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

ANNUAL REPORT 2023

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Yonggang
(Chairman and Chief Executive Officer)
Mr. Lyu Zhonghua
Mr. Cui Wei
Ms. Guo Zeqing
Mr. Pang Jinhong

Independent Non-executive Directors

Mr. Lam Chik Tong
Dr. Li Junliang
Ms. Chow Wai Mee May

BOARD COMMITTEES

Audit Committee

Mr. Lam Chik Tong *(Chairman)*
Dr. Li Junliang
Ms. Chow Wai Mee May

Remuneration Committee

Ms. Chow Wai Mee May *(Chairlady)*
Mr. Lam Chik Tong
Dr. Li Junliang

Nomination Committee

Mr. Zhang Yonggang *(Chairman)*
Ms. Chow Wai Mee May
Mr. Lam Chik Tong
Dr. Li Junliang

Company Secretary

Mr. Au Yeung Min Yin Gordon

AUTHORISED REPRESNTATIVES

Mr. Zhang Yonggang
Mr. Au Yeung Min Yin Gordon

JOINT AUDITORS

McMillan Woods (Hong Kong) CPA Limited
24/F., Siu On Centre
188 Lockhart Road, Wan Chai
Hong Kong
(Certified Public Accountants, Registered Public Interest Entity Auditor)

Crowe (HK) CPA Limited
9/F, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong
(Certified Public Accountants, Registered Public Interest Entity Auditor)

COMPLIANCE ADVISER

Grande Capital Limited
Room 2701, 27/F
Tower One, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Hastings & Co.
5/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 16, 28/F
One Midtown
11 Hoi Shing Road
Tsuen Wan, Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Huanhu North Road South
Nanbu Village South, Rizhuang Town
Laixi, Qingdao, Shandong Province
The PRC

PRINCIPAL SHARE REGISTRAR

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

STOCK CODE

2497

COMPANY'S WEBSITE

www.fujingnongye.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Fujing Holdings Co., Limited (the "**Company**"), I am pleased to present to you the annual report of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 ("**FY2023**").

FINANCIAL RESULTS

For FY2023, our Group recorded a total revenue of approximately RMB157.9 million, representing an increase of approximately 24.6% as compared to approximately RMB126.7 million for the year ended 31 December 2022 ("**FY2022**"). Our gross profit increased by approximately 30.4% from gross profit of approximately RMB52.5 million for FY2022 to gross profit of approximately RMB68.5 million for FY2023. Our Group's net profit increase by approximately 54.8% from net profit of approximately RMB31.8 million for FY2022 to net profit of approximately RMB49.2 million for FY2023. Such increase 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.

LISTING

Moreover, I would like to highlight that the Company was successfully listed on the Main Board of The Hong Kong Stock Exchange Limited (the "**Stock Exchange**") on 28 March 2024 (the "**Listing**"), which was a significant milestone for us. The Listing is expected to provide us with a platform to expand our business further, and we remain committed to delivering long-term value to our shareholders.

PROSPECTS

As the People's Republic of China (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. Our financial results for FY2023 indicate a strong recovery by the Group from the adverse impact of the COVID-19 epidemic outbreak in 2022. Furthermore, the significant increase in our sales volume in FY2023 demonstrates a robust market demand for the Group's potted vegetable produce, surpassing even the performance of 2021. 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.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our gratitude to all our valued customers, business partners, associates and shareholders for their constant support. I would also like to deeply thank our employees for their dedication and outstanding performance all along.

Zhang Yonggang
Chairman, Chief Executive Officer and Executive Director
Hong Kong, 29 April 2024

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, Frise'e, Indian lettuce, pak choi, lettuce, Chinese celery and tatsoi. Our products are offered in the market primarily under our brand "富景農業".

We sell 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 approximately RMB126.7 million and approximately RMB157.9 million, accounted for approximately 100.0% of our revenue for FY2022 and FY2023. As at 31 December 2023, we had three cultivation facilities in operation for cultivating our potted vegetable produce, namely (i) the Laixi facility in Laixi, Qingdao, Shandong province (the "**Laixi Facility**"); (ii) the Xi'an facility in Xi'an, Shaanxi province (the "**Xi'an Facility**"); and (iii) the Dalian facility in Dalian, Liaoning province (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.

FINANCIAL REVIEW

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 approximately 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 mainly 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 each 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 the Listing in the corresponding periods.

Income tax expense

Our income tax expense remained nil for FY2023 and FY2022.

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 Enterprise Income Tax Law and Article 86 of the Regulations of Enterprise Income Tax Law of the PRC, 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**"), our principal operating subsidiary in the PRC, from agriculture has been exempted from taxation for the period from 1 May 2010 to 1 May 2050. Accordingly, no PRC enterprise income tax has been provided in the consolidated financial statements for Fujing Agriculture during the FY2022 and FY2023.

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 the 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 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.

Indebtedness

The following table sets forth a breakdown of our indebtedness as at the dates indicated:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Current portion		
Amount due to a director	**30**	30
Bank borrowings	**19,995**	20,000
Lease liabilities	**107**	98
	20,132	20,128
Non-current portion		
Lease liabilities	**347**	454
	20,479	20,582

Our total outstanding balance of bank borrowings remained stable at approximately RMB20.0 million as at 31 December 2022 and 31 December 2023.

Except as disclosed above, as at 31 December 2023, 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.

Key financial ratios

	As at/For the year ended 31 December 2023	2022
Profitability Ratios		
Revenue growth (Note 1)	**24.6%**	-18.2%
Gross profit margin (Note 2)	**43.4%**	41.5%
Net profit growth (Note 3)	**54.8%**	-32.7%
Net profit margin (Note 4)	**31.2%**	25.1%
Return on assets (Notes 5&6)	**13.1%**	9.6%
Return on equity (Notes 6&7)	**14.5%**	11.0%
Liquidity Ratios		
Current ratio (Note 8)	**5.1 times**	3.8 times
Quick ratio (Note 9)	**5.1 times**	3.7 times
Solvency Ratios		
Interest coverage ratio (Note 10)	**57.5 times**	36.3 times
Net debt to equity ratio (Note 11)	**-20.4%** (Note 13)	−17.4% (Note 13)
Gearing Ratio (Note 12)	**6.0%**	7.1%

Notes:

1. Revenue growth represents the difference between revenue for the current year and prior year, divided by the revenue for the prior year and multiplied by 100%.

2. The gross profit margin represents the gross profit divided by the revenue for the respective year multiplied by 100%.

3. Net profit growth represents the difference between net profit for the current year and prior year, divided by the net profit for the prior year and multiