation currency to present the Historical Financial Information.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rate for the period (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 exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

(d) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in the profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment, other than construction in progress, is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

Infrastructure	30 years
Buildings	10–15 years
Plant and equipment	5–10 years
Motor vehicles	5 years
Office equipment and others	3–5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents infrastructure and buildings under construction and is stated at cost less impairment losses, if any. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Investment properties

Investment properties are land and buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses, if any. The depreciation is calculated using the straight line basis to allocate the cost to the residual value over its estimated useful life of 30 years.

(f) Intangible assets

Computer software are stated at cost less subsequent accumulated amortisation and subsequent impairment losses, if any. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years.

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

The lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and

- makes adjustments specific to the lease, such as term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, if any.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group presents right-of-use assets, that do not meet the definition of investment properties, and lease liabilities separately in the consolidated statements of financial position.

The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(h) Biological assets

Biological assets are measured at fair value less cost to sell. Cost to sell include the incremental selling costs directly attributable to the disposals of assets, estimated costs of transport to the market but excludes finance costs and income taxes. The fair value of biological assets is determined based on their present locations and conditions and is determined by the directors of the Company with the assistance of an independent professional valuer.

Changes in fair value less cost to sell of biological assets are recognised in profit or loss.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis and comprised all costs of purchase and, where applicable, cost conversion and other costs that have been incurred in bringing the inventories to their present locations and conditions. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised in profit or loss in the period of write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as an increment in the amount of inventories and recognised in the profit or loss in the period in which the reversal occurs.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(k) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The accounting policies adopted for specific financial assets are set out below.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for ECL.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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 each reporting period.

(p) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(r) Revenue and other income

Revenue is recognised when control over a product or 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.

Revenue from the sale of vegetable is recognised when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Interest income is recognised as it accrues using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

(s) Employee benefits

(i) 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 each reporting period.

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

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefits scheme contributions charged to profit or loss represents contributions payable by the Group to the funds.

(t) Borrowing costs

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 capitalised as part of 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

(u) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

(v) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that, at the time of the transaction, affects neither the taxable profit nor the accounting profit and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of each reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with the lease liabilities and the right-of-use assets.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

(w) Related parties

A related party is a person or entity that is related to the Group.

(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 of the Group's parent.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group 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.

(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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) 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 a group which it is a part, provides key management personnel services to the Group or to the Group's parent.

(x) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period for indications of impairment and where an asset is impaired, it is written down as an expense through profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount of non-financial assets, other than goodwill, caused by changes in estimates are credited to profit or loss to the extent that as if no impairment had been recognised for the assets in prior years.

(y) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and other receivables. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of each reporting period.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of each reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor; or

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of each reporting period. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default;

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

— The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are due over two years, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of each reporting period.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors of the Company have made the following judgement that has the most significant effect on the amounts recognised in the Historical Financial Information (apart from those involving estimations, which are dealt with below).

(a) Lease term determination

In determining the lease term at the commencement date for leases that include termination options exercisable by the Group, the Group evaluates the likelihood of exercising the termination options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the Track Record Period, no lease term has been reassessed.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of property, plant and equipment, investment properties and right-of-use assets

Property, plant and equipment, investment properties and right-of-use assets are stated at costs less accumulated depreciation and impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amounts of property, plant and equipment were approximately RMB167,631,000, RMB172,278,000, RMB162,756,000 and RMB159,890,000 as at 31 December 2020, 2021 and 2022 and 30 September 2023 respectively. The carrying amounts of investment properties were approximately RMB6,725,000, RMB6,430,000, RMB6,135,000, and RMB17,966,000 as at 31 December 2020, 2021 and 2022 and 30 September 2023 respectively. The carrying amounts of right-of-use assets were approximately RMB23,519,000, RMB22,768,000, RMB22,003,000 and RMB21,453,000 as at 31 December 2020, 2021 and 2022 and 30 September 2023 respectively.

(b) Fair value measurement of biological assets — potted vegetables

The Group's biological assets are measured at fair value less costs to sell at the end of each reporting period. The Group uses valuation techniques that include inputs that are not based on market observable data to estimate the fair value of biological assets. For potted vegetables, the fair value is determined by using the cost and market approach method with key inputs including market price and scrap rate. Any changes in the inputs may affect the fair value of the Group's biological assets significantly.

The carrying amounts of biological assets were approximately RMB9,395,000, RMB9,781,000, RMB8,371,000 and RMB8,876,000 as at 31 December 2020, 2021 and 2022 and 30 September 2023 respectively.

(c) Allowance for ECL of trade receivables

The management of the Group estimates the amount of allowance for ECL on trade receivables based on the credit risk of trade receivables. The amount of the allowance based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contracts and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or revised downward due to changes in facts and circumstances, a material allowance may arise.

The carrying amount of trade receivables were approximately RMB31,121,000 (net of allowance for ECL of approximately RMB1,218,000), RMB46,590,000 (net of allowance for ECL of approximately RMB1,000), RMB53,444,000 (net of allowance for ECL of approximately RMB161,000) and RMB58,376,000 (net of allowance for ECL of approximately RMB100,000) as at 31 December 2020, 2021 and 2022 and 30 September 2023 respectively.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. Thus, no sensitivity analysis is presented. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including deposits with banks and financial institutions, and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

As at 31 December 2020, 2021, 2022 and 30 September 2023, the Group has concentration of credit risk as 14.0%, 18.1%, 18.6% and 21.9% of the total gross trade receivables were due from the Group's largest customer respectively.

As at 31 December 2020, 2021, 2022 and 30 September 2023, the Group has concentration of credit risk as 58.8%, 63.1%, 69.1% and 69.2% of the total gross trade receivables were due from the Group's five largest customers respectively.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The credit periods granted to the distributors and end-users customers are generally 60-120 days and 180 days respectively. Debtors with balances that are more than 60 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate significantly different loss patterns for different customer segments, the loss allowance based on invoice date is distinguished between the Group's different customer bases into two major groups, namely distributors and end-user customers. Certain debtors have been assessed individually as the Group considers the balances due from these debtors have been credit-impaired.

Allowance for ECL

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-credit impaired	646	1	161	100
Credit impaired	572	—	—	—
	1,218	1	161	100

The following table of ageing analysis, based on invoice date, provides information about the Group's exposure to credit risk and ECL for trade receivables (non-credit impaired):

	At 31 December 2020				
	0–90 days	**91–180 days**	**181–365 days**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Distributors					
Expected loss rate	0%	0%	5%	90%	
Gross carrying amount	30,498	354	—	—	30,852
Loss allowance	—	—	—	—	—
Net carrying amount	30,498	354	—	—	30,852
End-user customers					
Expected loss rate	8%	8%	24%	100%	
Gross carrying amount	46	32	259	578	915
Loss allowance	(4)	(3)	(61)	(578)	(646)
Net carrying amount	42	29	198	—	269
Total					
Gross carrying amount	30,544	386	259	578	31,767
Loss allowance	(4)	(3)	(61)	(578)	(646)
Net carrying amount	30,540	383	198	—	31,121

	At 31 December 2021				
	0–90 days	**91–180 days**	**181–365 days**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Distributors					
Expected loss rate	0%	0%	5%	90%	
Gross carrying amount	36,608	9,981	—	—	46,589
Loss allowance	—	—	—	—	—
Net carrying amount	36,608	9,981	—	—	46,589
End-user customers					
Expected loss rate	13%	13%	34%	100%	
Gross carrying amount	1	1	—	—	2
Loss allowance	—	(1)	—	—	(1)
Net carrying amount	1	—	—	—	1
Total					
Gross carrying amount	36,609	9,982	—	—	46,591
Loss allowance	—	(1)	—	—	(1)
Net carrying amount	36,609	9,981	—	—	46,590

	At 31 December 2022				
	0–90 days	**91–180 days**	**181–365 days**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Distributors					
Expected loss rate	0%	1%	5%	90%	
Gross carrying amount	37,550	16,055	—	—	53,605
Loss allowance	—	(161)	—	—	(161)
Net carrying amount	37,550	15,894	—	—	53,444
End-user customers					
Expected loss rate	13%	13%	34%	100%	
Gross carrying amount	—	—	—	—	—
Loss allowance	—	—	—	—	—
Net carrying amount	—	—	—	—	—
Total					
Gross carrying amount	37,550	16,055	—	—	53,605
Loss allowance	—	(161)	—	—	(161)
Net carrying amount	37,550	15,894	—	—	53,444

	At 30 September 2023				
	0–90 days	**91–180 days**	**181–365 days**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Distributors					
Expected loss rate	0%	1%	5%	90%	
Gross carrying amount	48,558	9,918	—	—	58,476
Loss allowance	—	(100)	—	—	(100)
Net carrying amount	48,558	9,818	—	—	58,376
End-user customers					
Expected loss rate	13%	13%	34%	100%	
Gross carrying amount	—	—	—	—	—
Loss allowance	—	—	—	—	—
Net carrying amount	—	—	—	—	—
Total					
Gross carrying amount	48,558	9,918	—	—	58,476
Loss allowance	—	(100)	—	—	(100)
Net carrying amount	48,558	9,818	—	—	58,376

The above expected loss rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

For the purpose of determining the expected loss rates of distributors and end-user customers during the Track Record Period, the historical rates of loss from sales records starting in 2016 are considered. As there is no material change in the historical loss rates considered in determining expected loss rates of distributors as at 31 December 2020 and 2021 and 30 September 2023, and end-user customers as at 31 December 2022 and 30 September 2023 respectively, the expected loss rate for trade receivables for distributors as at 31 December 2020 and 2021 and 30 September 2023 and expected loss rate for trade receivables for end-user customers as at 31 December 2021 and 2022 and 30 September 2023 remained the same.

For trade receivables which the Group considers are credit-impaired, the Group's exposure to credit risk and ECL is as follows:

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross carrying amount	572	—	—	—
Loss allowance	(572)	—	—	—
Net carrying amount	—	—	—	—

Movement in the loss allowance for ECL in respect of trade receivables during the year/period is as follows:

	For the year ended 31 December			Nine months ended 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1,100	1,218	1	161
Allowance/(reversal of allowance) for ECL of trade receivables	118	140	160	(61)
Write-off	—	(1,357)	—	—
At the end of the year/period	1,218	1	161	100

During the year ended 31 December 2021, in view of prolonged outstanding, the management considered that no reasonable expectation of recovering the trade receivables and an amount of approximately RMB1,357,000 has been written off.

For other receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on other receivables has not increased significantly since initial recognition, the Group measures the loss allowance for other receivables at an amount equal to 12-month ECL. The Group has assessed that the ECL of other receivables is insignificant at the end of each reporting period under 12-month ECL model and therefore, in the opinion of directors of the Company, no loss allowance was recognised.

(c) Interest rate risk

The Group's exposure to cash flow interest rate risk arises from its bank deposits and certain bank borrowings. These bank deposits and certain bank borrowings bear interests at floating rates that varied with the then prevailing market condition.

The Group's exposure to fair value interest rate risk arises from certain bank borrowings at fixed interest rates.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities during the Track Record Period, its income and operating cash flows are substantially independent of changes in market interest rates.

No sensitivity analysis is presented since the directors of the Company consider that the exposure of cash flow interest rate risk arising from bank deposits and borrowings with floating interest rates is limited due to their short maturities or the insignificant amounts involved.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's and the Company's non-derivative financial liabilities is as follows:

	The Group At 31 December 2020					
	Less than 1 year or on demand	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contractual undiscounted cash flows**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	9,149	—	—	—	9,149	9,149
Accruals and other payables	3,295	—	—	—	3,295	3,295
Amount due to a director	20	—	—	—	20	20
Bank borrowings	20,403	—	—	—	20,403	20,000
Lease liabilities	153	153	412	330	1,048	721

	The Group At 31 December 2021					
	Less than 1 year or on demand	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contractual undiscounted cash flows**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	5,323	—	—	—	5,323	5,323
Accruals and other payables	1,719	—	—	—	1,719	1,719
Amount due to a director	30	—	—	—	30	30
Bank borrowings	20,410	—	—	—	20,410	20,000
Lease liabilities	189	153	367	222	931	677

	The Group					
	At 31 December 2022					
	Less than 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	15,552	—	—	—	15,552	15,552
Accruals and other payables	1,546	—	—	—	1,546	1,546
Amount due to a director	30	—	—	—	30	30
Bank borrowings	20,455	—	—	—	20,455	20,000
Lease liabilities	152	152	323	115	742	552

	The Group					
	At 30 September 2023					
	Less than 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	12,177	—	—	—	12,177	12,177
Accruals and other payables	2,628	—	—	—	2,628	2,628
Amount due to a director	30	—	—	—	30	30
Bank borrowings	20,301	—	—	—	20,301	19,995
Lease liabilities	152	108	273	115	648	500

	The Company					
	At 31 December 2021					
	Less than 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to a subsidiary	2	—	—	—	2	2

	The Company					
	At 31 December 2022					
	Less than 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to a subsidiary	7	—	—	—	7	7

	The Company					
	At 30 September 2023					
	Less than 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to a subsidiary	7	—	—	—	7	7

(e) Categories of financial instruments

	The Group			
	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial assets at amortised cost	39,044	70,052	125,038	148,611
Financial liabilities:				
Financial liabilities at amortised cost	32,464	27,072	37,128	34,830

	The Company			
	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial assets at amortised cost	9	10	12	10
Financial liability:				
Financial liability at amortised cost	—*	2	7	7

* *Represents amount less than RMB1,000.*

(f) Fair values

The carrying amounts of the Group's and the Company's financial assets and financial liabilities at amortised cost as reflected in the Group's consolidated and Company's statements of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

	At 31 December 2020 Fair value measurements using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Biological assets — potted vegetables	—	—	9,395	9,395

	At 31 December 2021 Fair value measurements using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Biological assets — potted vegetables	—	—	9,781	9,781

	At 31 December 2022 Fair value measurements using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Biological assets — potted vegetables	—	—	8,371	8,371

	At 30 September 2023 Fair value measurements using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Biological assets — potted vegetables	—	—	8,876	8,876

(b) Reconciliation of assets measured at fair value based on Level 3:

	For the year ended 31 December			Nine months ended 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Biological assets:				
At the beginning of the year/period	6,724	9,395	9,781	8,371
Increase due to plantation	67,444	86,208	74,798	66,523
Decrease due to sales, before the biological assets fair value adjustments	(65,828)	(85,999)	(70,804)	(66,785)
Biological assets fair value adjustments(#)	1,055	177	(5,404)	767
At the end of the year/period	9,395	9,781	8,371	8,876
(#)including gains arising from fair value adjustments of biological assets held at the end of the reporting period	3,174	3,351	2,532	3,299

In estimating the fair value of the biological assets, the highest and best use of the biological assets is their current use.

The total gains or losses recognised in profit or loss including those for assets held at end of the reporting period are presented as a separate item in the consolidated statements of profit or loss and other comprehensive income.

There were no transfers in the fair value hierarchy between Level 1, Level 2 and Level 3 during the Track Record Period.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The financial controller reports directly to the board of directors of the Company for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the board of directors of the Company.

For Level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

The valuation techniques and the key unobservable inputs to the Level 3 fair value measurements are set out below:

Biological assets — potted vegetables:

Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of unobservable inputs
Cost and market approach	Market price	31 December 2020: RMB15–RMB16 per pot 31 December 2021: RMB15–RMB16 per pot 31 December 2022: RMB15–RMB16 per pot 30 September 2023: RMB15–RMB16 per pot	Increase
	Scrap rate	31 December 2020: 3.21%–4.6% 31 December 2021: 3.11%–4.21% 31 December 2022: 3.46%–4.45% 30 September 2023: 3.41%–4.21%	Decrease

Sensitivity analysis

The following table illustrates the sensitivity of the fair value of our biological assets that would arise if the market price of potted vegetable produce had changed during the periods indicated, assuming all other variables remained constant. The fair value of our biological assets increases when the market price increases, and decreases when the market price decreases.

Change in market price	–30%	–15%	15%	30%
	(Decrease)/increase in fair value			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2020	(2,477)	(1,239)	1,239	2,477
For the year ended 31 December 2021	(2,537)	(1,268)	1,268	2,537
For the year ended 31 December 2022	(2,018)	(1,009)	1,009	2,018
For the nine months ended 30 September 2023	(2,345)	(1,172)	1,172	2,345

8. SEGMENT INFORMATION

The Group identifies reportable segments according to the types of products and services they offer.

The directors of the Company have determined that the Group has only one operating and reportable segment, being plantation and sales of vegetable.

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by nature of revenue and geographical location of customers.

Since this is the only one operating segment of the Group, no segment information is presented other than entity-wide disclosures.

Geographical information

Over 90% of the Group's non-current assets and revenue are located and generated in the PRC. Accordingly, no further geographical information of non-current assets and revenue was disclosed.

Revenue from major customers:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of potted vegetables:					
Customer B	18,608	25,068	20,729	14,522	20,077
Customer D	14,486	19,482	16,164	11,196	16,103
Customer F	13,631	17,807	15,054	10,562	14,569
Customer G	N/A*	25,288	20,914	14,658	20,234

* *Less than 10% of the Group's revenue in the respective year.*

9. REVENUE

Revenue represents invoiced value of goods sold, after allowances for returns and discounts, during the Track Record Period and is set out below:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15:					
Products transferred at a point in time:					
— Sales to distributors	121,028	154,937	126,692	88,624	121,292
— Direct sales to end-user customers	377	9	2	2	2
	121,405	154,946	126,694	88,626	121,294

There are no transaction price allocated to the performance obligations that are unsatisfied and required to be disclosed in accordance with HKFRS 15.120.

10. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income	19	8	17	17	44
Rental income	640	640	640	480	480
Net foreign exchange gains	—	—	3	5	6
Government grants	3,627	544	227	170	170
Compensation received	304	30	—	—	18
	4,590	1,222	887	672	718

The government grants represent subsidies received from government (i) for agricultural development and greening purposes; and (ii) for reimbursement of the listing expenses. There are no unfulfilled conditions and other contingencies attaching to them.

11. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expenses on lease liabilities	53	73	64	49	42
Interest on bank borrowings	1,130	824	836	639	620
	1,183	897	900	688	662

12. INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits arose in Hong Kong for the Track Record Period.

The Group's subsidiaries established and operating in the PRC are subject to PRC Enterprise Income Tax ("EIT") at the rate of 25% for the Track Record Period. According to the Article 27 of the EIT Law and Article 86 of the Regulations of the EIT Law, enterprise income from agriculture, forestry, husbandry and fishery projects may be reduced or exempted from taxation. Pursuant to the abovementioned provisions and with the approval of Dianbu Branch of the State Taxation Bureau of Laixi City, Fujing Agriculture's enterprise income from agriculture has been exempted from the PRC EIT for the period from 1 May 2010 to 1 May 2050. Accordingly, no PRC EIT has been provided in the Historical Financial Information for Fujing Agriculture during the Track Record Period. No provision for the PRC EIT has been made for Xinfujing in the Historical Financial Information as it has no assessable profits during the Track Record Period.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the applicable tax rate in the tax jurisdictions of the Group is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before tax	43,778	47,303	31,812	19,701	41,117
Tax at applicable tax rate	10,948	11,828	7,959	4,929	10,282
Tax effect of expenses that are not deductible	11	4	12	9	6
Tax effect of tax exemption	(10,959)	(11,832)	(7,971)	(4,938)	(10,288)
Income tax expense	—	—	—	—	—

13. PROFIT FOR THE YEAR/PERIOD

The Group's profit for the year/period is stated after charging/(crediting) the followings:

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Auditors' remuneration	52	34	41	37	14
Cost of inventories sold, before the biological assets fair value adjustments	65,828	85,999	70,804	49,920	66,785
Depreciation of property, plant and equipment	7,932	9,740	10,034	7,507	7,653
Depreciation of investment properties	295	295	295	221	391
Depreciation of right-of-use assets	860	822	765	574	550
Loss on disposal of property, plant and equipment	—	—	214	214	—
Biological assets fair value adjustments	(1,055)	(177)	5,404	4,921	(767)
Net foreign exchange losses/(gains)	2	1	(3)	(5)	(6)
Listing expenses	4,060	7,625	5,727	4,315	6,016
Loss on write-off of property, plant and equipment	—	33	382	382	—
Allowance/(reversal of allowance) for ECL of trade receivables	118	140	160	10	(61)
Staff costs (including directors' emoluments)					
— Salaries, bonus, allowances, subcontracting fees and other benefits in kind	31,646	40,095	34,750	25,106	30,729
— Retirement benefits scheme contributions	268	638	660	498	463
	31,914	40,733	35,410	25,604	31,192

Notes:

(a) Depreciation of property, plant and equipment of approximately RMB3,686,000, RMB5,670,000, RMB5,565,000, RMB4,277,000 and RMB4,413,000 for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 (unaudited) and 2023 respectively are included in cost of sales.

(b) Depreciation of right-of-use assets of approximately RMB382,000, RMB341,000, RMB273,000, RMB213,000 and RMB212,000 for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 (unaudited) and 2023 respectively are included in cost of sales.

(c) Staff costs of approximately RMB28,286,000, RMB37,168,000, RMB32,260,000, RMB23,183,000 and RMB28,999,000 for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 (unaudited) and 2023 respectively are included in cost of sales.

14. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES

(a) The emoluments paid or payable to each of the director of the Company

The Company was incorporated in the Cayman Islands on 23 July 2019 and at the date of its incorporation, Mr. Zhang was appointed as an executive director of the Company. On 27 May 2020, Mr. Lyu Zhonghua, Mr. Cui Wei, Ms. Guo Zeqing and Mr. Pang Jinhong were appointed as executive directors of the Company.

Dr. Li Junliang, Mr. Lam Chik Tong and Ms. Chow Wai Mee May have been appointed as the independent non-executive directors of the Company on 16 November 2023 with effect from 26 February 2024. During the Track Record Period and prior to their appointment, the independent non-executive directors did not receive any remuneration in their capacity as the Company's directors.

Certain of the directors of the Company received remuneration from the subsidiaries now comprising the Group during the Track Record Period for the appointment as directors or officers of these subsidiaries. The aggregate amounts of remuneration received or receivable by the directors of the Company during the Track Record Period is set out below.

For the year ended 31 December 2020

	Fees	Salaries and allowances	Other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Zhang	—	240	—	34	274
Mr. Lyu Zhonghua	—	51	—	9	60
Mr. Cui Wei	—	46	—	8	54
Ms. Guo Zeqing	—	64	—	11	75
Mr. Pang Jinhong	—	30	—	5	35
	—	431	—	67	498

For the year ended 31 December 2021

	Fees	Salaries and allowances	Other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Zhang	—	240	—	82	322
Mr. Lyu Zhonghua	—	89	—	32	121
Mr. Cui Wei	—	79	—	28	107
Ms. Guo Zeqing	—	136	—	39	175
Mr. Pang Jinhong	—	53	—	19	72
	—	597	—	200	797

For the year ended 31 December 2022

	Fees	Salaries and allowances	Other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Zhang	—	240	—	83	323
Mr. Lyu Zhonghua	—	90	—	32	122
Mr. Cui Wei	—	80	—	28	108
Ms. Guo Zeqing	—	144	—	39	183
Mr. Pang Jinhong	—	54	—	19	73
	—	608	—	201	809

For the nine months ended 30 September 2022 (unaudited)

	Fees	Salaries and allowances	Other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Zhang	—	180	—	62	242
Mr. Lyu Zhonghua	—	68	—	24	92
Mr. Cui Wei	—	60	—	19	79
Ms. Guo Zeqing	—	102	—	29	131
Mr. Pang Jinhong	—	40	—	14	54
	—	450	—	148	598

For the nine months ended 30 September 2023

	Fees	Salaries and allowances	Other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Zhang	—	180	—	64	244
Mr. Lyu Zhonghua	—	68	—	24	92
Mr. Cui Wei	—	60	—	22	82
Ms. Guo Zeqing	—	93	—	29	122
Mr. Pang Jinhong	—	40	—	14	54
	—	441	—	153	594

During the Track Record Period, no emolument was paid by the Group to any of these directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which any of these directors waived or agreed to waive any emoluments during the Track Record Period.

The emoluments of executive directors shown above were mainly for their services in connection with the management of affairs of the Company and the Group.

(b) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 40(a) 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 each reporting period or at any time during the Track Record Period.

(c) Five highest paid individuals

The five highest paid individuals in the Group during the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 (unaudited) and 2023 included 3, 3, 2, 2 and 3 directors respectively whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2, 2, 3, 3 and 2 individuals are set out below respectively:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Basic salaries and allowances	234	235	332	248	178
Retirement benefits scheme contributions	26	63	62	46	47
	260	298	394	294	225

The emoluments fell within the following band:

	Number of individuals				
	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
				(Unaudited)	
Nil to HK$1,000,000	2	2	3	3	2

During the Track Record Period, no emolument was paid by the Group to any of these highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which any of these highest paid individuals waived or agreed to waive any emoluments during the Track Record Period.

15. DIVIDENDS

No dividend has been declared or paid by the companies now comprising the Group during the Track Record Period.

16. EARNINGS PER SHARE

The calculation of basic earnings per share for the Track Record Period is based on the consolidated profit of the Group for each year/period attributable to equity holders of the Company for the Track Record Period and based on the assumption that 400,000,000 shares of the Company are in issue and issuable, comprising 141,414 shares in issue at the date of the Prospectus and 399,858,586 shares to be issued pursuant to the Capitalisation Issue as set out in paragraphs headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of this Prospectus as if the shares were outstanding throughout the entire Track Record Period.

As there were no dilutive potential ordinary shares during the Track Record Period, diluted earnings per share for the Track Record Period are the same as basic earnings per share.

17. RETIREMENT BENEFIT SCHEMES

As stipulated under the relevant rules and regulations in the PRC, the employees of the Group's subsidiaries established in the PRC are members of central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

18. PROPERTY, PLANT AND EQUIPMENT

	Infrastructure *RMB'000*	Buildings *RMB'000*	Plant and equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost							
At 1 January 2020	99,166	28,887	3,812	2,469	8,798	4,776	147,908
Additions	—	3,015	52	83	2,457	38,747	44,354
Transfer	23,617	19,586	—	—	—	(43,203)	—
At 31 December 2020 and 1 January 2021	122,783	51,488	3,864	2,552	11,255	320	192,262
Additions	—	—	4	—	10	14,406	14,420
Transfer	10,892	3,409	—	—	—	(14,301)	—
Write-off	—	(80)	—	—	—	—	(80)
At 31 December 2021 and 1 January 2022	133,675	54,817	3,868	2,552	11,265	425	206,602
Additions	—	—	13	—	1,509	—	1,522
Disposal	—	(728)	—	—	—	—	(728)
Write-off	—	—	—	—	(2,993)	—	(2,993)
At 31 December 2022 and 1 January 2023	133,675	54,089	3,881	2,552	9,781	425	204,403
Additions	—	—	—	—	275	4,512	4,787
Write-off	—	—	—	—	(3,512)	—	(3,512)
At 30 September 2023	133,675	54,089	3,881	2,552	6,544	4,937	205,678
Accumulated depreciation							
At 1 January 2020	5,682	3,111	1,947	1,399	4,560	—	16,699
Charge for the year	3,036	2,488	358	247	1,803	—	7,932
At 31 December 2020 and 1 January 2021	8,718	5,599	2,305	1,646	6,363	—	24,631
Charge for the year	3,581	3,841	278	214	1,826	—	9,740
Write-off	—	(47)	—	—	—	—	(47)
At 31 December 2021 and 1 January 2022	12,299	9,393	2,583	1,860	8,189	—	34,324
Charge for the year	4,113	3,966	211	214	1,530	—	10,034
Disposal	—	(100)	—	—	—	—	(100)
Write-off	—	—	—	—	(2,611)	—	(2,611)
At 31 December 2022 and 1 January 2023	16,412	13,259	2,794	2,074	7,108	—	41,647
Charge for the period	3,082	2,949	149	156	1,317	—	7,653
Write-off	—	—	—	—	(3,512)	—	(3,512)
At 30 September 2023	19,494	16,208	2,943	2,230	4,913	—	45,788
Carrying amount							
At 31 December 2020	114,065	45,889	1,559	906	4,892	320	167,631
At 31 December 2021	121,376	45,424	1,285	692	3,076	425	172,278
At 31 December 2022	117,263	40,830	1,087	478	2,673	425	162,756
At 30 September 2023	114,181	37,881	938	322	1,631	4,937	159,890

19. INVESTMENT PROPERTIES

	Properties
	RMB'000
Cost	
At 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023	9,450
Additions	12,222
At 30 September 2023	21,672
Accumulated depreciation	
At 1 January 2020	2,430
Charge for the year	295
At 31 December 2020 and 1 January 2021	2,725
Charge for the year	295
At 31 December 2021 and 1 January 2022	3,020
Charge for the year	295
At 31 December 2022 and 1 January 2023	3,315
Charge for the period	391
At 30 September 2023	3,706
Carrying amount	
At 31 December 2020	6,725
At 31 December 2021	6,430
At 31 December 2022	6,135
At 30 September 2023	17,966

The Group let out its investment properties under operating leases with monthly rental under lease terms of 2 to 5 years. The Group is not exposed to foreign currency risk as a result of the lease arrangement, as the leases are denominated in the functional currency of the Group's entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

At 31 December 2020, 2021 and 2022 and 30 September 2023, the carrying amounts of investment properties as security for the Group's bank borrowings amounted to approximately RMB6,725,000, RMB6,430,000, RMB6,135,000 and RMB17,966,000 respectively (note 31).

At 31 December 2020, 2021 and 2022 and 30 September 2023, the fair value of investment properties were approximately RMB11,800,000, RMB12,600,000, RMB12,100,000 and RMB23,700,000 respectively. These fair values are determined by the directors of the Company mainly with reference to the valuation, which is performed by an independent qualified professional valuer, using depreciation replacement cost approach and investment approach (Level 3 fair value measurements). The valuation was determined by reference to the unobservable inputs, recent rentals and estimated cost for replacement, in the similar locations and conditions. There has been no change from the valuation technique used in the Track Record Period. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There were no transfers between levels of fair value hierarchy during the Track Record Period.

20. RIGHT-OF-USE ASSETS

	Office and cultivation facilities			
	For the year ended 31 December			For the nine months ended 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/ period	23,633	23,519	22,768	22,003
Additions	746	71	—	—
Depreciation	(860)	(822)	(765)	(550)
At the end of the year/period	23,519	22,768	22,003	21,453

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Depreciation expenses on right-of-use assets	860	822	765	574	550
Interest expense on lease liabilities (included in finance costs)	53	73	64	49	42
Expenses relating to short-term lease (included in cost of sales and administrative and other expenses)	59	4	—	—	24

The Group leases office and cultivation facilities for its operations. Lease contracts are entered into for fixed term of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns certain buildings where its office and cultivation facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land component of these owned properties is presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for office and cultivation facilities. As at 31 December 2020, 2021 and 2022 and 30 September 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed above.

Some leases include an option to terminate the lease. The Group reassesses whether it is reasonably certain not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the Track Record Period, there is no such triggering event. The Group does not expect to exercise such option.

As at 31 December 2020, 2021 and 2022 and 30 September 2023, all of the Group's leases did not have extension option.

As 31 December 2020, 2021 and 2022 and 30 September 2023, the Group's right-of-use assets with carrying amount of approximately RMB19,706,000, RMB19,179,000, RMB18,651,000 and RMB18,256,000 had been pledged to secure the Group's borrowings (note 31).

Details of total cash outflows for leases is set out in note 41 to the Historical Financial Information.

21. INTANGIBLE ASSETS

	Computer software
	RMB'000
Cost	
At 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022, 1 January 2023 and 30 September 2023	63
Accumulated amortisation	
At 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022, 1 January 2023 and 30 September 2023	63
Carrying amount	
At 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023	—

22. INVESTMENTS IN SUBSIDIARIES

	The Company			
	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost	—*	—*	—*	—*

* *Represents amount less than RMB1,000.*

Particulars of the subsidiaries of the Company during the Track Record Period and at the date of this report are set out below:

Name	Date of incorporation/ establishment	Place of incorporation/ establishment	Particulars of issued/paid-up capital	Percentage of ownership interest/voting power/profit sharing					Principal activities/ place of operation
				At 31 December			At 30 September	At the date of this report	
				2020	2021	2022	2023		
Directly held:									
Glory Team	8 August 2019	BVI	US$1	100%	100%	100%	100%	100%	Investment holding, Hong Kong
Prosperity Plentiful (BVI)	16 May 2019	BVI	US$1	100%	100%	100%	100%	100%	Investment holding, Hong Kong
Indirectly held:									
Fujing Holdings (HK)	9 October 2019	Hong Kong	HK$1	100%	100%	100%	100%	100%	Investment holding, Hong Kong
Prosperity Plentiful (HK)	6 June 2019	Hong Kong	HK$1	100%	100%	100%	100%	100%	Investment holding, Hong Kong
Xinfujing	6 May 2020	The PRC	—	100%	100%	100%	100%	100%	Investment holding, the PRC
Fujing Agriculture	4 December 2006	The PRC	RMB70,707,080	100%	100%	100%	100%	100%	Growing, processing and selling of potted vegetables, the PRC

Xinfujing and Fujing Agriculture are established in the PRC with limited liability.

None of the subsidiaries of the Company had issued any debt securities at the end of each reporting period.

Details of the restriction on conversion of RMB into foreign currencies for the subsidiaries established in the PRC are set out in note 28 to the Historical Financial Information.

23. BIOLOGICAL ASSETS

	For the year ended 31 December			Nine months ended 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	6,724	9,395	9,781	8,371
Increase due to plantation	67,444	86,208	74,798	66,523
Decrease due to sales, before the biological assets fair value adjustments	(65,828)	(85,999)	(70,804)	(66,785)
Biological assets fair value adjustments *(note)*	1,055	177	(5,404)	767
At the end of the year/period	9,395	9,781	8,371	8,876

Biological assets were potted vegetables and were stated at fair value less estimated costs to sell as at the end of each reporting period. The fair value has been assessed by an independent valuer, Savills Valuation and Professional Services Limited, with reference to market prices, scrap rate, species, growing conditions and cost incurred.

Market and cost approaches are adopted to value the biological assets as at the end of each reporting period. For the newly planted vegetables, cost approach is adopted. The costs of direct raw materials, direct labour, cultivation overheads have been considered in the calculation of the fair values for the newly planted vegetables and these costs are approximately to their fair values. For the growing immature vegetables and mature vegetables, market approach is adopted. Therefore, the fair values of the biological assets as at the end of each reporting period are calculated to be the product of market price and estimated number of pots of vegetables after deducting the reasonable cost related to selling.

The fair value measurement of the vegetables is categorised as Level 3 fair value measurement within the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". Details of the fair value measurement are set out in note 7 to the Historical Financial Information.

The Group had approximately 760,000, 788,000, 721,000 and 704,000 pots of vegetables as at 31 December 2020, 2021 and 2022 and 30 September 2023 respectively and approximately 8,022,000, 10,273,000, 8,395,000 and 8,044,000 pots of vegetable were sold during the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023 respectively. The total output of potted vegetables during the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023 were approximately 8,338,000, 10,692,000, 9,283,000, 8,339,000 pots respectively.

Note: Included in biological assets fair value adjustments is losses arising from unsold vegetable produce of approximately RMB4,585,000 for the year ended 31 December 2022 as a result of temporary suspension during the outbreak of COVID-19 epidemic from March to April 2022.

The Group is exposed to a number of risks related to its plantation:

(a) Regulatory and environmental risks

The Group is subject to laws and regulations in the jurisdiction in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

(b) Climate and other risks

The Group's vegetable plantations are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed to minimise those risks, including regular vegetable health inspections and industry pest and disease surveys.

(c) Price risk

The Group is exposed to price risks arising from changes in vegetable prices. The Group does not anticipate that vegetable prices will decline significantly in the foreseeable future. The Group reviews its outlook for vegetable prices regularly in considering the need for active price risk management.

24. INVENTORIES

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pots and agricultural materials	31	199	1,557	1,331

As at 31 December 2020, 2021 and 2022 and 30 September 2023, the Group's inventories were stated at cost.

The Group's inventories primarily consist of pots and agricultural materials which mainly include seeds, fertilisers and biopesticides which were not utilised at the end of each reporting period.

25. TRADE RECEIVABLES

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	32,339	46,591	53,605	58,476
Allowance for ECL *(note 6(b))*	(1,218)	(1)	(161)	(100)
	31,121	46,590	53,444	58,376

As at 1 January 2020, trade receivables amounted to approximately RMB32,382,000 (net of allowance for doubtful debts of approximately RMB1,100,000).

The Group's trading terms with customers are mainly on credit. The credit periods granted to the distributors and end-user customers are generally 60-120 days and 180 days respectively. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors of the Company.

An ageing analysis of trade receivables at the end of each reporting period, based on the invoice date, and net of allowance for ECL, is as follows:

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	30,540	36,609	37,550	48,558
91–180 days	383	9,981	15,894	9,818
181–365 days	198	—	—	—
	31,121	46,590	53,444	58,376

The carrying amounts of the Group's trade receivables are denominated in RMB.

Details of the credit risk of trade receivables of the Group and its impairment assessment under HKFRS 9 as at 31 December 2020, 2021 and 2022 and 30 September 2023 are set out in note 6(b) to the Historical Financial Information.

26. PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for renovation of property, plant and equipment	—	—	—	6,000
Prepaid listing expense	1,672	4,082	5,412	5,380
Other prepayments	434	4,503	334	690
Other receivables	946	490	506	631
	3,052	9,075	6,252	12,701
Analysed as:				
Current assets	3,052	9,075	6,252	6,701
Non-current assets	—	—	—	6,000
	3,052	9,075	6,252	12,701

Details of impairment assessment of other receivables under HKFRS 9 as at 31 December 2020, 2021 and 2022 and 30 September 2023 are set out in note 6(b) to the Historical Financial Information.

27. AMOUNTS DUE FROM/(TO) THE ULTIMATE HOLDING COMPANY/SHAREHOLDERS/A DIRECTOR/A SUBSIDIARY (THE GROUP AND THE COMPANY)

The amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

The amounts due from the ultimate holding company and shareholders and amount due to a director will be settled prior to the Listing.

28. BANK AND CASH BALANCES

At the end of each reporting period, the Group's and the Company's bank and cash balances are denominated in the following currencies:

	The Group			
		At 31 December		At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HK$	16	19	6	1
RMB	6,952	22,944	71,073	89,594
Total	6,968	22,963	71,079	89,595

	The Company			
		At 31 December		At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HK$	—	1	3	1

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations. However, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

29. TRADE PAYABLES

		At 31 December		At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	9,149	5,323	15,552	12,177

An ageing analysis of the Group's trade payables at the end of each reporting period, based on invoice date, is as follows:

		At 31 December		At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	8,333	5,282	13,139	11,969
91–180 days	797	—	2,372	167
181–365 days	3	22	—	—
Over 1 year	16	19	41	41
	9,149	5,323	15,552	12,177

The carrying amounts of the Group's trade payables are denominated in RMB.

30. ACCRUALS AND OTHER PAYABLES

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	391	412	512	492
Other payables	2,904	1,307	1,034	2,136
	3,295	1,719	1,546	2,628

31. BANK BORROWINGS

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings, secured	20,000	20,000	20,000	19,995

As at 31 December 2020, 2021 and 2022 and 30 September 2023, the Group's bank borrowings were denominated in RMB and were due within one year.

The bank borrowings of the Group are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The interest rates of the Group's bank borrowings as at 31 December 2020, 2021 and 2022 and 30 September 2023 were as follows:

	At 31 December			At 30 September
	2020	2021	2022	2023
Bank borrowings	3.85%–4.55%	3.95%–4.55%	3.75%–4.55%	3.45%–4.40%

The Group's banking facilities are secured by:

(a) personal guarantee of RMB10,000,000, RMB10,000,000, RMB10,000,000 and RMB9,995,000 provided by directors, Mr. Zhang and Ms. Geng Juan, who is cohabiting with Mr. Zhang as his spouse, as at 31 December 2020, 2021 and 2022 and 30 September 2023 respectively. The guarantee will be released upon the Listing;

(b) the investment properties of the Group as at 31 December 2020, 2021 and 2022 and 30 September 2023 *(note 19)*; and

(c) certain right-of-use assets of the Group as at 31 December 2020, 2021 and 2022 and 30 September 2023 *(note 20)*.

32. LEASE LIABILITIES

	Present value of minimum lease payments			
	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	80	124	98	106
In the second year	86	96	107	72
In the third to fifth years, inclusive	283	266	247	215
After five years	272	191	100	107
Present value of lease obligations	721	677	552	500
Less: Amount due for settlement within 12 months (shown under current liabilities)	(80)	(124)	(98)	(106)
Amount due for settlement after 12 months	641	553	454	394

	Minimum lease payments			
	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	153	189	152	152
In the second year	153	153	152	108
In the third to fifth years, inclusive	412	367	323	273
After five years	330	222	115	115
	1,048	931	742	648
Less: Future finance charges	(327)	(254)	(190)	(148)
Present value of lease obligations	721	677	552	500

All lease liabilities are denominated in RMB.

33. DEFERRED INCOME

	For the year ended 31 December			Nine months ended 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants:				
At the beginning of the year/period	3,995	3,953	3,727	3,500
Additions	3,585	318	—	—
Amortisation	(3,627)	(544)	(227)	(170)
At the end of the year/period	3,953	3,727	3,500	3,330
Less: current portion	(227)	(227)	(227)	(227)
Non-current portion	3,726	3,500	3,273	3,103

The government grants regarding subsidies of agricultural development and greening purpose are deferred and credited to profit or loss on a systematic basis over the periods in which the Group recognises the related costs as expenses for which the grants are intended to compensate.

34. DEFERRED TAX

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% and may be reduced to 5% if certain criteria could be met under the Double Taxation Arrangement (Hong Kong). The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2020, 2021 and 2022 and 30 September 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised as at 31 December 2020, 2021 and 2022 and at 30 September 2023 totalled approximately RMB125,546,000, RMB168,140,000, RMB196,837,000 and RMB233,873,000 respectively.

35. SHARE CAPITAL

	Notes	**Number of shares**	**Amount**	**Equivalent to**
			US$'000	*RMB'000*
Authorised:				
Ordinary shares at US$1.00 each				
At 1 January 2020		50,000	50	344
Subdivision of shares	*(c)*	4,950,000	—	—
At 31 December 2020, 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022, 1 January 2023 and 30 September 2023 at US$0.01 each		5,000,000	50	344
Issued and fully paid:				
Ordinary shares				
At 1 January 2020 at US$1.00 each		1	—*	—*
Subdivision of shares	*(c)*	99	—*	—*
Issue of shares at US$0.01 each	*(c)*	139,900	1	10
At 31 December 2020 and 1 January 2021 at US$0.01 each		140,000	1	10
Issue of shares at US$0.01 each	*(d)*	1,414	—*	—*
At 31 December 2021, 1 January 2022 and 31 December 2022, 1 January 2023 and 30 September 2023 at US$0.01 each		141,414	1	10

* *Represents amount less than RMB1,000 or US$1,000.*

Notes:

(a) For the purpose of the Historical Financial Information, the share capital as at 1 January 2020 represented combined share capital of the Company and Fujing Agriculture.

(b) On 23 July 2019, the Company was incorporated in Cayman Islands as an exempted company with limited liability under the Companies Act, Chapter 22 (Act 3 of 1961, as consolidated and revised) of Cayman Islands with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. At the date of the incorporation, one fully paid share of US$1 was issued at par.

(c) Pursuant to the resolutions passed on 24 March 2020, the authorised share capital of the Company was sub-divided from US$50,000 divided into 50,000 shares of a par value of US$1 each to US$50,000 divided into 5,000,000 shares of a nominal value of US$0.01 each. Accordingly, the one issued and fully paid share was sub-divided into 100 shares of a par value of US$0.01 each. On the same day, the Company allotted and issued 139,900 shares as fully paid at par to shareholders.

(d) Pursuant to an agreement dated 8 February 2021 entered into between the Company and Mr. Xie Xing, the Company acquired the entire issued share capital of Prosperity Plentiful (BVI) from Mr. Xie Xing, in exchange of which, the Company allotted and issued 1,414 shares, representing approximately 1% of the enlarged share capital of the Company, to Mr. Xie Xing.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The capital structure of the Group comprises all components of shareholders' equity.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

The Group is not subject to any externally imposed capital requirements.

36. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and the consolidated statements of changes in equity.

(b) The Company

The Company's reserves and movements are analysed as follows:

	Foreign currency translation reserve *(note 36(c)(iii))* *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2020	—*	—	—*
Total comprehensive loss for the year	(1)	—	(1)
At 31 December 2020 and 1 January 2021	(1)	—	(1)
Total comprehensive loss for the year	—	(1)	(1)
At 31 December 2021 and 1 January 2022	(1)	(1)	(2)
Total comprehensive loss for the year	1	(4)	(3)
At 31 December 2022 and 1 January 2023	—	(5)	(5)
Total comprehensive loss for the period	—	(2)	(2)
At 30 September 2023	—	(7)	(7)

* *The amount is less than RMB1,000.*

(c) Nature and purpose of reserves

(i) Share premium

Prior to the Group Reorganisation, share premium represents premium arising from the issue of shares of the subsidiaries at prices in excess of their par value per share.

(ii) Merger reserve

Merger reserve represents the difference between the nominal value of shares issued by the Company and the aggregate fully paid registered capital and share premium of the PRC subsidiaries being acquired pursuant to the Group Reorganisation.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c) to the Historical Financial Information.

(iv) Statutory reserve

In accordance with the PRC Company Law and the Group's PRC subsidiaries' articles of association, the Group's PRC subsidiaries are required to allocate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to the PRC companies to the statutory reserve until such reserve reaches 50% of the registered capital. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory reserve can be used to offset previous years' losses, if any, and part of the statutory reserve can be capitalised as paid-in capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the paid-in capital of the Group's subsidiaries.

37. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

The Group regularly enters into short-term leases for office and cultivation facilities. The portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20.

The outstanding lease commitments for the short-term lease are as follows:

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	4	—	—	12

(b) The Group as lessor

Operating leases relate to investment properties owned by the Group with lease terms of 2 to 5 years. The lessee does not have options to extend the lease term and to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Group, as they relate to property which is located in a location with a constant increase in value over the least 5 years. The Group did not identify any indications that this situation will change.

Minimum lease payments receivable on leases are as follows:

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	640	507	640	487
In the second year	507	240	327	—
In the third year	240	60	—	—
In the fourth year	60	—	—	—
	1,447	807	967	487

The following table presents the amounts reported in the consolidated statements of profit or loss and other comprehensive income:

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Rental income under operating leases	640	640	640	480	480

38. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of each reporting period but not yet incurred are as follows:

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	—	—	—	6,458

39. CONTINGENT LIABILITIES

At 31 December 2020, 2021 and 2022 and 30 September 2023, the Group did not have any contingent liabilities.

40. RELATED PARTY TRANSACTIONS

Other than those balances with related parties disclosed in note 27 to the Historical Financial Information, the Group had the following material transactions with its related parties during the Track Record Period.

(a) Transactions with related party

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Rental payment paid to a related company in respect of a property	36	36	36	27	27

As Mr. Zhang and Ms. Geng Juan are beneficial owners and directors of the related company and the Group, the above transactions constitute related party transactions.

In February 2019 and 2020, the Group entered into a one-year lease in respect of a leasehold property from Mr. Zhang for its own office use. The amount of rent payable by the Group under the lease is RMB36,000 per annum. On the date of adoption of HKFRS 16, the Group elected not to apply the requirements of HKFRS 16 in respect of short-term leases that have a lease term of 12 months or less.

In February 2021, the Group entered into a two-year lease in respect of the same leasehold property mentioned above. The amount of rent payable by the Group under the lease is RMB36,000 per annum. At the date of lease remeasurement of the lease, the Group recognised a right-of-use asset and a lease liability of RMB71,000 under HKFRS 16. In February 2023, the lease was renewed a year to February 2024.

(b) Guarantee

As at 31 December 2020, 2021 and 2022 and 30 September 2023, Mr. Zhang and Ms. Geng Juan had provided personal guarantees in favour of banking facilities granted to a subsidiary of the Group. These guarantees will be released upon the Listing.

Details of the above guarantees are set out in note 31 to the Historical Financial Information.

(c) Key management compensation

Key management mainly represents the Company's directors. Their remunerations have been disclosed in note 14(a) to the Historical Financial Information.

41. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2020	15,000	260	15,260
Cash flows, net	3,870	(153)	3,717
Interest expenses	1,130	53	1,183
Commencement of new leases	—	561	561
At 31 December 2020 and 1 January 2021	20,000	721	20,721
Cash flows, net	(824)	(188)	(1,012)
Interest expenses	824	73	897
Commencement of new leases	—	71	71
At 31 December 2021 and 1 January 2022	20,000	677	20,677
Cash flows, net	(836)	(189)	(1,025)
Interest expenses	836	64	900
At 31 December 2022 and 1 January 2023	20,000	552	20,552
Cash flows, net	(625)	(94)	(719)
Interest expenses	620	42	662
At 30 September 2023	19,995	500	20,495
At 1 January 2022	20,000	677	20,677
Cash flows, net (unaudited)	(639)	(131)	(770)
Interest expenses (unaudited)	639	49	688
At 30 September 2022 (unaudited)	20,000	595	20,595

(b) Total cash flows for bank borrowings

Net cash inflows/(outflows) included in the consolidated statements of cash flows for bank borrowings comprise the followings:

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Within financing cash flows	3,870	(824)	(836)	(639)	(625)

(c) Total cash outflows for leases

Net cash outflows included in the consolidated statements of cash flows for leases comprise the followings:

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Within operating cash flows	(59)	(4)	—	—	(24)
Within financing cash flows	(153)	(188)	(189)	(131)	(94)
	(212)	(192)	(189)	(131)	(118)

These amounts relate to the followings:

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Total cash outflows of leases	212	192	189	131	118

(d) Major non-cash transactions

During the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 (unaudited) and 2023, the Group entered into new lease agreements resulting an increase of right-of-use assets and lease liabilities by approximately RMB561,000, RMB71,000, Nil, Nil and Nil respectively.

42. EVENTS AFTER THE REPORTING PERIOD

(a) On 16 November 2023 and 11 March 2024, written resolutions of the shareholders of the Company were passed to approve the matters set out in the paragraph headed "Written Resolutions of our Shareholders passed on 16 November 2023 and 11 March 2024" in Appendix VI to this Prospectus.

(b) A share scheme has been conditionally approved and adopted by the Company on 11 March 2024, the principal terms of which are summarised in the paragraphs headed "D. Share Scheme" in Appendix VI to this Prospectus.

(c) Subsequent to 30 September 2023, a personal guarantee has been provided by an independent third party to the Group as an additional guarantee to secure the Group's banking facilities. This personal guarantee has been released and replaced by the personal guarantee provided by Ms. Geng Qi, a sister of Ms. Geng Juan and a shareholder of the Company, in January 2024. All personal guarantees provided by Mr. Zhang, Ms. Geng Juan and Ms. Geng Qi, as disclosed in note 31(a), will be released upon the Listing.

(d) As set out in note 14, each of Dr. Li Junliang, Mr. Lam Chik Tong and Ms. Chow Wai Mee May, all being the independent non-executive directors of the Company, has signed a letter of appointment and a supplemental letter of appointment with the Company on 16 November 2023 and 26 February 2024, respectively, for an initial term of three years commencing from 26 February 2024.

(e) The audit committee has established and come into operation with effect from 26 February 2024, in compliance with the Corporate Governance Code.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2023.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out herein to provide the investors with further information to assess the financial performance of the Group after taking into account the adjusted net tangible assets of the Group to illustrate the consolidated financial position of the Group after completion of the Share Offer and to illustrate the financial performance of the Group had the Share Offer been completed on 30 September 2023.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Share Offer may have affected the unaudited consolidated net tangible assets attributable to equity holders of the Company had it occurred as of 30 September 2023. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the consolidated financial position of the Group.

	Audited consolidated net tangible assets attributable to equity holders of the Company as of 30 September 2023	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	(note 1)	*(note 2)*		*(note 3)*	*(note 4)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on the low-end of the Offer Price of HK$1.08 per Share	331,537	72,491	404,028	0.81	0.89
Based on the high-end of the Offer Price of HK$1.28 per Share	331,537	89,555	421,092	0.84	0.93

Notes:

(1) The audited consolidated net tangible assets attributable to equity holders of the Company as of 30 September 2023 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 30 September 2023 of approximately RMB331,537,000.

(2) The adjustment to the unaudited pro forma adjusted consolidated net tangible assets reflects the estimated proceeds from the Share Offer to be received by the Company. The estimated proceeds from the Share Offer is based on the Offer Price of HK$1.08 and HK$1.28, respectively, being the low-end and high-end price of the stated Offer Price range, and 100,000,000 Shares, net of underwriting fee and other estimated issue expenses (taking into account the effect of listing-related expenses which have been accounted for prior to 30 September 2023) payable of approximately RMB25.5 million for the low-end Offer Price and RMB26.6 million for the high-end Offer Price respectively, and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share are arrived at after the adjustments referred to in note 2 above and on the basis that 500,000,000 Shares are expected to be in issue following the Share Offer (including 100,000,000 shares newly issued upon the Share Offer) had been completed on 30 September 2023 and respective Offer Price of HK$1.08 and HK$1.28 per Share and takes no account of (i) any Shares which may fall to be issued upon the exercise of the Over-allotment Option; and (ii) the number of share options that may be vested and may become exercisable upon the date of the Listing under the Pre-IPO Share Scheme.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted from RMB into HK$ at the rate of HK$1 to RMB0.90765. No representation is made that the RMB amounts have been, could have been or could be converted to HK$, or versa, at that rate or at any other rates or at all.

(5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2023.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent joint reporting accountants, Crowe (HK) CPA Limited and McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong.

Crowe

McMillanWoods
Professionalism at the forefront

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To the Board of Directors of
Fujing Holdings Co., Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Fujing Holdings Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets as at 30 September 2023 and related notes as set out on pages II-1 and II-2 of the prospectus issued by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in the paragraph headed "A. Unaudited pro forma statement of adjusted consolidated net tangible assets" in this Appendix to this prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Offer of 100,000,000 Shares of US$0.01 each in the Company on the Group's adjusted consolidated net tangible assets as at 30 September 2023 as if the Share Offer had been taken place at 30 September 2023. As part of this process, information about the Group's consolidated financial position has been extracted by the directors of the Company from the Group's Historical Financial Information included in the Accountants' Report as set out in Appendix I to this prospectus.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firms apply Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Performs Audit or Reviews of Financial Statements, or Other Assurance or Related Services Engagement", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 20 March 2024

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong, 20 March 2024

*The following is the preliminary financial information of our Group as of and for the year ended 31 December 2023 (the "**2023 Preliminary Financial Information**"), together with comparative financial information as of and for the year ended 31 December 2022 and a discussion of changes in our financial status and results of operations between the two periods. The 2023 Preliminary Financial Information does not constitute the consolidated financial statements of the Group for the year ended 31 December 2023 but is extracted from those financial statements. The 2023 Preliminary Financial Information was not audited. Investors should bear in mind that the 2023 Preliminary Financial Information in this appendix may be subject to adjustments.*

2023 PRELIMINARY FINANCIAL INFORMATION
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 Results before biological assets fair value adjustments *RMB'000*	2022 Biological assets fair value adjustments *RMB'000*	2022 Total *RMB'000*	2023 Results before biological assets fair value adjustments *RMB'000* (Unaudited)	2023 Biological assets fair value adjustments *RMB'000* (Unaudited)	2023 Total *RMB'000* (Unaudited)
Revenue	6	126,694	—	126,694	157,860	—	157,860
Cost of sales		(70,804)	(3,351)	(74,155)	(86,794)	(2,532)	(89,326)
Gross profit		55,890	(3,351)	52,539	71,066	(2,532)	68,534
Other income	7	887	—	887	1,175	—	1,175
Changes in fair value of biological assets		—	(2,053)	(2,053)	—	3,375	3,375
Allowance for expected credit losses ("**ECL**") of trade receivables		(160)	—	(160)	(113)	—	(113)
Listing expenses		(5,727)	—	(5,727)	(9,590)	—	(9,590)
Selling and distribution expenses		(420)	—	(420)	(311)	—	(311)
Administrative and other expenses		(12,354)	—	(12,354)	(12,968)	—	(12,968)
Profit from operations		38,116	(5,404)	32,712	49,259	843	50,102
Finance costs	8	(900)	—	(900)	(872)	—	(872)
Profit before tax		37,216	(5,404)	31,812	48,387	843	49,230
Income tax expense	9	—	—	—	—	—	—
Profit for the year	10	37,216	(5,404)	31,812	48,387	843	49,230
Other comprehensive loss for the year, net of tax:							
Item that may be reclassified to profit or loss:							
Exchange differences on translating foreign operations		(3)	—	(3)	(3)	—	(3)
Total comprehensive income for the year		37,213	(5,404)	31,809	48,384	843	49,227
Earnings per share *(RMB)*							
Basic and diluted	12			0.08			0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2022 RMB'000	2023 RMB'000 (Unaudited)
Non-current assets			
Property, plant and equipment		162,756	162,330
Investment properties		6,135	17,723
Right-of-use assets		22,003	21,271
Intangible assets		—	—
Prepayments		—	3,500
		190,894	204,824
Current assets			
Biological assets	13	8,371	9,645
Inventories		1,557	1,741
Trade receivables	14	53,444	61,909
Prepayments and other receivables		6,252	9,009
Amount due from the ultimate holding company		6	6
Amounts due from shareholders		3	3
Bank and cash balances		71,079	89,429
		140,712	171,742
Current liabilities			
Trade payables	15	15,552	7,240
Accruals and other payables		1,546	5,921
Amount due to a director		30	30
Bank borrowings	16	20,000	19,995
Lease liabilities		98	107
Deferred income		227	227
		37,453	33,520
Net current assets		103,259	138,222
Total assets less current liabilities		294,153	343,046
Non-current liabilities			
Lease liabilities		454	347
Deferred income		3,273	3,046
		3,727	3,393
NET ASSETS		290,426	339,653
Capital and reserves			
Share capital	17	10	10
Reserves		290,416	339,643
TOTAL EQUITY		290,426	339,653

1. GENERAL INFORMATION

The 2023 Preliminary Financial Information does not constitute the consolidated financial statements of Fujing Holdings Co., Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023 but is extracted from those consolidated financial statements.

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands on 23 July 2019. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and the Company's principal place of business in Hong Kong is Unit 16, 28/F, One Midtown, 11 Hoi Shing Road, Tsuen Wan, Hong Kong.

Pursuant to the reorganisation of the Group (the "**Group Reorgainsation**") in connection with the listing of shares of the Company on the Main Board of the Stock Exchange, the Company became the investment holding company of the Group on 8 February 2021. Details of the Group Reorganisation were set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" to this Prospectus.

The Company is an investment holding company and has not carried out any business operations since the date of its incorporation. The principal activities of the Group are growing, processing and selling of potted vegetables in the People's Republic of China (the "**PRC**").

In the opinion of the directors of the Company, as at 31 December 2023, Wider International Group Limited, a company incorporated in the British Virgin Islands (the "**BVI**"), is the immediate and ultimate parent of the Company and Mr. Zhang Yonggang ("**Mr. Zhang**"), the director of the Company, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

The Group's consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The Group's consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and with the disclosure requirements of the Hong Kong Companies Ordinance.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

(a) Application of new and amendments to HKFRSs

All of the new and amendments to HKFRSs that are effective on 1 January 2023 have been early adopted by the Group prior to the annual periods beginning after 1 January 2023.

(b) Amendments to HKFRSs in issue but not yet effective

Up to the date of issue of the Group's consolidated financial statements, the HKICPA has issued the following amendments to HKFRSs which are not yet effective for its accounting period beginning on or after 1 January 2023 and which have not been adopted in the Group's consolidated financial statements.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of these amendments to HKFRSs will not have material impact on the Group's financial performance and financial position.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Group's consolidated financial statements have been prepared under the historical cost convention unless mentioned otherwise in the material accounting information policy as described in the Group's consolidated financial statements (e.g. biological assets that are measured at fair value less cost to sell).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of the Group's consolidated financial statements in conformity with HKFRSs 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 significant to the Group's consolidated financial statements are disclosed in the Group's consolidated financial statements.

The material accounting policy information applied in the preparation of the Group's consolidated financial statements are set out in the Group's consolidated financial statements.

5. SEGMENT INFORMATION

The Group identifies reportable segments according to the types of products they offer.

The directors of the Company have determined that the Group has only one operating and reportable segment, being plantation and sales of vegetable.

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by nature of revenue and geographical location of customers.

Since this is the only one operating segment of the Group, no segment information is presented other than entity-wide disclosures.

(a) Geographical information

Over 90% of the Group's non-current assets and revenue are located and generated in the PRC. Accordingly, no further geographical information of non-current assets and revenue was disclosed.

(b) Revenue from major customers

	2022	**2023**
	RMB'000	*RMB'000*
		(Unaudited)
Sales of potted vegetables:		
Customer B	20,729	26,070
Customer D	16,164	20,908
Customer F	15,054	18,908
Customer G	20,914	26,271

6. REVENUE

Revenue represents invoiced value of goods sold, after allowances for returns and discounts, during the year ended 31 December 2023 and is set out below:

	2022	**2023**
	RMB'000	*RMB'000*
		(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Products transferred at a point in time:		
—Sales to distributors	126,692	157,858
—Direct sales to end-user customers	2	2
	126,694	157,860

There are no transaction price allocated to the performance obligations that are unsatisfied and required to be disclosed in accordance with HKFRS 15.120.

7. OTHER INCOME

	2022	**2023**
	RMB'000	*RMB'000*
		(Unaudited)
Interest income	17	44
Rental income	640	640
Net foreign exchange gains	3	8
Government grants *(note)*	227	227
Compensation received	—	256
	887	1,175

Note: The government grants represent subsidies received from government for agricultural development and greening purposes and such government grants are recognised as income on a systematic basis over the periods which the Group recognised related costs as expenses for which the government grants are intended to compensate. There are no unfulfilled conditions and other contingencies attaching to them.

8. FINANCE COSTS

	2022	2023
	RMB'000	*RMB'000*
		(Unaudited)
Interest on lease liabilities	64	54
Interest on bank borrowings	836	818
	900	872

9. INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits arose in Hong Kong for the years ended 31 December 2023 and 2022.

The Group's subsidiaries established and operated in the PRC are subject to PRC Enterprise Income Tax ("**EIT**") at the rate of 25% (2022: 25%) for the year ended 31 December 2023. According to the Article 27 of the EIT Law and Article 86 of the Regulations of the EIT Law, enterprise income from agriculture, forestry, husbandry and fishery projects may be reduced or exempted from taxation. Pursuant to the abovementioned provisions and with the approval of Dianbu Branch of the State Taxation Bureau of Laixi City, enterprise income generated by Qingdao Fujing Agriculture Development Company Limited* (青島富景農業開發有限公司) ("**Fujing Agriculture**") from agriculture has been exempted from the PRC EIT for the period from 1 May 2010 to 1 May 2050. Accordingly, no PRC EIT has been provided in the Group's consolidated financial statements for Fujing Agriculture during the years ended 31 December 2023 and 2022. No provision for the PRC EIT has been made for Qingdao Xinfujing Technology Company Limited* (青島鑫富景科技有限公司) in the Group's consolidated financial statements as it has no assessable profits during the years ended 31 December 2023 and 2022.

* *The English name is for identification purpose only.*

10. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2022	2023
	RMB'000	*RMB'000*
		(Unaudited)
Auditors' remuneration	41	1,478
Cost of inventories sold, before the biological assets fair value adjustments	70,804	86,794
Depreciation of property, plant and equipment	10,034	10,212
Depreciation of investment properties	295	634
Depreciation of right-of-use assets	765	732
Loss on disposal of property, plant and equipment	214	—
Biological assets fair value adjustments	5,404	(843)
Listing expenses	5,727	9,590
Loss on write-off of property, plant and equipment	382	—
Allowance for ECL of trade receivables	160	113
Staff costs (including directors' emoluments)		
—Salaries, bonus, allowances, subcontracting fees and other benefits in kind	34,750	40,232
—Retirement benefits scheme contributions	660	611
	35,410	40,843

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2023 and 2022 are based on the consolidated profit of the Group attributable to equity holders of the Company for the years ended 31 December 2023 and 2022 and based on the assumption that 400,000,000 shares of the Company are in issue and issuable, comprising 141,414 shares in issue and 399,858,586 shares to be issued under the capitalisation issue as set out in paragraphs headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of this Prospectus as if the shares were outstanding throughout the years ended 31 December 2023 and 2022.

As there were no dilutive potential ordinary shares during the years ended 31 December 2023 and 2022, diluted earnings per share for the years ended 31 December 2023 and 2022 are the same as basic earnings per share.

13. BIOLOGICAL ASSETS

	2022	2023
	RMB'000	*RMB'000*
		(Unaudited)
At 1 January	9,781	8,371
Increase due to plantation	74,798	87,225
Decrease due to sales, before the biological assets fair value adjustments	(70,804)	(86,794)
Biological assets fair value adjustments *(Note)*	(5,404)	843
At 31 December	8,371	9,645

Note: Included in biological assets fair value adjustments was losses arising from unsold vegetable produce of approximately RMB4,585,000 for the year ended 31 December 2022 as a result of temporary suspension during the outbreak of COVID-19 epidemic from March to April 2022.

14. TRADE RECEIVABLES

	2022	2023
	RMB'000	*RMB'000*
		(Unaudited)
Trade receivables	53,605	62,183
Allowance for ECL	(161)	(274)
	53,444	61,909

An ageing analysis of trade receivables at the end of the reporting period, based on the invoice date, and net of allowance for ECL, is as follows:

	2022	2023
	RMB'000	*RMB'000*
		(Unaudited)
0–90 days	37,550	36,567
91–180 days	15,894	24,934
181–365 days	—	408
	53,444	61,909

15. TRADE PAYABLES

	2022	2023
	RMB'000	*RMB'000*
		(Unaudited)
Trade payables	15,552	7,240

An ageing analysis of the Group's trade payables at the end of the reporting period, based on invoice date, is as follows:

	2022	**2023**
	RMB'000	*RMB'000*
		(Unaudited)
0–90 days	13,139	7,049
91–180 days	2,372	150
Over 1 year	41	41
	15,552	7,240

16. BANK BORROWINGS

	2022	**2023**
	RMB'000	*RMB'000*
		(Unaudited)
Bank borrowings, secured	20,000	19,995

As at 31 December 2023 and 2022, the Group's bank borrowings were denominated in RMB and were due within one year.

Certain bank borrowings of the Group are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The interest rates of the Group's bank borrowings as at 31 December 2023 were as follows:

	2022	**2023**
		(Unaudited)
Bank borrowings	3.75%-4.55%	3.45%-4.40%

The Group's banking facilities as at 31 December 2023 were secured by (i) personal guarantee with aggregate amount of RMB10,000,000 provided by the director of the Company, Mr. Zhang, and Ms. Geng Juan, who is cohabiting with Mr. Zhang as his spouse, and an independent third party of the Company; (ii) investment properties of the Group with carrying amount of approximately RMB17,723,000 (unaudited); and (iii) certain right-of-use assets of the Group with carrying amount of approximately RMB18,124,000 (unaudited).

The Group's banking facilities as at 31 December 2022 were secured by (i) personal guarantee with aggregate amount of RMB10,000,000 provided by the director of the Company, Mr. Zhang, and Ms. Geng Juan, who is cohabiting with Mr. Zhang as his spouse; (ii) investment properties of the Group with carrying amount of approximately RMB6,135,000; and (iii) certain right-of-use assets of the Group with carrying amount of approximately RMB18,651,000.

The personal guarantee provided by an independent third party of the Company as at 31 December 2023 has been released subsequent to the end of the reporting period and replaced by the personal guarantee provided by Ms. Geng Qi, sister of Ms. Geng Juan and a shareholder of the Company.

The personal guarantees provided by Mr. Zhang, Ms. Geng Juan and Ms. Geng Qi will be released subsequent to 31 December 2023 upon the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

17. SHARE CAPITAL

	Number of shares	Amount	Equivalent to
		US$'000	*RMB'000*
Authorised:			
Ordinary shares at US$0.01 each			
At 1 January 2022, 31 December 2022 and 1 January 2023	5,000,000	50	344
Increase in authorised share capital *(Note)*	9,995,000,000	99,950	725,172
At 31 December 2023	10,000,000,000	100,000	725,516
Issued and fully paid:			
Ordinary shares at US$0.01 each			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	141,414	1	10

Note: On 16 November 2023, the Company resolved to increase its authorised share capital from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$100,000,000 divided into 10,000,000,000 shares of US$0.01 each by the creation of 9,995,000,000 additional shares, each ranking *pari passu* with the shares then in issue in all respects.

18. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2022	2023
	RMB'000	*RMB'000* (Unaudited)
Property, plant and equipment	—	3,959

19. EVENTS AFTER THE REPORTING PERIOD

(a) On 11 March 2024, a written resolution of the shareholders of the Company was passed to approve the matters set out in the paragraph headed "Written Resolutions of our Shareholders passed on 16 November 2023 and 11 March 2024" in Appendix VI to this Prospectus.

(b) Subsequent to 31 December 2023 and as set out in note 16 in this appendix, the personal guarantee provided by an independent third party to the Group has been replaced by the personal guarantee provided by Ms. Geng Qi.

(c) Subsequent to 31 December 2023 and as set out in note 16 in this appendix, the personal guarantee provided by Mr. Zhang, Ms. Geng Juan and Ms. Geng Qi will be released upon the listing of the Company's shares on the Main Board of the Stock Exchange.

(d) The audit committee has established and come into operation with effect from 26 February 2024, in compliance with the Corporate Governance Code. Each of the members of the audit committee has reviewed the 2023 Preliminary Financial Information as set out in this appendix.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

We are principally engaged in the cultivation and sales of potted vegetable produce in the PRC, which are cultivated and sold in pots. Our potted vegetable produce was mainly leafy vegetable species, such as crown daisy, rapeseed, Frisée, Indian lettuce, pak choi, lettuce, Chinese celery and tatsoi. Our products are offered in the market primarily under our brand "富景農業".

During FY2022 and FY2023, we sold our products primarily in Shandong province, and also in Xi'an, Shaanxi province and Dalian, Liaoning province, with revenue contribution of 91.4%, 3.7% and 4.9% in FY2023 respectively and 90.3%, 4.2% and 5.5% in FY2022 respectively. We sell our potted vegetable produce primarily through a network of distributors in the PRC, which then on-sell our products to end-user customers, the majority of which are hotels and restaurants in the PRC. During FY2022 and FY2023, we had 12 distributors. Our sales to distributors amounted to RMB126.7 million and RMB157.9 million, accounted for approximately 100.0% and 100.0% of our revenue for FY2022 and FY2023 respectively. As at 31 December 2023, we had three cultivation facilities in operation for cultivating our potted vegetable produce, namely (i) the Laixi Facility; (ii) the Xi'an Facility; and (iii) the Dalian Facility. We had 140 greenhouses in operation with a total gross floor area of 155,401 sq.m. as at 31 December 2023.

We intend to achieve sustainable growth in sales and profit and further strengthen our leading position in the potted vegetable produce industry in the PRC by implementing the following strategies: (i) to expand our cultivation capacity; (ii) to establish a new cultivation facility in new geographical market; (iii) to set up a designated organic substrates preparation facility; and (iv) to strengthen our operational efficiency through upgrade of our information technology system. For details, please refer to the paragraph headed "Business — Our business strategies" in this prospectus.

Subsequent to 31 December 2023 and up to the Latest Practicable Date, there had not been any material changes to our principal business. Our Directors confirm that, up to the date of this prospectus, there has been no material change in our financial and trading position since 31 December 2023.

Analysis of key items of results of operations

Revenue

Our revenue increased from approximately RMB126.7 million in FY2022 to approximately RMB157.9 million in FY2023. Such increase in revenue in the said period was primarily attributable to the increase in the sales volume of our potted vegetable produce from approximately 8.4 million pots in FY2022 to approximately 10.5 million pots in FY2023 as our business operation was no longer affected by COVID-19 epidemic in FY2023. The average selling price per pot of our potted vegetable produce remained stable at approximately RMB15.1 in FY2022 and FY2023.

Cost of sales

Our cost of sales primarily consists of raw materials, subcontracting labour cost and cultivation overheads. Our raw materials primarily include (i) components of organic substrates; (ii) seeds; and (iii) fertilisers (such as foliar fertilisers) and biopesticides (such as matrine). Our raw materials and subcontracting labour cost accounted for approximately 48.2% and 42.2% of our cost of sales in FY2023 respectively and 47.2% and 40.9% of our cost of sales in FY2022 respectively. Our cost of sales increased from approximately RMB74.2 million for FY2022 to approximately RMB89.3 million for FY2023 in line with the revenue growth.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB16.0 million (or 30.4%) from approximately RMB52.5 million in FY2022 to approximately RMB68.5 million in FY2023. Such increase was primarily the result of the increase in our revenue in the corresponding period, mainly attributable to the increase in the sales volume of our potted vegetable produce. Our gross profit margin increased from approximately 41.5% in FY2022 to approximately 43.4% in FY2023 mainly because of the increase in revenue from the sale of our potted vegetable produce by approximately RMB31.2 million (or 24.6%) from FY2022 to FY2023, which overwhelmed the increase in our cost of sales by approximately RMB15.2 million (or 20.5%) during the same period. Moreover, due to the temporary suspension of business activities of our Laixi Facility and Dalian Facility during the lockdown period between March and April 2022, our revenue decreased significantly during the said period, leading to a lower gross profit margin for FY2022.

Other income

Other income consists of (i) interest income; (ii) rental income; (iii) government grants; and (iv) compensation received. Our other income increased slightly from approximately RMB0.9 million for FY2022 to approximately RMB1.2 million for FY2023 mainly due to compensation received in FY2023.

Changes in fair value of biological assets less cost to sell

Our biological assets consist of potted vegetable produce held by us and stated at fair value less estimated cost to sell as at the end of reporting period. The fair value of our biological assets was assessed at each reporting date. The resultant gain or loss arising from the changes in the fair value adjustment between each reporting period are recognised in our consolidated statements of profit or loss.

For FY2022, we recorded a loss from changes in fair value of biological assets less cost to sell of approximately RMB2.1 million. In FY2022, our changes in fair value of biological assets included the unsold vegetable produce of approximately RMB4.6 million as a result of the temporary suspension of our facilities due to the outbreak of COVID-19 epidemic from March 2022 to April 2022. The remaining gain of approximately RMB2.5 million represents the difference between the fair value of the biological assets and the original cost of the biological assets as at 31 December 2022.

For FY2023, we recorded a gain from changes in fair value of biological assets less cost to sell of approximately RMB3.4 million. The gain represents the difference between the fair value of the biological assets and the original cost of the biological assets as at 31 December 2023.

Selling and distribution expenses

Selling and distribution expenses consist of salary, depreciation, office expenses, advertising fees, motor vehicles expenses and other expenses. Our selling and distribution expenses remained stable at approximately RMB0.4 million and RMB0.3 million for FY2022 and FY2023 respectively.

Administrative and other expenses

Administrative and other expenses consist of salary, legal, professional and auditing fees, depreciation of property, plant and equipment, depreciation of investment properties, depreciation of right-of-use assets, entertainment and travelling expenses, write-off of property, plant and equipment and other expenses. Our administrative and other expenses remained stable at approximately RMB12.4 million and RMB13.0 million for FY2022 and FY2023 respectively.

Listing expenses

Listing expenses amounted to approximately RMB5.7 million and RMB9.6 million for FY2022 and FY2023 respectively. The change in our Listing expenses reflects the phase of work of the professional parties engaged for the purpose of our application for Listing in the corresponding periods.

Income tax expense

Our income tax expense remained nil for FY2022 and FY2023.

We are not subject to taxation in the Cayman Islands and the British Virgin Islands. No provision for Hong Kong Profits Tax is required since we have no assessable profits in Hong Kong.

According to the Article 27 of the EIT Law and Article 86 of the Regulations of Enterprise Income Tax Law, enterprise income from agriculture, forestry, husbandry and fishery projects may be reduced or exempted from taxation. Pursuant to the abovementioned provisions and with the approval of Dianbu Branch of the State Taxation Bureau of Laixi City, Fujing Agriculture's enterprise income from agriculture has been exempted from taxation for the period from 1 May 2010 to 1 May 2050.

Profit for the year

Our profit for the year increased by approximately RMB17.4 million from approximately RMB31.8 million in FY2022 to approximately RMB49.2 million in FY2023, which mainly resulted from the increase in our revenue by approximately RMB31.2 million from FY2022 to FY2023 mainly attributable to the increase in our sales volume of our potted vegetable produce as our business operation was no longer affected by COVID-19 epidemic in FY2023. Our revenue and sales volume for FY2022 was significantly lower due to the temporary suspension of our Laixi Facility and Dalian Facility as a result of the resurgence of COVID-19 cases and the lockdown measures during March and April 2022. Meanwhile, our net profit margin increased from approximately 25.1% in FY2022 to approximately 31.2% in FY2023 as our business operation was no longer affected by COVID-19 epidemic in FY2023.

Analysis of key items of financial position

Net current assets

Our net current assets improved from approximately RMB103.3 million as at 31 December 2022 to approximately RMB138.2 million as at 31 December 2023, with the bank and cash balances increased from approximately RMB71.1 million as at 31 December 2022 to approximately RMB89.4 million as at 31 December 2023. The improvement was mainly because our revenue grew by approximately 24.6% during FY2023, leading to higher bank balances and trade receivables balances as at 31 December 2023.

Biological assets

Our biological assets represent the potted vegetable produce stated at fair value less estimated cost to sell as at the end of reporting period.

The fair value of our biological assets increased from approximately RMB8.4 million as at 31 December 2022 to approximately RMB9.6 million as at 31 December 2023, primarily due to the increase in the number of our potted vegetable produce in our cultivation facilities as at 31 December 2023.

Inventories

Our inventories primarily consist of pots and agricultural materials which mainly include seeds, fertilisers and biopesticides which were not utilised at the end of each reporting period. Our inventories increased slightly from approximately RMB1.6 million as at 31 December 2022 to approximately RMB1.7 million as at 31 December 2023 due to purchase of raw materials.

Trade receivables

Our trade receivables primarily consist of receivables associated with the sales of our potted vegetable produce to our customers. Our trade receivables increased from approximately RMB53.4 million as at 31 December 2022 to approximately RMB61.9 million as at 31 December 2023 in line with the revenue growth during FY2023.

Trade payables

Our trade payables primarily relate to our subcontracting labour cost and purchase of raw materials from our suppliers.

Our trade payables decreased from approximately RMB15.6 million as at 31 December 2022 to approximately RMB7.2 million as at 31 December 2023, primarily due to our faster settlement of trade payables for FY2023.

Bank borrowings

Our total outstanding balance of bank loans remained stable at approximately RMB20.0 million as at 31 December 2022 and 31 December 2023.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Please refer to the paragraph headed "Business — Risk management and internal control" in this prospectus for further information.

CODE ON CORPORATE GOVERNANCE PRACTICES

Since we were not yet listed on the Stock Exchange in FY2023, the Corporate Governance Code as set out in Appendix C1 to the Listing Rules was not applicable to us during such period under review. After the Listing, we will comply with all the code provisions set forth in the Corporate Governance Code. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code for each financial year and comply with the "comply or explain" principle in our corporate governance report, which will be included in our annual reports subsequent to the Listing.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

We have established an audit committee, which came into operation with effect from 26 February 2024, in compliance with the Corporate Governance Code. Each of the members of the audit committee has reviewed the 2023 Preliminary Financial Information as set out in this appendix.

The unaudited preliminary financial information in respect of our consolidated statement of financial position as at 31 December 2023, consolidated statement of comprehensive income and the related notes thereto FY2023 as set out in our 2023 Preliminary Financial Information above has been agreed by the Reporting Accountants to the amounts set out in the Group's unaudited consolidated financial statements for FY2023 following their work under Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the HKICPA. The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Reporting Accountants on the 2023 Preliminary Financial Information.

PURCHASE, SALES OR REDEMPTION OF OUR SHARES

Since we were not yet listed on the Stock Exchange in FY2023, this disclosure requirement is not applicable to us.

The following is the text of a letter, summary of values and valuation report, prepared for the purpose of incorporation in this prospectus received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 December 2023 of the real properties located in the PRC.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 01-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心27樓2701-2708室
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20 March 2024

The Directors
Fujing Holdings Co., Limited
Huanhu North Road South
Nanbu Village South, Rizhuang Town
Laixi, Qingdao
Shandong Province
The People's Republic of China

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Fujing Holdings Co., Limited (the "**Company**") for us to value the real properties held/leased by the Company and/or its subsidiaries (together referred to as the "**Group**") located in the People's Republic of China (the "**PRC**"). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information, as we consider necessary for the purpose of providing you with our opinion of the market values of the real properties as at 31 December 2023 (the "**valuation date**").

BASIS OF VALUATION

Our valuations of the real properties have been based on the market value, which is defined by The Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". The market value is also understood as the value of an asset or liability estimated without regard to cost of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

PROPERTY CATEGORISATIONS

In the course of our valuations, the portfolio of the real properties are categorised into the following groups:

Group I	—	Real property held by the Group for occupation in the PRC
Group II	—	Real property held by the Group for owner-occupation/investment in the PRC
Group III	—	Real property leased by the Group for occupation in the PRC
Group IV	—	Real property held by the Group for investment in the PRC

VALUATION METHODOLOGIES

In valuing the real properties in Groups I, II & IV, we have adopted the Depreciated Replacement Cost Approach. Depreciated replacement cost is defined as "the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental factors, etc.; all of these might result in the existing real property being worth less to the undertaking in occupation than would a new replacement". This basis has been used due to the lack of an established market upon which to base comparable transactions, which generally furnishes the most reliable indication of values for assets without a known used market. This opinion of value is subject to adequate profitability of the business compared to the value of the total assets employed. Where appropriate, we have also adopted the Investment Approach by taking into account the current passing rent of the real property being held under existing tenancy with due allowance for the reversionary value of the real property.

In valuing the real property in Group III leased by the Group, we are of the opinion that it has no commercial value either because of its non-assignability in the market or there are prohibitions against subletting and/or assignment contained in the respective lease(s) and/or tenancy agreement(s) or the lack of marketable and substantial profit rents.

TITLE INVESTIGATION

We have been provided with copies and/or extracts of title documents/tenancy agreements and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group's PRC legal advisers (the "**PRC Legal Advisers**") — Hylands Law Firm (北京浩天(濟南)律師事務所) regarding the title of the real properties located in the PRC. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the real properties are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the real properties. In addition, no account has been taken of any option or right of pre-emption concerning or effecting the sale of the real properties and no forced sale situation in any manner is assumed in our valuations.

In valuing the real properties, we have relied on the advice given by the Group that the Group has valid and enforceable title to the real properties which are freely transferable, and has free and uninterrupted rights to use the same, for the whole of the unexpired term granted subject to the payment of annual Government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

The site inspections were conducted by Ms. Yu Feng-lin (a holder of BSc degree, Linyi University) in April 2020. We have inspected the real properties externally and where possible, the interior of the real properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the real properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, completion dates of buildings, particulars of occupancy, site/floor areas, identifications of the real properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the real properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the real properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the real properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors, The RICS Valuation — Global Standards published by The Royal Institution of Chartered Surveyors ("**RICS**") and the International Valuation Standards (IVS) published by The International Valuation Standards Council.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfer.

Our Summary of Values and Valuation Report are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Note: Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 30 years' experience in valuations of real properties in Hong Kong and over 24 years' experience in valuations of real properties in the PRC.

SUMMARY OF VALUES

No.	Real property	Market Value in existing state as at 31 December 2023 *RMB*
	Group I — Real property held by the Group for occupation in the PRC	
1.	A land parcel together with various structures located at Nanbu Village Rizhuang Town Laixi, Qingdao Shandong Province The PRC 位於中國山東省青島萊西市日莊鎮南埠村之一塊土地及若干構築物	No Commercial Value
	Sub-total:	**Nil**
	Group II — Real property held by the Group for owner-occupation/investment in the PRC	
2.	A land parcel together with 1 building and various structures located at Nanbu Village Rizhuang Town Laixi, Qingdao Shandong Province The PRC 位於中國山東省青島萊西市日莊鎮南埠村之一塊土地、一幢房屋及若干構築物	97,300,000
	Sub-total:	**97,300,000**

No.	Real property	Market Value in existing state as at 31 December 2023 *RMB*
	Group III — Real property leased by the Group for occupation in the PRC	
3.	A land parcel together with various buildings and structures located at Nanbu Village Rizhuang Town Laixi, Qingdao Shandong Province The PRC 位於中國山東省青島萊西市日莊鎮南埠村之一塊土地、若干房屋及構築物	No Commercial Value
	Sub-total:	**Nil**
	Group IV — Real property held by the Group for investment in the PRC	
4.	A land parcel together with 8 buildings located at Dongzhuangtou Village Dianbu Town Laixi, Qingdao Shandong Province The PRC 中國山東省青島萊西市店埠鎮東莊頭村之一塊土地及八幢房屋	23,700,000
	Sub-total:	**23,700,000**
	Grand-total:	**121,000,000**

VALUATION REPORT

Group I — Real property held by the Group for occupation in the PRC

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2023 *RMB*
1.	A land parcel together with various structures located at Nanbu Village Rizhuang Town Laixi, Qingdao Shandong Province The PRC 位於中國山東省青島萊西市日莊鎮南埠村之一塊土地及若干構築物	The real property comprises a land parcel with a site area of approximately 128,334 sq.m. together with various structures completed in various stages between 2017 and 2018 erected thereon. The land use rights of the real property have been allocated for agricultural related, agricultural tourism and electronic business uses.	The real property together with Real property Nos. 2 (excluding the leased portion) & 3 as a whole was occupied by the Group for agricultural use.	No Commercial Value (Nil)

Notes:

1. The real property is located within Nanbu Village, Rizhuang Town, Laixi. It takes about 2 hours' drive from the real property to Qingdao town centre.

2. Pursuant to a Land Reservation Agreement (土地預約協議) entered into between the People's Government of Rizhuang Town of Laixi (萊西市日莊鎮人民政府) ("**Rizhuang Government**") and Qingdao Fujing Agriculture Development Company Limited (青島富景農業開發有限公司) ("**Fujing Agriculture**") (previously known as 青島富景農業生態開發有限公司) dated 17 June 2006, it was agreed that Fujing Agriculture can acquire a land parcel within the boundary of Rizhuang Town of Laixi having a site area of approximately 250 mu (final area subject to measurement by Lands and Resources Bureau) at a unit price of RMB26,000 per mu (inclusive of compensation for the ancillary structures erected thereon, young crop compensation, land grant premium and any other fees for the land grant procedure) for a term of 50 years for ecological and agricultural development uses and the former will be responsible to apply for a State-owned Agricultural Land Use Rights Certificate for Fujing Agriculture on or before the end of December 2006.

3. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用權證), Xi Guo Yong (2013) Di No. 0041 (西國用(2013)第0041號), issued by the Municipal Government of Laixi (萊西市人民政府) ("**Laixi Government**") dated 22 May 2013, the land use rights of the real property with a site area of approximately 181,792 sq.m. have been allocated to Qingdao Changyang Investment and Development Co., Ltd. (青島昌陽投資開發有限公司) ("**Changyang**"), which is a company wholly-owned by a subordinate department of the Laixi Government.

4. Pursuant to a Land Use Situation Explanatory Statement (用地情況說明) issued by the Lands and Resources Bureau of Laixi (萊西市國土資源局) dated 7 August 2015, it was confirmed that Fujing Agriculture had been using the real property for ecological & agricultural development use; such land use has not been changed and in compliance with relevant planning regulations.

5. Pursuant to a Notice of Optimisation Measures for the Management of State-owned land at Chanzhi Reservoir (關於做好產芝水庫部分國有土地管理的通知) (the "**Notice**") issued by the Office of Laixi Government (the "**Office**") dated 5 March 2020, the Office agreed that Rizhuang Government is responsible for the daily management of the allocated land parcel of the real property with a site area of approximately 192.5 mu situated in Chanzhi Reservoir held by Changyang.

6. Pursuant to a Supplemental Agreement (補充協議) entered into between Rizhuang Government and Fujing Agriculture dated 23 March 2020, the former explicitly confirmed that Fujing Agriculture has been physically using and occupying the land parcel of the real property with a site area of approximately 192.5 mu in accordance with the Land Reservation Agreement dated 17 June 2006 as referred to in Note 2 and further confirmed that there is no violation of any relevant laws and regulations; Fujing Agriculture can within the term (i.e. from 2006 to 2056) of the said Land Reservation Agreement continually use and occupy the land parcel of the real property for the purposes of vegetable plantation, crop plantation, sale, vegetable & crop study as well as agricultural leisure tourism, e-commerce, etc.; Fujing Agriculture can properly use the land parcel by means like sub-leasing; and Fujing Agriculture has already settled all the fees in accordance with the Land Leasing Agreement and therefore, Fujing Agriculture is not obliged to pay any other fees for the land parcel.

7. Pursuant to a Confirmation Letter (確認函) issued by Changyang dated 11 December 2020, Changyang reconfirmed and agreed that Fujing Agriculture is entitled to use and occupy the allocated land parcel of the real property for the period from 22 May 2013 (i.e. the date of the State-owned Land Use Rights Certificate as referred to in Note 3) to 5 March 2020 (i.e. the date of the Notice as referred to in Note 5); Changyang irrevocably agreed with the use of the land by Fujing Agriculture and the arrangement stipulated under the Notice of Optimisation Measures for the Management of State-owned land at Chanzhi Reservoir (i.e. the Notice) as referred to in Note 5 and the Supplemental Agreement Fujing Agriculture entered into with the Rizhuang Government as referred to in Note 6.

8. Pursuant to a Confirmation Letter (確認函) issued by the Natural Resources Bureau of Laixi (萊西市自然資源局) (the "**Bureau**") dated 22 March 2021, it is confirmed that Fujing Agriculture can use the allocated land parcel for agricultural use for the period as stated in the Land Reservation Agreement as referred to in Note 2 and the Supplemental Agreement as referred to in Note 6; Fujing Agriculture has fully settled the relevant fees as agreed in the Land Reservation Agreement to the Government of Rizhuang Town (日莊鎮政府) ("**Rizhuang Town Government**") by installments from 2006 to 2018 without any breach of contract; Fujing Agriculture is entitled to keep using the allocated land parcel without further payment upon obtaining authorisation from the Rizhuang Town Government and receiving no objection from Changyang. The chance for Fujing Agriculture to be stopped from using such allocated land parcel is minimal but if it so happens, the Bureau, Rizhuang Town Government and Changyang would reasonably compensate on any suffered loss incurred by Fujing Agriculture; the Bureau would strictly execute all the arrangements regarding the allocated land parcel as stipulated in the Notice as referred to in Note 5, and it would not have any objection to the terms and conditions as agreed in the aforesaid Land Reservation Agreement and Supplemental Agreement. There is no illegal act and/or violation of any regulations for the utilisation of the land parcel of the real property by Fujing Agriculture.

9. For the valuation of the real property, we have attributed no commercial value to the land parcel together with various structures erected thereon because of the allocated land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these structures (excluding the land) as at the valuation date would be in the sum of about RMB30,000,000 assuming all relevant title certificates have been obtained and such structures could be freely transferred in the market.

10. The opinion of the PRC Legal Advisers contains, *inter alia*, that as per the authorisation given by Laixi Government, confirmation letters issued by the Bureau and Changyang, it is confirmed that Fujing Agriculture is entitled to use and occupy the land parcel of the real property in accordance with the Land Reservation Agreement and the Supplemental Agreement; the land parcel of the real property can be used and occupied for agricultural purpose; the utilisation of the land parcel by Fujing Agriculture has not changed the land use of such land parcel and is in compliance with relevant planning regulations; there is no illegal act and/or violation of any regulations for the utilisation of the land parcel of the real property by Fujing Agriculture; and if Fujing Agriculture continues to utilise such land parcel for agricultural development use in accordance with the terms of the Land Reservation Agreement entered into with Rizhuang Government, the chance of being asked by Laixi Land Administration Department to return the relevant land is relatively low.

11. Fujing Agriculture is an indirect wholly-owned subsidiary of the Company.

VALUATION REPORT

Group II — Real property held by the Group for owner-occupation/investment in the PRC

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2023 *RMB*
2.	A land parcel together with 1 building and various structures located at Nanbu Village Rizhuang Town Laixi, Qingdao Shandong Province The PRC 位於中國山東省青島萊西市日莊鎮南埠村之一塊土地、一幢房屋及若干構築物	The real property comprises a land parcel (Land Plot No. 105-005-0177) with a site area of approximately 214,804 sq.m. together with 1 building and various structures completed in various stages between 2012 and 2019 erected thereon. As advised, the total gross floor area of the ancillary building for agricultural use of the real property is approximately 82 sq.m. The land use rights of the real property have been granted for a term expiring on 27 June 2058 for agricultural use.	Portion of land parcel of the real property with a site area of approximately 100 mu is leased to an independent third party for a term commencing on 1 April 2019 and expiring on 31 March 2024 at an annual rent of RMB240,000 for seedling planting use. The remaining portion of the land parcel together with Real property Nos. 1 & 3 as a whole was occupied by the Group for agricultural use.	97,300,000 (Ninety-seven Million and Three Hundred Thousand Only)

Notes:

1. The real property is located within Nanbu Village, Rizhuang Town, Laixi. It takes about 2 hours' drive from the real property to Qingdao town centre.

2. Pursuant to a State-owned Land Use Rights and Collectively-owned Land Leasing Rights Transfer Contract (國有土地使用權及集體土地租賃權轉讓合同) dated 15 December 2010 and a Supplemental Agreement dated 26 December 2010 entered into between an independent third party and Qingdao Fujing Agriculture Development Company Limited (青島富景農業開發有限公司) ("**Fujing Agriculture**"), the State-owned land parcel of the real property with plantation land of approximately 262.5 mu and fish pond of approximately 60 mu together with the ancillary facilities erected thereon were contracted to be transferred to Fujing Agriculture at a total consideration of RMB25,044,665.

3. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用權證), Xi Guo Yong (2015) Di No. 0122 (西國用(2015)第0122號), issued by the Municipal Government of Laixi (萊西市人民政府) dated 18 June 2015, the land use rights of the real property with a site area of approximately 214,804 sq.m. have been granted to Fujing Agriculture for a term expiring on 27 June 2058 for agricultural use.

4. Pursuant to a Certificate (證明) issued by the Natural Resources Bureau of Laixi (萊西市自然資源局) (the "**Bureau**") dated 11 December 2023, it was confirmed that Fujing Agriculture had legally obtained the State-owned Land Use Rights Certificate for the land parcel of the real property in accordance with the relevant land management laws, administrative rules & regulations and the requirements under certain normative documents; since its incorporation, Fujing Agriculture had been using the land parcel of the real property in compliance with the relevant PRC laws related to land management & town planning, administrative rules & regulations and the requirements under certain normative documents; there is no penalty arising from the violations from such relevant laws, rules & regulations and requirements under normative documents; and there is no argument & dispute with the Bureau.

5. Pursuant to a Rizhuang Ji Di Land Leasing Contract (日莊基地土地租賃合同) (the "**Leasing Contract**") entered into between Fujing Agriculture and an independent third party dated 20 March 2019, portion of the land parcel of the real property with a site area of approximately 100 mu is leased to the independent third party for a period from 1 April 2019 to 31 March 2024 at an annual rent of RMB240,000 for seedling planting use.

6. Pursuant to a Mortgage Contract (抵押合同) and a Floating Capital Loan Contract (流動資金借款合同), entered into between Fujing Agriculture and Qingdao Rural Commercial Bank Company Limited Laixi Branch (青島農村商業銀行股份有限公司萊西支行) both dated 31 March 2021, the former has mortgaged the land use rights of the real property to the latter as security for a loan amount of RMB10,000,000 for a period from 31 March 2021 to 20 March 2022 and subsequently both parties entered into a Loan Extension Agreement (借款展期協議) dated 30 March 2022 to extent the mortgage of the land use rights of the real property at a loan amount of RMB10,000,000.

   Upon expiration of the above Contracts and Agreement, both parties entered into a Floating Loan Contract (流動資金借款合同) dated 14 February 2023 to extent the mortgage of the land use rights of the real property at a loan amount of RMB10,000,000.

7. For the building of the real property, we have not been provided with any title certificate.

8. The opinion of the PRC Legal Advisers contains, *inter alia*, the followings:

   a. The land use rights of the real property are legally and solely vested in Fujing Agriculture which is entitled to occupy, use, lease, transfer, mortgage and dispose of the land use rights of the real property within the term and land use stated in the State-owned Land Use Rights Certificate as referred to in Note 3;

   b. Fujing Agriculture had erected on the real property some production facilities for agricultural use and some ancillary facilities for storage, management and accommodation uses which are classified as facility agriculture ("**Facility Agriculture**") (設施農業) and such Facility Agriculture had been filed on record under relevant land management regulations. Such Facility Agriculture belongs to kind of agricultural internal structure adaptation which is not non-agricultural construction and its nature conforms to the agriculture land use of the real property, and therefore it is not necessary to Fujing Agriculture to apply for any title certificates. Fujing Agriculture is entitled to occupy, use, lease, transfer, mortgage and dispose of such Facility Agriculture legally in accordance with the relevant PRC laws and regulations;

c. The Leasing Contract as referred to in Note 5 is legally valid and binding on the contracting parties. According to the requirements under relevant regulations, the Leasing Contract should be registered under relevant government department. However, the registration had not been done. But such non-registration will not affect the validity of the Leasing Contract. This is because the Leasing Contract had been in effect in 2019 which was before the signing of the Mortgage Contract in 2020. As a result, the mortgage will not affect the validity of the Leasing Contract. Fujing Agriculture cannot further lease out the portion of the real property under the Leasing Contract. The Leasing Contract is in compliance with relevant laws, regulations and commercial practice. There is no signs of breach of contract nor any possibility to a breach of contract or to rescind the contract; and

d. Apart from the mortgage with the relevant restrictions and the leasing situation detailed above, there is no other material encumbrance or third party interest on the land use rights of the real property and there is also no title defect or any material legal dispute over the land use rights of the real property.

9. Fujing Agriculture is an indirect wholly-owned subsidiary of the Company.

VALUATION REPORT

Group III — Real property leased by the Group for occupation in the PRC

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2023 *RMB*
3.	A land parcel together with various buildings and structures located at Nanbu Village Rizhuang Town Laixi, Qingdao Shandong Province The PRC 位於中國山東省青島萊西市日莊鎮南埠村之一塊土地、若干房屋及構築物	The real property comprises a land parcel with a site area of approximately 34,467 sq.m. together with 5 buildings and various structures completed in various stages between 2012 and 2018 erected thereon. As advised, the total gross floor area of the ancillary buildings for agricultural use of the real property is approximately 1,171 sq.m. The real property is collectively-owned land leased for agricultural use.	The real property together with Real property Nos. 1 & 2 (excluding the leased portion) as a whole was occupied by the Group for agricultural use.	No Commercial Value (Nil)

Notes:

1. The real property is located within Nanbu Village, Rizhuang Town, Laixi. It takes about 2 hours' drive from the real property to Qingdao town centre.

2. Pursuant to a State-owned Land Use Rights and Collectively-owned Land Leasing Rights Transfer Contract (國有土地使用權及集體土地租賃權轉讓合同) entered into between an independent third party and Qingdao Fujing Agriculture Development Company Limited (青島富景農業開發有限公司) ("**Fujing Agriculture**") dated 15 December 2010, the collectively-owned land parcel of the real property with a site area of approximately 51.7 mu were contracted to be leased to Fujing Agriculture for a term of 50 years at a total rent of RMB2,000,000.

3. Pursuant to a Land Leasing Contract (土地租賃合同) entered into between the People's Government of Rizhuang Town (日莊鎮人民政府) ("**Rizhuang Government**") and Fujing Agriculture dated 27 December 2010, the former leased the real property with a site area of approximately 51.7 mu to the latter for vegetable plantation use.

4. Pursuant to a Certificate regarding the confirmation for the circulation of land contract and operation (關於確認承包經營土地流轉的證明) issued by Village Committee of Nanbu Village (the "**Committee**") dated 18 August 2015, it was confirmed that the Committee agreed the leasing of the land parcel of the real property by Rizhuang Government to Fujing Agriculture.

5. For the buildings erected thereon the real property, we have not been provided with any title certificates.

6. For the valuation of the real property, we have attributed no commercial value to it together with the buildings and structures erected thereon because of its non-assignability in the market or there are prohibitions against subletting and/or assignment contained in the respective leasing contract and/or tenancy agreement or the lack of substantial and marketable profit rents. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and structures (excluding the land) as at the valuation date would be in the sum of about RMB12,700,000 assuming all relevant title certificates have been obtained and such buildings and structures could be freely transferred in the market.

7. The opinion of the PRC Legal Advisers contains, *inter alia*, the followings:

   a. The Land Leasing Contract as referred to in Note 3 is legally valid and binding on the contracting parties and Fujing Agriculture has settled the total rent under such contract; the town planning allows the land parcel of the real property for agricultural use; Fujing Agriculture has not changed the agricultural land use of the real property for other non-agricultural development; the use of such leased real property by Fujing Agriculture has been in compliance with the relevant rules and regulations; and there is no legal risks; and

   b. Under the Civil Code of the People's Republic of China, it is stipulated that the length of leasing period cannot exceed 20 years and the period exceeding such 20-year period will become invalid. However, Fujing Agriculture can legally and validly lease and use the real property within the 20-year period and has the priority right to renew the lease upon the expiration of such 20-year period for continued use of the real property. As a result, there is no adverse impact to the normal operation and production of Fujing Agriculture. The Land Leasing Contract is in compliance with relevant laws, regulations and commercial practice. There is no sign of breach of contract nor any possibility to a breach of contract or to rescind the contract.

8. Fujing Agriculture is an indirect wholly-owned subsidiary of the Company.

VALUATION REPORT

Group IV — Real property held by the Group for investment in the PRC

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2023 *RMB*
4.	A land parcel together with 8 buildings located at Dongzhuangtou Village, Dianbu Town Laixi, Qingdao Shandong Province The PRC 中國山東省青島萊西市店埠鎮東莊頭村之一塊土地及八幢房屋	The real property comprises a land parcel (Land Plot No. 108–003–0050) with a site area of approximately 25,679 sq.m. together with 8 buildings completed in about 2011 erected thereon. The total gross floor area ("**GFA**") of the buildings of the real property is approximately 12,283.67 sq.m. The land use rights of the real property have been granted for a term expiring on 14 October 2045 for industrial and cold storage uses.	The real property is leased to an independent third party for a term commencing on 1 September 2022 and expiring on 31 August 2024 for cold storage and related uses.	23,700,000 (Twenty-three Million and Seven Hundred Thousand Only)

Notes:

1. The real property is located within Dongzhuangtou Village, Dianbu Town, Laixi. It takes about 1.5 hours' drive from the real property to Qingdao town centre.

2. Pursuant to an Immovable Property Title Certificate (不動產權證), Lu (2022) Lai Xi Shi Bu Dong Chan Quan Di No. 0006589, issued by the Lands and Resources Bureau of Laixi (萊西市國土資源局) dated 9 September 2022, the land use rights of the real property with a site area of approximately 25,679 sq.m. and the building ownership rights of 8 buildings of the real property with a total GFA of approximately 12,283.67 sq.m. are legally vested in Qingdao Fujing Agriculture Development Company Limited (青島富景農業開發股份有限公司) ("**Fujing Agriculture**") for a term expiring on 14 October 2045 for industrial and cold storage uses.

3. Pursuant to a Fujing Agriculture Dianbu Cold Storage Leasing Agreement (青島富景農業開發有限公司店埠冷庫租賃使用協議) ("**Leasing Agreement**") entered into between Fujing Agriculture and an independent third party dated 20 August 2014, the real property was leased to the independent third party for a period from 1 September 2014 to 31 August 2015 at an annual rent of RMB200,000 for cold storage and related uses. A Supplementary Agreement was signed by both parties dated 26 August 2015 to extend the leasing period up to 31 August 2017. A further Supplementary Agreement was signed by both parties dated 21 August 2017 to extend the leasing period up to 31 August 2020 at a revised annual rent of RMB400,000. On 16 August 2020, the Laixi Housing and Urban & Rural Construction Bureau (萊西市住房和城鄉建設局) issued a Laixi Building Leasing Registration Certificate (萊西市房屋租賃登記備案證明), Xi Fang Zu Zi Di No. 2020004 (西房租字第2020004號).

Upon expiration of the above leasing period, both parties entered into a new Leasing Agreement dated 1 September 2020 for a period from 1 September 2020 to 31 December 2023 at an annual rent of RMB400,000. On 2 November 2020, the Laixi Housing and Urban & Rural Construction Bureau issued a Laixi Building Leasing Registration Certificate, Xi Fang Zu Zi Di No. 2020239 (西房租字第2020239號).

Upon expiration of the above leasing period, both parties entered into a new Leasing Agreement (the "**New Leasing Agreement**") dated 1 September 2022 for a period from 1 September 2022 to 31 August 2024 at an annual rent of RMB400,000.

4. Pursuant to a Maximum Mortgage Contract (最高額抵押合同) (the "**Mortgage Contract**") entered into between Fujing Agriculture and Bank of China Company Limited Laixi Branch (中國銀行股份有限公司萊西支行) ("**BOC Branch**") dated 17 September 2019, Fujing Agriculture has mortgaged the land use rights and building ownership rights of the real property to BOC Branch as guarantee for the loan, trade finance, bank acceptance bill, letter of guarantee, capital business and any other credit business contract as well as their related amendments and supplements between Fujing Agriculture and BOC Branch for the period from 17 September 2019 to 16 September 2022 at a maximum amount of secured debt of RMB10,000,000. Within the aforementioned mortgage period, the mortgagor (i.e. Fujing Agriculture), without obtaining the consent from the mortgagee (i.e. BOC Branch), cannot wholly or partly transfer, lease, lend, investment in kind, alter, construct or any other means to dispose of the mortgaged real property wholly or partly.

   Before expiration of the above Mortgage Contract, both parties entered into a Working Capital Loan Contract (流動資金借款合同) and a new Maximum Mortgage Contract (the "New Mortgage Contract") dated 14 September 2022 to extent the mortgage period from 13 September 2022 to 13 September 2025 at a maximum amount of secured debt of RMB10,000,000.

   Both parties further entered into a Credit Limit Agreement (授信額度協議) and a Supplementary Credit Limit Agreement (授信額度補充協議) dated 12 December 2023 and 31 January 2024 respectively, upon expiration of the above Working Capital Loan Contract, the loan period was extended to 6 June 2024, with the same guarantee terms and conditions. Simultaneously, Geng Qi (耿琦) was added as a guarantor, providing the highest mortgage guarantee for the loan.

5. Pursuant to a Certificate (證明) issued by the Natural Resources Bureau of Laixi (the "**Bureau**") dated 11 December 2023, it was confirmed that Fujing Agriculture had legally obtained the Immovable Property Title Certificate of the real property in accordance with the relevant land management laws, administrative rules & regulations and the requirements under certain normative documents; since its incorporation, Fujing Agriculture had been using the real property in compliance with the relevant PRC laws related to land management & town planning, administrative rules & regulations and the requirements under certain normative documents; there is no penalty arising from the violations from such relevant laws, rules & regulations and requirements under normative documents; and there is no argument & dispute with the Bureau.

6. Pursuant to copies of various contracts provided by the Group, various decoration and improvement works comprising mainly insulation system, tap water supply system & scaffolding works for the cold storage buildings as well as waterproofing works for the ancillary office buildings have been undertaken at a total contract sum of RMB12,221,389.74 which had been settled on or before the date of valuation. Our valuation has considered such costs incurred up to the date of valuation.

7. The opinion of the PRC Legal Advisers contains, *inter alia*, the following:

   a. The land use rights and building ownership rights of the real property are legally and solely vested in Fujing Agriculture which is entitled to occupy, use, transfer, lease, mortgage or other means to dispose of the real property within the term as stated in the Immovable Property Title Certificate as referred to in Note 2;

b. All of the leasing contract/agreement and supplementary agreements as referred to in Note 3 are legally valid and binding on the contracting parties and they have been registered under relevant government department. The aforementioned leasing relationship had been in effect from 2014, which was well before the signing of the Mortgage Contract in 2019, as a result, the mortgage will not affect the validity of the New Leasing Agreement. Fujing Agriculture cannot further lease out the real property subject to the New Leasing Agreement. The New Leasing Agreement is in compliance with relevant laws, regulations and commercial practice. There is no sign of breach of contract nor any possibility to a breach of contract or to rescind the contract; and

c. Apart from the mortgage with the relevant restrictions and the leasing situation detailed above, there is also no other material encumbrance or third party interest on the land use rights and building ownership rights of the real property and there is also no title defect or any material legal dispute over the land use rights and building ownership rights of the real property.

8. Fujing Agriculture is an indirect wholly-owned subsidiary of the Company.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 July 2019 under the Companies Act (As Revised) of the Cayman Islands (the "**Companies Act**"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 11 March 2024 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(bbb) the giving of any securities or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company for each financial year and such general meeting must be held within six (6) months after the end of the Company's financial year, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy, and entitled to vote. In respect of a separate class meeting (including an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in the paragraph headed "3. Cayman Islands company law — (f) Protection of minorities and shareholders' suits" in this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 January 2021.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for on display as referred to in the paragraph headed "B. Documents available on display" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 23 July 2019 and its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Our Company has established its principal place of business in Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 3 March 2020. Mr. Au Yeung Ming Yin Gordon has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Act and our constitutional documents comprising the Memorandum and Articles. A summary of certain parts of our constitutional documents and relevant aspects of the Companies Act is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of incorporation was US$50,000 divided into 50,000 shares of par value of US$1.00 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

(a) On 23 July 2019, one share of a par value of US$1.00 was allotted and issued as fully paid to an Independent Third Party, which was then transferred to Wider International on the same date for cash at par.

(b) The authorised capital of our Company was sub-divided from US$50,000.00 divided into 50,000 shares of a nominal value of US$1.00 each to US$50,000.00 divided into 5,000,000 Shares of a nominal value of US$0.01 each on 24 March 2020.

(c) On 24 March 2020, 96,640 Shares of a par value of US$0.01 was allotted and issued as fully paid to Wider International; 26,472 Shares of a par value of US$0.01 was allotted and issued as fully paid to Beauty Sources; 6,300 Shares of a par value of US$0.01 was allotted and issued as fully paid to Vortex Festive; 3,500 Shares of a par value of US$0.01 was allotted and issued as fully paid to Caring Plentiful; 3,315 Shares of a par value of US$0.01 was allotted and issued as fully paid to Great Winner; 2,728 Shares of a par value of US$0.01 was allotted and issued as fully paid to Yuen Sang Tai; and 945 Shares of a par value of US$0.01 was allotted and issued as fully paid to Well Resourced.

(d) Pursuant to the sale and purchase agreement dated 8 February 2021 entered into between our Company and Mr. Xie Xing, our Company allotted and issued 1,414 Shares to Mr. Xie.

(e) On 16 November 2023, the authorised share capital of our Company was increased from USS50,000 divided into 5,000,000 Shares of par value of US$0.01 each to USl00,000,000 divided into 10,000,000 Shares of US$0.01 each by the creation of an additional 9,995,000,000 Shares of par value of US$0.01 each.

(f) Immediately following the completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is not exercised and without taking into account any Share which may be issued pursuant to any option and/or award which may be granted under the Share Scheme), the total issued share capital of our Company immediately after the completion of the Capitalisation Issue and the Share Offer will be US$5,000,000,000 divided into 500,000,000 Shares of par value of US$0.01 each, fully-paid or credited as fully paid.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further information about our Company and our subsidiaries — 4. Written resolutions of our Shareholders passed on 16 November 2023 and 11 March 2024" in this Appendix to this prospectus below and the exercise of any options and/or awards which may be granted under the Share Scheme, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above and in the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report as set out in Appendix I to this prospectus. Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written Resolutions of our Shareholders passed on 16 November 2023 and 11 March 2024

Pursuant to the written resolutions of the Shareholders of our Company passed on 16 November 2023 and 11 March 2024, the following resolutions were passed by our Shareholders, pursuant to which, among others:

(a) the authorised share capital of our Company was increased from US$50,000 divided into 5,000,000 Shares with par value of US$0.01 each to US$100,000,000 divided into 10,000,000,000 Shares of US$0.01 each;

(b) our Company approved the conditional adoption of the Memorandum and the conditional adoption of the Articles which will become effective on the Listing Date;

(c) conditional upon fulfillment of the conditions as stated in the paragraph headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus:

(i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects subject to the terms and conditions stated in this prospectus;

(ii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of US$3,998,585.86 standing to the credit of the share premium account of our Company and to apply such amount as to capital to pay up in full at par 399,858,586 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on the date of these resolutions (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and do such things and sign on such documents in relation thereto as they consider appropriate, and the Capitalisation Issue was approved; and

(iii) the rules of the Share Scheme (a summary of which is set out in the paragraph headed "D. Share Scheme" in this Appendix to this prospectus) was approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares and/or awards to obtain Shares under the Share Scheme and to allot, issue and deal with Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Scheme;

(d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, an issue of Shares pursuant to the exercise of the Over-allotment Option and options and/or awards which may be granted under the Share Scheme, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issuance of our Shares in lieu of the whole or part of any dividend in accordance with the

Memorandum and the Articles of Association, or upon the exercise of any subscription or conversion rights attached to any warrants or convertibles of our Company, or under the Capitalisation Issue or the Share Offer, Shares with a number not exceeding (1) 20% of the total number of Shares of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued upon exercise of the Over-allotment Option and any options and/or awards which may be granted under the Share Scheme; and (2) the total number of Shares repurchased by our Company under the Repurchase Mandate as defined in paragraph (e) below. Such mandate shall remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum or Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(e) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer, but excluding any Shares to be issued upon exercise of the Over-allotment Option and any options and/or awards which may be granted under the Share Scheme. Such mandate shall remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum or Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and

(f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the number of Shares repurchased by our Company pursuant to the Repurchase Mandate referred to in sub-paragraph

(e) above, provided that such extended amount shall not exceed 10% of the total number of Shares of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer.

5. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus.

6. Repurchase of Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by our then Shareholders on 11 March 2024, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase our Shares as described in the paragraph headed "A. Further information about our company and our subsidiaries — 4. Written resolutions of our shareholders passed on 16 November 2023 and 11 March 2024" in this Appendix to this prospectus.

(ii) Source of funds

Any repurchase by our Company must be financed out of funds legally available for the purpose in accordance with the Memorandum and Articles, the applicable laws of the Cayman Islands and the Listing Rules. A listed company shall not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Subject to the foregoing, any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company, or for the capital portion of the Shares to be repurchased, out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Subject to the Companies Act, a repurchase of Shares may also be made out of the share capital of our Company.

(iii) Core connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a core connected person (as defined in the Listing Rules), and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(iv) Trading restrictions

The total number of shares which a listed company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange may not exceed 10% of the number of issued shares of that company, and the total number of warrants to subscribe for or purchase shares authorised to be so repurchased may not exceed 10% of the warrants of that company, in each case as at the date of the resolution granting the general mandate for such repurchase.

A listed company is prohibited from repurchasing its own shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange.

A listed company is also prohibited from repurchasing its own shares on the Stock Exchange if that repurchase would result in the number of listed securities of that company which are in the hands of the public falling below the relevant prescribed minimum percentage for that company as determined by the Stock Exchange.

A listed company shall not repurchase its own shares on the Stock Exchange at any time after inside information has come to its knowledge until (and including) the trading day after the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (1) the date of our board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for the approval of that company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for that company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, that company may not repurchase its shares on the Stock Exchange.

(v) Status of repurchased securities

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) shall be automatically cancelled upon repurchase and the certificates of the relevant securities must be cancelled and destroyed. Under Cayman Islands law, shares repurchased by a Cayman Islands company may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be taken as reduced.

(vi) Reporting requirements

A listed company must report repurchases of securities on the Stock Exchange or otherwise to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which such repurchases are made, reporting total number of Shares purchased the previous day, the purchase price per share or the highest and lowest prices paid for such purchases, where relevant.

In addition, a listed company's annual report and accounts are required to include a monthly breakdown of purchases of shares made during the financial year under review, showing the number of shares repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the aggregate prices paid for such repurchases. The directors' report of that company is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases.

(b) Exercise of the Repurchase Mandate

On the basis of 500,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer and taking no account of any Share to be issued upon exercise of the Over-allotment Option or any options and/or awards which may be granted under the Share Scheme, our Directors would be authorised under the Repurchase Mandate to repurchase up to 50,000,000 Shares during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(d) Funding of repurchases

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Companies Act, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the Listing pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) Deed of Indemnity;

(b) Deed of Non-competition; and

(c) Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group registered the following trademarks which, in the opinion of our Directors, are material to the business of our Group:

Trademark	Registered Owner	Place of Registration	Registration Number	Class *(Note)*	Expiry Date
	Fujing Agriculture	PRC	35346062	35	20 December 2029
张小菜	Fujing Agriculture	PRC	35848985	31	6 October 2029
张小菜	Fujing Agriculture	PRC	35988766	35	27 September 2029
玉盘鲜	Fujing Agriculture	PRC	20023215	31	6 July 2027
富景神农 FUJINGSHENNONG	Fujing Agriculture	PRC	44781768	5	13 November 2030

Trademark	Registered Owner	Place of Registration	Registration Number	Class *(Note)*	Expiry Date
富景神农 FUJINGSHENNONG	Fujing Agriculture	PRC	44753270	44	13 November 2030
富景神农 FUJINGSHENNONG	Fujing Agriculture	PRC	54028070	35	6 September 2032
富景本草 FUJINGBENCAO	Fujing Agriculture	PRC	44782880	5	13 February 2031
富景本草 FUJINGBENCAO	Fujing Agriculture	PRC	44783059	44	6 May 2031
富景神农	Our Company	Hong Kong	305074119	31	1 October 2029
富景農業	Our Company	Hong Kong	305243445	31	8 April 2030

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks in the PRC, for which approvals have not been granted yet:

Trademark	Intened Registered Owner	Place of Intened Registration	Class *(Note)*	Application Date
富景农业	Fujing Agriculture	PRC	31	13 November 2023
富景农业	Fujing Agriculture	PRC	31	13 November 2023

Note:

Class 5: Pharmaceuticals, medical and veterinary preparations; sanitary preparations for medical purposes; dietetic food and substances adapted for medical or veterinary use, food for babies; dietary supplements for human beings and animals; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.

Class 31: Raw and unprocessed agricultural, aquacultural, horticultural and forestry products; raw and unprocessed grains and seeds; fresh fruits and vegetables, fresh herbs; natural plants and flowers; bulbs, seedlings and seeds for planting; live animals; foodstuffs and beverages for animals; malt.

Class 35: Advertising; business management; business administration; office functions.

Class 44: Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, aquaculture, horticulture and forestry services.

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain Name	Registrant	Registration Date	Expiry Date
fujingnongye.cn	Fujing Agriculture	29 May 2016	29 May 2024
fujingnongye.com	Fujing Agriculture	9 December 2015	9 December 2024

Information contained in the above website does not form part of this prospectus.

(c) Patents

As of the Latest Practicable Date, we have registered the following patents:

No.	Name of invention	Type of Invention	Owner	Place of Registration	Patent registration number	Expiry Date
1.	Vegetable greenhouse environment monitoring system* (一種蔬菜大棚環境監測系統)	Invention patent (發明專利)	Fujing Agriculture	PRC	ZL-2017–1–0000236.9	1 January 2037
2.	Automatic sowing machine* (自動播種機)	Utility model patent (實用新型專利)	Fujing Agriculture	PRC	ZL-2019–2–0254448.4	27 February 2029
3.	Automatic sowing machine* (自動播種機)	Invention patent (發明專利)	Fujing Agriculture	PRC	201910150941.6	27 February 2039
4.	Sun blocking curtain device* (遮陽網捲簾裝置)	Utility model patent (實用新型專利)	Fujing Agriculture	PRC	ZL-2019–2–0224132.0	21 February 2029
5.	New type of watering device* (一種新型灌溉裝置)	Utility model patent (實用新型專利)	Fujing Agriculture	PRC	ZL-2018–2–2230577.8	26 December 2028
6.	Greenhouse vent opening and closing device* (大棚通風口開閉裝置)	Utility model patent (實用新型專利)	Fujing Agriculture	PRC	ZL-2019–2–0751035.7	22 May 2029
7.	New type of planting device* (一種新型種植裝置)	Utility model patent (實用新型專利)	Fujing Agriculture	PRC	ZL-2021-2-0420068.0	25 February 2031
8.	Automatic blending and feeding machine* (一種自動攪拌上料機)	Utility model patent (實用新型專利)	Fujing Agriculture	PRC	ZL-2021-2-0420175.3	25 February 2031
9.	New type of sowing machine* (一種新型播種機)	Utility model patent (實用新型專利)	Fujing Agriculture	PRC	ZL-2021-2-0420070.8	25 February 2031
10.	New type of planting tray* (一種新型種植盤)	Utility model patent (實用新型專利)	Fujing Agriculture	PRC	ZL-2021-2-0420165.X	25 February 2031

* *English translation of its Chinese counterpart is for reference only.*

Save as disclosed above, there are no other trade or service marks, patents, copyrights or other intellectual rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests of our Directors and chief executive

Immediately following the completion of the Capitalisation Issue and the Share Offer, without taking into consideration our Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option and/or award which may be granted under the Share Scheme, the interests or short positions of our Directors and chief executive of our Company in our Shares, underlying shares or debentures or any of its associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "**Model Code**") as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director(s)	Capacity	Number of Shares held	Percentage of shareholding in our Company
Mr. Zhang *(Note 1)*	Interest in a controlled corporation	273,636,275	54.73%
Mr. Cui Wei *(Note 2)*	Interest in a controlled corporation	9,900,010	1.92%

Notes:

1. Mr. Zhang is the sole shareholder of Wider International, thus Mr. Zhang is deemed to be interested in the same number of Shares held by Wider International under the SFO.

2. Mr. Cui Wei is the sole shareholder of Caring Plentiful, thus Mr. Cui Wei is deemed to be interested in the same number of Shares held by Caring Plentiful under the SFO.

(ii) Long position in the ordinary shares of associated corporation

Name of Director(s)	Name of associated corporation(s)	Capacity	Number of share(s) held	Percentage of shareholding in the associated corporation(s)
Mr. Zhang	Wider International	Beneficial owner	1	100%

(b) Interests of substantial Shareholders

Immediately following the completion of the Capitalisation Issue and the Share Offer, without taking into consideration our Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option and/or award which may be granted under the Share Scheme, the following persons (not being a Director or chief executive of our Company) will have interests or short positions in our Shares, underlying shares or debentures of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company:

Name	Capacity	Number of Shares held	Percentage of shareholding in our Company
Wider International	Beneficial owner	273,636,275	54.73%
Beauty Sources	Beneficial owner	74,878,018	14.98%
Ms. Geng Qi	Interest in a controlled corporation	74,878,018	14.98%

2. Particulars of service contracts and letters of appointment

Each of Mr. Zhang, Mr. Cui Wei, Ms. Guo Zeqing, Mr. Lyu Zhonghua and Mr. Pang Jinhong, being all our executive Directors, has entered into a service contract with our Company on 16 November 2023 for an initial term of three years commencing from the Listing Date and continuing thereafter until terminated by either party by giving not less than three months' notice in writing to the other. Each of our executive Directors is entitled to an annual remuneration set out below, such remuneration to be reviewed annually by our Board.

In addition, each of our executive Directors may be entitled to, if so recommended by the remuneration committee of our Company and approved by our Board at its absolute discretion, a discretionary bonus, the amount of which shall be determined by our Board, with reference to the operating results of our Group, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual remuneration, discretionary bonus and other benefits payable to him or her.

The basic annual remuneration (subject to annual review and excluding any discretionary bonus) payable to our executive Directors will be as follows:

Name	**Amount** *(RMB)*
Mr. Zhang	432,000
Mr. Cui Wei	216,000
Ms. Guo Zeqing	240,000
Mr. Lyu Zhonghua	120,000
Mr. Pang Jinhong	84,000

Each of Dr. Li Junliang, Mr. Lam Chik Tong and Ms. Chow Wai Mee May, all being our independent non-executive Directors, has signed a letter of appointment and a supplemental letter of appointment with our Company on 16 November 2023 and 26 February 2024, respectively, for an initial term of three years commencing from 26 February 2024 and continuing thereafter subject to a maximum of three years until terminated by either party by giving not less than one months' notice in writing to the other. The basic annual remuneration payable to each of our independent non-executive Directors will be as follows:

Name	**Amount** *(RMB)*
Dr. Li Junliang	60,000
Mr. Lam Chik Tong	179,000
Ms. Chow Wai Mee May	179,000

Each of our Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his duties to our Group under the service contract.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

During each of FY2020, FY2021, FY2022 and 9M2023, the aggregate remuneration paid and benefits in kind granted by our Group to our Directors was approximately RMB498,000, RMB797,000, RMB809,000 and RMB594,000 respectively. Under the arrangement presently in force, the aggregate amount of remunerations and benefits in kind granted by our Group to our Directors for the year ending 31 December 2023 is estimated to be approximately RMB930,000.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of FY2020, FY2021, FY2022 and 9M2023, for (a) the loss of office as director of any member of our Group or of any other office in connection with the management affairs of any member of our Group and (b) as an inducement to join or upon joining any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of FY2020, FY2021, FY2022 and 9M2023.

4. Related party transactions

During the Track Record Period, our Group has entered into the related party transactions as mentioned in note 40 to the Accountants' Report as set out in Appendix I to this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

(a) taking no account of any Shares to be issued upon exercise of the Over-allotment Option or any options and/or awards which may be granted under the Share Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have an interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company;

(b) taking no account of any Shares to be issued upon exercise of the Over-allotment Option or any options and/or awards which may be granted under the Share Scheme, none of our Directors or chief executive of our Company has any interest or short position in Shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;

(c) none of our Directors or the experts named in the paragraph headed "E. Other information — 9. Qualifications of experts" in this Appendix to this prospectus is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors or the experts named in the paragraph headed "E. Other information — 9. Qualifications of experts" in this Appendix to this prospectus is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(e) none of the experts named in the paragraph headed "E. Other information — 9. Qualifications of experts" in this Appendix to this prospectus has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers in each year/period or the five largest suppliers in each year/period of our Group during the Track Record Period.

D. SHARE SCHEME

The following is a summary of the principal terms of the Share Scheme conditionally adopted by the written resolutions of the Shareholders of our Company passed on 11 March 2024. Our Board has been authorised to determine the grant of an option (an "**Option**") to subscribe for Shares and/or award (an "**Award**") which may vest in the form of Share(s) or the actual selling price of the awarded shares in cash under, and pursuant to the terms of, the Share Scheme and to determine the grantees, number of Options and/or Awards to be granted to each grantee and the terms and conditions of such grants pursuant to the terms of the Share Scheme. The terms of the Share Scheme comply with the provisions of Chapter 17 of the Listing Rules effective on 1 January 2023.

(a) Purposes of the Share Scheme

The purpose of the Share Scheme is to recognise and acknowledge the contributions by the Proposed Grantee (as defined in sub-paragraph (b) below) to our Group. By providing them with the opportunity to acquire equity interests in our Company, the Share Scheme aims to achieve the following objectives:

(i) attract skilled and experienced personnel, to incentivise them to remain with our Group, and to motivate them to strive for the future development and expansion of our Group; and

(ii) attract and retain or otherwise maintain ongoing business relationships with suppliers whose contributions are or will be beneficial to the long-term growth of our Company.

With (1) the provision of the minimum Vesting Period (as defined in sub-paragraph (i) below), (2) the requirements on performance targets to be attained by the Proposed Grantees which directly affect our Group's business and (3) the clawback mechanism pursuant to sub-paragraph (j) below which aims to avoid offering incentive to Proposed Grantees with Options and/or Awards granted despite his/her misconduct or failure to meet the performance standard after the grant, our Board and the Remuneration Committee believe that these arrangements are appropriate and will align with the purpose of the Share Scheme.

(b) Who may join

Our Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares, and/or an award which gives a conditional right to obtain the awarded shares when they vest as our Board may determine to the following persons (collectively, the "**Proposed Grantee(s)**"):

(i) Directors (including any executive Director, non-executive Director and independent non-executive Director) and employees (whether full-time or part-time employee) of our Group, including persons who are granted Options or Awards under the Share Scheme as an inducement to enter into employment contracts with our Group ("**Employee Participant(s)**");

(ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company ("**Related Entity Participant(s)**"); and

(iii) persons who provide services to our Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of our Group ("**Service Provider(s)**"), provided that such Service Providers are not placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions of the Group and are not professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity,

provided that no prospectus is required to be issued in connection with such grant under the Companies Ordinance or Companies (Winding up and Miscellaneous Provisions) Ordinance or any other applicable laws. Our Board may in its absolute discretion specify such conditions (if any) as it thinks fit when making such offer to the Proposed Grantees, including, without limitation and notwithstanding sub-paragraph (j) below, as to performance target to be satisfied by the Proposed Grantees and/or our Company before an Option and/or Award can be exercised.

(c) Maximum number of Shares in respect of which options and awards may be granted

The total number of Shares which may be issued upon exercise of all Options and Awards that may be granted under the Share Scheme and any other schemes shall not in aggregate exceed 10% of the relevant class of Shares in issue as at the date of the listing of our Shares on the Stock Exchange, being 50,000,000 Shares (the "**Scheme Mandate Limit**"), excluding for this purpose Options and Awards lapsed and/or claw backed in accordance with the terms of the Share Scheme. Besides the Scheme Mandate Limit, there is a sub-limit for the total number of Shares which may be issued upon exercise of all Options and Awards and that may be granted to Service Providers under the Share Scheme (and together with any other schemes), which shall not in aggregate exceed 3%, being 15,000,000 Shares of the relevant class of Shares in issue on the date our Shares commence trading on the Stock Exchange (the "**Service Provider Sublimit**").

Our Company may refresh the Scheme Mandate Limit and/or the Service Provider Sublimit once every three years from the date of Shareholders' approval for the last refreshment (or the Effective Date (as defined in sub-paragraph (h) below), where applicable) subject to prior Shareholders' approval in the general meeting provided that (1) the Controlling Shareholders and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of our Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and (2) our Company must comply with the requirements under Rules 13.39(6), 13.39(7), 13.40, 13.41 and 13.42 of the Listing Rules. Any Scheme Mandate Limit as refreshed shall not exceed 10% of our Shares in issue as at the date of the aforesaid Shareholders' approval. A circular must be sent to our Shareholders containing the number of Options and Awards that were already granted under the existing Scheme Mandate Limit and the Service Provider Sublimit, and the reason for the refreshment.

Our Company may also seek separate Shareholders' approval in general meeting for granting Options and/or Awards beyond the Scheme Mandate Limit to all Proposed Grantees specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought. A circular must be sent to our Shareholders containing (among other requirements as specified under the Listing Rules) the name of the identified Proposed Grantees, the number and terms of the Options and/or Awards to be granted, the purpose of granting Options and/or Awards to the identified Proposed Grantees, and how those Options and/or Awards serve such purpose.

(d) Maximum entitlement of each Proposed Grantee

The total number of Shares issued/transferred and to be issued/transferred upon exercise of the Options and/or Awards granted to each Proposed Grantee (excluding any options and awards lapsed in accordance with the terms of the Share Scheme) in any 12-month period shall not exceed 1% of our Shares in issue (the "**1% Individual Limit**"). Any further grant of Options and/or Awards to Proposed Grantee which would result in the Shares issued and to be issued upon exercise of all Options and Awards granted and to be granted to such Proposed Grantee in the 12-month period up to and including the Grant Date (as defined in sub-paragraph (f) below) of such further options and/or awards exceeding the 1% Individual Limit shall be subject to:

(i) the issue of circular to our Shareholders, containing (among other requirements under the Listing Rules) the identity of the Proposed Grantee, the number and terms (including the exercise price) of the Options and/or Awards to be granted (and those previously granted to such Proposed Grantee in the 12-month period), the purpose of granting Options and/or Awards to the Proposed Grantee and an explanation as to how those Options and/or Awards serve such purpose; and

(ii) separate Shareholders' approval in advance with such Proposed Grantee and his/her close associates (or his/her associates if such Proposed Grantee is a connected person) abstaining from voting.

(e) Grant of options and/or awards to connected persons

The independent non-executive Directors of our Company (excluding any independent non-executive Director of our Company who is a Proposed Grantee) will be required to approve each grant of Options and/or Awards to a Director, chief executive or Substantial Shareholder or any of their respective associates.

Grant of Options and/or Awards must be approved by our Shareholders in general meeting where the Proposed Grantee, his/her associate and all core connected persons of our Company must be abstain from voting in favour and our Company must send a circular which must contain (1) details of number and terms of the Options and/or Awards to be granted to each Proposed Grantee, (2) the views of the independent non-executive Directors (excluding any independent non-executive Directors who is the Proposed Grantee of the Options and/or Awards) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interest of our Company and our Shareholders as a whole, and their recommendation to the independent Shareholders as to voting, (3) the information required under Rule 17.02(2)(c) of the Listing Rules, and (4) the information required under Rule 2.17 of the Listing Rules to our Shareholders:

(i) where any grant of Awards (excluding grant of Options) to a Director (other than an independent non-executive Director) or chief executive of our Company, or any of his/her associates would result in the shares issued and to be issued in respect of all Awards granted (excluding any Awards lapsed in accordance with the terms of the Share Scheme) to such person in the 12-month period up to and including the Grant Date, representing in aggregate over 0.1% of the relevant class of Shares in issue; or

(ii) where any grant of Options and/or Awards to an independent non-executive Director or a Substantial Shareholder, or any of his/her respective associates, would result in the Shares issued and to be issued in respect of all Options and Awards granted (excluding any Options and Awards lapsed in accordance with the terms of the Share Scheme) to such person in the 12-month period up to and including the Grant Date representing in aggregate over 0.1% of the relevant class of Shares in issue.

The Company will comply with Chapter 14A of, and other applicable rules under the Listing Rules, for Shares to be issued to connected persons under the Share Scheme after Listing.

(f) Acceptance of an offer of options and/or awards

An offer of grant of an Option and/or Award will be made to any Proposed Grantee in writing (each, an "**Offer**") in such form as our Board may from time to time determine, specifying (i) the date of grant (the "**Grant Date**", which must be a business day), (ii) the name of the Proposed Grantee, (iii) the number of Shares comprised in the Option and/or Award, (iv) the exercise price if the Offer is an offer of grant of Option and/or the purchase price (if any) of the Award if our Board so decided at our Board's absolute discretion, (v) the market price of the Share on the Grant Date, (vi) the period during which the Option and/or Award may be exercised and in any event ends not later than 10 years from the Grant Date (the "**Exercise Period**"), (vii) the Vesting Period, and if the Vesting Period is shorter than that as required by Rule 17.03F of the Listing Rules, the relevant circumstances that is permitted in sub-paragraph (i) below, and if the Proposed Grantee is a Director and/or senior manager (which has the meaning ascribed thereto under the Listing Rules), the fact that the relevant Vesting Period is determined by the Remuneration Committee and the Remuneration Committee's view on why the relevant Vesting Period is appropriate, (viii) the date by which the Option and/or Award must be accepted being a date not more than 30 days after the date of the Offer, (ix) the performance targets (which may be qualitative) (if any) to be satisfied by the Proposed Grantee and/or our Company before an Option and/or Award can be exercised and the clawback mechanism (if any) for our Company to claw back any Option and/or Award granted, and if the Proposed Grantee is a Director and/or senior manager and where no performance targets and/or clawback mechanism is/are stipulated in the Offer, the views of the Remuneration Committee on why performance targets and/or a clawback mechanism is/are not necessary and how the Offer aligns with the purpose of the Share Scheme, (x) where the Proposed Grantee is a Service Provider or a Related Entity Participant, the reasons of the Offer and the views of our Board how the Offer aligns with the purpose of the Share Scheme, (xi) arrangement, if any, for our Company or any of its subsidiaries to provide financial assistance to the Proposed Grantee to facilitate the purchases of Shares under the Share Scheme, (xii) such other terms and conditions of the Offer as may be imposed by our Board as are not inconsistent with this Share Scheme, and (xiii) requiring the Proposed Grantee, by signing and returning a duplicate of the Offer, to accept the

Offer and to undertake to hold the Option and/or Award on the terms on which it is to be granted and to be bound by the provisions of the Share Scheme. The Offer will be personal to the Proposed Grantee concerned and will not be transferable.

An Option and/or Award will be deemed to have been granted and accepted by the Proposed Grantee (the "**Grantee(s)**") and to have taken effect when the duplicate of the offer document duly signed by the Grantee together with a payment to our Company, as the case may be, of HK$1.00 (or its equivalent in the local currency of any jurisdiction where our Company and/or its subsidiaries, as the case may be, operate) by way of consideration for the grant thereof is received by our Company within the time period specified in the Offer. Such payment will in no circumstances be refundable and will not be deemed to be a part payment of the exercise price and/or purchase price (if any).

Any Offer may be accepted or deemed to have been accepted in part provided that it is accepted in respect of a board lot or an integral multiple thereof and is clearly stated in the duplicate of the offer document comprising the acceptance of the Offer duly signed by the Grantee. To the extent that the Offer is not accepted within 30 days from the date upon which it is made in the manner indicated in the aforesaid, it will be deemed to have been irrevocably declined.

Upon an Offer being accepted by a Grantee in whole or in part in accordance with the sub-paragraphs aforesaid, an Option and/or Award in respect of the number of Shares in respect of which the Offer was so accepted will be deemed to have been granted by our Company to such Grantee on the Grant Date.

For the grant of Award to a Proposed Grantee, in the event that our Directors decide to, at their absolute discretion, to appoint an award trustee, our Company shall, as soon as reasonably practicable and in any event no later than 30 business days from the date of acceptance of the Offer, elect to as our Directors deem appropriate as per their absolute discretion, (i) issue and allot Shares to the award trustee and/or (ii) transfer to the award trustee the necessary funds and instruct the award trustee to acquire Shares through on-market transactions at the prevailing market price, so as to satisfy the Award.

(g) Exercise price

The exercise price in respect of any Option will be such price as determined by our Board and notified to any Grantee (subject to any adjustment made pursuant to the sub-paragraph (s)) and must be at least the higher of:

(i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for a board lot on the Option Grant Date;

(ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for a board lot for the five business days immediately preceding the Grant Date; and

(iii) the nominal value of the Share on the Grant Date.

For avoidance of doubt, an Award may be granted with or without a purchase price, and such purchase price of the Award (if any) is not restricted by the aforesaid sub-paragraph.

(h) Duration of the Share Scheme

Subject to sub-paragraph (u) below, the Share Scheme will be valid and effective for a period of 10 years commencing on the date on which the conditions set out in sub-paragraph (w) below becomes unconditional (the "**Effective Date**"), which is expected to be the Listing Date, after which no further Options and/or Awards will be granted under the Share Scheme, but the provisions of the Share Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any Options and/or Awards granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Scheme.

(i) Time of vesting of Options and/or Awards

All Options and/or Awards granted under the Share Scheme will be subject to a vesting period of no less than 12 months from the Grant Date (the "**Vesting Period**") except for the specific circumstances set out in the Share Scheme.

(j) Performance targets and clawback mechanism

The granting and/or vesting of Options and/or Awards shall also be subject to the performance targets to be satisfied by the Grantee as determined by our Board from time to time. The performance target may comprise a mixture of attaining a satisfactory key performance indicators components (such as the business performance and financial performance of our Group/department including but not limited to annual sales targets attained by the Employee Participants and/or Related Entity Participants) which may vary among the Grantees.

Upon the occurrence of any of the following in relation to a Grantee, our Company shall propose that no further Options and/or Awards shall be granted to such Grantee and shall claw back the Options and/or Awards granted to such Grantee and such Options and/or Awards shall lapse automatically:

(i) the Grantee has failed to perform duties effectively or is involved in serious misconduct or malfeasance;

(ii) the Grantee has contravened the relevant laws and regulations of the applicable jurisdictions and/or the provisions of the Memorandum and Articles;

(iii) the Grantee has, during his/her tenure of office, been involved in acceptance or solicitation of bribery, corruption, theft, leakage of trade and technical secrets, conducted connected transactions and other unlawful acts and misconducts, which prejudiced the interest and reputation of and caused significant negative impact to the image of our Company; or

(iv) the Grantee has failed to discharge, or failed to discharge properly, his/her duties and thereby resulting in serious loss in assets to our Company and other serious and adverse consequence.

(k) Exercise of Options and/or Awards

For the case of Option, a Grantee may exercise his/her Option in whole or in part (but, if in part, only in respect of a board lot or any integral multiple thereof) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares to be subscribed. Each such notice must be accompanied by a remittance for the full amount of the aggregate exercise price for our Shares in respect of which the notice is given. Within 30 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate from the Auditors (or the independent financial adviser appointed by our Board) pursuant to sub-paragraph (s), our Company will allot and issue the relevant Shares to the Grantee credited as fully paid and issue to the Grantee a share certificate in respect of the Shares so allotted.

For the case of Award, a Grantee may exercise his/her Award in whole or in part (but, if in part, only in respect of a board lot or any integral multiple thereof) by giving notice in writing to our Company stating that the Award is thereby exercise and specifying the number of Shares to be obtained. Each such notice must be accompanied by a remittance for the full amount of the aggregate purchase price (where applicable) for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of the certificate from the Auditors (or the independent financial adviser appointed by our Board) pursuant to sub-paragraph (s), our Company shall allot and issue the relevant Shares and/or instruct the award trustee (where applicable as our Directors elect to appoint in accordance with sub-paragraph (f) above) the extent to which the awarded shares held in the trust shall be transferred and released from the trust to the Grantee the share certificate in respect of the Shares so allotted, issued and/or transferred. In case of the award trustee, the award trustee shall transfer and release the relevant Award in manner as determined by our Board. If it is not practicable for the Grantee to receive the Award in Shares, solely due to legal or regulatory restrictions with respect to the Grantee's ability to receive the Award in Shares or the award trustee's ability to give effect to any such transfer to the Grantee, our Board shall, in its absolute discretion, sell, or direct and procure the award trustee to sell, on-market at the prevailing market price, the number of awarded shares so obtained in respect of the Grantee and pay the Grantee the proceeds arising from such sale based on the actual selling price of such awarded shares in cash.

(l) Restriction on the time of grant of options and/or awards

Our Board will not offer to grant any Option and/or Award to any Proposed Grantee:

(i) after inside information has come to the knowledge of our Company or a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published;

(ii) during the period commencing one month immediately preceding the earlier of: (1) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period whether or not required under the Listing Rules; and (2) the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period whether or not required under the Listing Rules, and ending on the date of the relevant results announcement; or

(iii) during any period of delay in the publication of a results announcement.

Furthermore, if the exercise price of the Option is fixed at the Grant Date, our Board shall not offer to grant any Option to any Director in the following period:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results, unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met, in accordance with the Listing Rules; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and the half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met, in accordance with the Listing Rules.

(m) Ranking of our Shares

For the case of Option and/or Award that is awarded by direct allotment of Shares to a Grantee, our Shares to be allotted upon the exercise of an Option and/or Award will not carry voting rights until the name of the Grantee has been duly entered into the register of members of our Company as the holder thereof. Subject to the aforesaid and the Memorandum and Articles, Shares allotted and issued on the exercise of Options and/or Awards will rank *pari passu* in all respects and will have the same voting, dividend, transfer and other rights (including those arising on winding-up) as are attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

For the case of Award that is to be awarded to a Grantee through the transfer and release of Shares (i.e. the concerned awarded shares) held by an award trustee (which is at our Board's absolute discretion to appoint in accordance with sub-paragraph (f) above) to the Grantee, the awarded share that to be transferred and released to a Grantee will be subject to all the provisions of the Memorandum and Articles and will rank *pari passu* with the fully paid Shares in issue on the date of the transfer and release of the awarded shares from the trust to the Grantee and subject to the registration of the name of the Grantee on the register of members of our Company, the Grantee shall accordingly be entitled to participate in all dividends and other distributions paid or made on or after the date of the name of Grantee is registered on the register of members of our Company. However, before the transfer and release of the awarded share from the award trustee to the Grantee, the Grantee only has a contingent underlying interest in the awarded share unless and until such awarded shares are actually transferred to the Grantee, nor does he or she have any rights to any related income until the awarded shares vest. Unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given, neither the Grantee nor the award trustee may exercise any voting rights in respect of any awarded shares that have not yet vested. For the period between the date the awarded share being vested and the date the awarded share being transferred and released to the Grantee, the award trustee shall not exercise any voting rights in respect of the awarded share unless otherwise required by law but shall retained any income and dividend the awarded share so entitled during such period and shall remit the same (interest free unless otherwise specified by our Board at our Board's absolute discretion as previously agreed between our Board and the award trustee) to the Grantee on or reasonable time after the date when the awarded share is transferred and released to the Grantee.

(n) Rights are personal to the Grantees

An Option and/or Award will be personal to the Grantee and not be assignable. Except for the transmission of an Option on the death of a Grantee to his/her legal personal representatives and nomination of an entity wholly-owned by a Grantee to hold his/her Option and/or Award on his/her behalf, a Grantee may not sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option and/or Award or enter into any agreement to do any of the foregoing. Any breach of the foregoing by the Grantee will entitle our Company to cancel any Option and/or Award granted to such Grantee (to the extent not already exercised). In the event any Grantee wishes to transfer the Options and/or Awards to a vehicle, including but not limited to a trust or a private company, for the benefit of the Grantee and any family members of such Grantee, provided that such transfer would continue to meet the purpose of the Share Scheme and comply with the Listing Rules, our Board may in its absolute discretion decide to apply to the Stock Exchange for a waiver. Where such waiver is granted, our Company shall disclose the beneficiaries of the trust or the ultimate beneficial owners of the transferee vehicle as required by the Stock Exchange.

(o) Rights on a general offer

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror (as defined in the Takeovers Code)), our Company will use its best endeavours to procure that such offer is extended to all the Grantees.

If such offer, having been approved or conducted in accordance with applicable laws and regulatory requirements becomes effective, or becomes or is declared unconditional, the Grantee will be entitled to exercise his/her Options and/or Awards up to his/her entitlement (to the extent not already exercised) in full or any part thereof at any time thereafter and up to the close of such offer (or relevant revised offer) or the record date for entitlement under the scheme of arrangement, as the case may be. Subject to the above, the Option and/or Award will lapse automatically on the date which such offer (or the relevant revised offer) closed or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(p) Rights on compromise or arrangement

If a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies, our Company will give notice to all the Grantees on the same day as it gives notice of the meeting to its Shareholders or creditors summoning the meeting to consider such a scheme or arrangement and any Grantee will be entitled to exercise all or any of his/her Options and/or Awards (to the extent not already exercised) at any time no later than two business days prior to the date of the proposed meeting. Our Company will as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed meeting, allot or transfer the relevant Shares to the Grantee credited as fully paid.

With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options and/or Awards will forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options and/or Awards will, to the extent that they have not been exercised, lapse and terminate. If for any reason such compromise or arrangement is not approved by the court, the rights of the Grantees to exercise their respective Options and/or Awards will with effect from the date of the making of the order by the court be restored in full and will become exercisable (but subject to the other terms of the Share Scheme) as if such compromise or arrangement had not been proposed by our Company.

(q) Rights on winding up

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving the voluntary winding up of our Company, our Company will on the same date as or soon after it dispatches such notice to its Shareholders give notice thereof to all Grantees and each Grantee will be entitled to exercise all or any of his/her Options and/or Awards (to the extent not already exercised) at any time no later than two business days prior to the proposed general meeting of our Company. Our Company will as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the Grantee credited as fully paid. Where applicable, upon receiving the notice of exercising Awards, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, instruct the award trustee to transfer and release the relevant awarded shares from the trust to the Grantee. Subject to the above, all Options and/or Awards then outstanding shall lapse and determine on the commencement of the winding-up.

(r) Lapse of Option and/or Award

An Option and/or Award will lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Exercise Period;

(ii) the expiry of any of the periods referred to in sub-paragraphs (o) to (q) above;

(iii) subject to sub-paragraph (q) above, the date of the commencement of the winding up of our Company;

(iv) the date on which the Grantee who is an Employee Participant or Related Entity Participant ceases to be an Employee Participant or Related Entity Participant by reason of the summary termination of his/her employment on any one or more of the grounds that he/she has been guilty of misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to summarily terminate his/her employment at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company, its relevant subsidiary or the holding companies, fellow subsidiaries or associated companies of our Company;

(v) where the Grantee is a Service Provider which is under any contract with our Company or its relevant subsidiary, the date on which such contract is terminated by reason of breach of contract on the part of the Service Provider;

(vi) where the Grantee is a Service Provider, the date on which the Grantee appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has become insolvent, or has made any arrangement (including a voluntary arrangement) or composition with his/her creditors generally, or ceases or threatens to cease to carry on his/her business, or is bankrupted, or has been convicted of any criminal offence involving integrity or honesty, or could no longer make any contribution to the growth and development of our Group by reason of its cessation of its relations with our Group or by any other reason whatsoever;

provided that whether any one or more of the events specified in (iv) to (vi) above occur in relation to a Grantee will, in its reasonable opinion, be solely and conclusively determined by our Board;

(vii) the date on which the Grantee commits a breach of sub-paragraph (n) above;

(viii) 12 months from the date of the death of the Grantee (being an individual and if not exercised by his/her legal personal representative);

(ix) in cases where the Option and/or Award is held by a nominee of the Grantee, the date such nominee ceases to be wholly-owned by the relevant Grantee;

(x) the date on which the Grantee commits any breach of any terms or conditions attached to the grant of the Option and/or Award, unless otherwise resolved to the contrary by our Board; or

(xi) the date on which our Company claws back the Options and/or Awards granted pursuant to sub-paragraph (j) above.

(s) Effect of alteration to capital

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable and/or awarded share remains outstanding, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party) such corresponding adjustments (if any) will be made to the number of Shares to which the Option relates (insofar as it is unexercised) and/or awarded share that remains outstanding; and/or the exercise price of the Options granted (insofar as they are unexercised), as the auditors (or an independent financial adviser appointed by our Board) will certify in writing to our Board either generally or, if applicable, as regards any particular Grantee, to be in their opinion fair and reasonable, provided that (i) any such alteration shall give a Grantee the same proportion of the equity capital (rounded to the nearest whole Share) to which he/she was entitled prior to such alteration; (ii) any such adjustment shall be made on the basis that the aggregate exercise price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same as it was before such event; and (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal price (if any).

If there has been any alternation in the capital structure of our Company as referred to in the aforesaid, our Company will, upon receipt of a notice from the Grantee, inform him/her of such alternation and will either inform him/her of the adjustment to be made pursuant to the certificate of the auditors (or an independent financial adviser appointed by our Board) obtained by our Company for such purpose, or if no such certificate has yet been obtained, inform him/her of such fact and instruct the auditors (or an independent financial adviser appointed by our Board) to issue a certificate in that regard in accordance with the aforesaid.

(t) Cancellation of options and/or awards

Our Board shall have the absolute discretion to cancel any Options and/or Awards granted but not exercised or lapsed at any time if the Grantee so agreed. Any Grantee whose Options and/or Awards are cancelled pursuant to the aforesaid may be issued new Options and/or Awards in accordance with the provisions of the Share Scheme, provided that unissued Options and/or Awards are available under the Share Scheme within the limits specified in sub-paragraph (c) above.

(u) Termination of the Share Scheme

The Share Scheme will expire automatically on the day immediately preceding the tenth anniversary of the date on which the conditions set out in sub-paragraph (w) becomes unconditional, which is expected to be the Listing Date. Our Company may by resolution in general meeting or our Board may at any time terminate the operation of the Share Scheme and, in such event, no further Options and/or Awards will be offered but the provisions of the Share Scheme will remain in full force in all other respects. All Options and/or Awards complying with the provisions of the Listing Rules which are granted during the life of the Share Scheme and remain unexpired immediately prior to such termination will continue to be valid and exercisable in accordance with the terms of the Share Scheme.

(v) Alteration of the Share Scheme

The Share Scheme may be altered in any respect by resolution of our Board except that:

(i) any alteration to the terms and conditions of the Share Scheme which are of a material nature or any alteration to provisions of the Share Scheme relating to the matters set out in rule 17.03 of the Listing Rules can not be altered to the advantage of Grantees or Proposed Grantees except with the prior sanction of a resolution of our Shareholders in general meeting; and

(ii) any change to the authority of our Board or administrators of the Share Scheme in relation to any alteration to the terms of the Share Scheme will not be made, except with the prior sanction of a resolution of our Shareholders of our Company in general meeting.

Any change to the terms of the Options and/or Awards granted to a Grantee shall be subject to the approval of our Board, Remuneration Committee, independence non-executive Directors and/or our Shareholders (as the case may be) if the initial grant of Options and/or Awards was approved by such person(s) (as the case may be), save where the alterations take effect automatically under the existing terms of the Share Scheme.

The amended terms of the Share Scheme and/or the options and/or awards must continue to comply with the relevant provisions of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(w) Conditions of the Share Scheme

The Share Scheme will take effect subject to the passing of the necessary resolution to adopt the Share Scheme by our Shareholders and our Board and is conditional upon:

(i) the Listing Committee granting approval of the Listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of Options and/or Awards granted under the Share Scheme on the Stock Exchange; and

(ii) the commencement of dealings in our Shares on the Stock Exchange.

If any of the above conditions are not satisfied within 12 calendar months from the date of approval of the Share Scheme by the Shareholders, the Share Scheme will terminate and no person will be entitled to any rights or benefits or be under any obligations under or in respect of the Share Scheme.

(x) Administration of our Board

The Share Scheme will be subject to the administration of our Board whose decision and interpretation (save as otherwise provided in the Share Scheme) will be final and binding on all parties who may be affected thereby.

Our Company will disclose details of the Share Scheme in its annual and interim reports including the number of options and/or awards, date of grant, exercise price, Exercise Period and Vesting Period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no Option and/or Award had been granted or agreed to be granted under the Share Scheme.

Application has been made to the Stock Exchange for the listing of, and permission to deal in, our Shares which may fall to be issued pursuant to the exercise of the Options and Awards being 50,000,000 Shares in total.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

2. Tax and other indemnities

Dealings in our Shares will be subject to Hong Kong stamp duty. The current *ad valorem* rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of our Shares, and it is charged on the purchaser on every purchase and on the seller on every sale of our Shares. A total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving our Shares.

Each of our Controlling Shareholders as indemnifier (each an "**Indemnifier**", and collectively the "**Indemnifiers**") has entered into a deed of indemnity (the "**Deed of Indemnity**") with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) pursuant to which the Indemnifiers shall jointly and severally indemnify and keep indemnified each of our Company and our subsidiaries against, among other things, the following:

(a) any liability which is or becomes payable by any member of our Group by virtue of the provisions of section 35, 42 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) arising from the death of an individual and by reason of any transfer of any property on such individual's death to any member of our Group on or before the date on which the Share Offer becomes unconditional;

(b) taxation falling on any of our Company and our subsidiaries resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Share Offer becomes unconditional;

(c) any actions, claims, losses, damages, costs, charges or expenses suffered or incurred by our Company and/or any of our subsidiaries, directly or indirectly, as a result of or in connection with any litigation, arbitration, claim and/or legal proceedings accrued or arising on or before the date on which the Share Offer becomes unconditional; and

(d) any claims, proceedings, judgments, losses, liabilities, fines, penalties, payments, damages and any associated costs suffered or incurred by our Company and/or any of our subsidiaries, directly or indirectly, arising from any non-compliance or alleged non-compliance with any applicable laws, rules or regulations by our Company and/or any of our subsidiaries on or before the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

(a) provision has been made for such taxation in the audited accounts of our Company and our subsidiaries for each of FY2020, FY2021, FY2022 and 9M2023;

(b) where any provisions made for taxation in the audited accounts of our Company and our subsidiaries for each of FY2020, FY2021, FY2022 and 9M2023 which is finally established to be an over-provision, then our Controlling Shareholders' liability (if any) in respect of such taxation, taxation claim or liability shall be reduced by an amount not exceeding such over-provision;

(c) the taxation falling on our Company and our subsidiaries on or after 1 October 2023 unless liability for such taxation would not have arisen but for any act or omission of our Company or any member of our Group (whether alone or in conjunction with some other act or omission) otherwise than in the ordinary course of business of our Group on or before the Listing Date; or

(d) the taxation arises or is incurred as a consequence of any retrospective change in law or the interpretation thereof or practice by the relevant tax authority having retrospective effect coming into force after the date on which the Share Offer becomes unconditional or any retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional.

3. Litigation

Save as disclosed in the paragraph headed "Business — Legal proceedings" in this prospectus, as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group that would have a material adverse effect on our business, results of operations or financial condition.

4. Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, our Shares in issue and our Shares to be issued as described in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any options and/or awards which may be granted under the Share Scheme on the Stock Exchange.

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fee in relation to the Listing is approximately RMB7.8 million (equivalent to approximately HK$8.6 million), which relates solely to services provided by the Sole Sponsor in the capacity of a sponsor.

5. Promoter

Our Company has no promoter for the purposes of the Listing Rules.

6. Preliminary expenses

The preliminary expenses in relation to incorporation of our Company payable by our Company are approximately USD2,975.

7. Compliance adviser

Our Company has appointed Grande Capital Limited as the compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

8. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.13% of the consideration or, if higher, the value of our Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains.

Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

9. Qualifications of experts

The following are the respective qualifications of the experts who have given opinion or advice which are included in this prospectus:

Name	**Qualification**
Grande Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Conyers Dill & Pearman	Cayman Islands legal advisers
Crowe (HK) CPA Limited	Certified Public Accountants
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants
Hylands Law Firm (Jinan)	Legal advisers to our Company as to the laws of the PRC
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
BMI Appraisals Limited	Property valuer
Savills Valuation and Professional Services (China) Limited	Biological assets valuer
Professor Cui Dejie (崔德杰)	Agricultural adviser

10. Consents of experts

Each of the experts named in the paragraph headed "E. Other information — 9. Qualifications of experts" in this Appendix to this prospectus has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, certificates, opinions and/or references to its name (as the case may be) included in the form and context in which they respectively appear in this prospectus.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

13. No material adverse change

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position since 30 September 2023 and there is no event since 30 September 2023 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus.

14. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

   (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

   (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and

(iii) no commission has been paid or is payable (except commissions to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares or debentures in our Company or any of the subsidiaries.

(b) No founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued.

(c) No share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(d) There has been no interruptions in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(e) None of the persons whose names are listed in the paragraph headed "E. Other information — 9. Qualifications of experts" in this Appendix to this prospectus:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) There are no arrangements in existence under which future dividends are to be or agreed to be waived.

(h) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(i) Our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities as at the Latest Practicable Date.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) written consents referred to in the paragraph headed "E. Other information — 10. Consents of experts" in Appendix VI to this prospectus; (ii) a copy of each of the material contracts referred to in the paragraph headed "B. Further information about business of our Group — 1. Summary of material contracts" in Appendix VI to this prospectus.

B. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company at http://fujingnongye.com for 14 days from the date of this prospectus (both dates inclusive):

1. the Memorandum and the Articles;

2. the material contracts referred to in the paragraph headed "B. Further information about business of our Group — 1. Summary of material contracts" in Appendix VI to this prospectus;

3. the written consents referred to in the paragraph headed "E. Other information — 10. Consents of experts" in Appendix VI to this prospectus;

4. the Accountants' Report prepared by Crowe (HK) CPA Limited and McMillan Woods (Hong Kong) CPA Limited for FY2020, FY2021, FY2022 and 9M2023, the text of which is set out in Appendix I to this prospectus;

5. the report on the unaudited pro forma financial information of our Group prepared by Crowe (HK) CPA Limited and McMillan Woods (Hong Kong) CPA Limited, the text of which is set out in Appendix II to this prospectus;

6. the audited consolidated financial statements of our Group for FY2020, FY2021, FY2022 and 9M2023;

7. the letter of advice prepared by Conyers Dill & Pearman, the legal advisers of our Company as to the laws of Cayman Islands, summarising certain aspects of the company law of the Cayman Islands referred to in Appendix V to this prospectus;

8. the Companies Act;

9. the legal opinion prepared by Hylands Law Firm (Jinan), the legal advisers to our Company as to the laws of the PRC, on certain aspect of the subsidiaries of our Company in the PRC and the business operations of our Group;

10. the F&S Report, a summary of which is set forth in the section headed "Industry Overview" in this prospectus;

11. the valuation report and fair rent letters issued by BMI Appraisals in relation to the property interests of our Group;

12. the valuation reports on the fair value of biological assets belonging to our Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 prepared by Savills Valuation and Professional Services (China) Limited;

13. the report issued by Professor Cui Dejie (崔德杰) in respect of the implication of continuous cropping and in-pot cultivation method;

14. the service contracts, letters of appointment and supplemental letters of appointment referred to in the paragraph headed "C. Further information about our Directors, management and substantial shareholders — 2. Particulars of service contracts and letters of appointment" in Appendix VI to this prospectus; and

15. the rules of the Share Scheme.

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Fujing Holdings Co., Limited

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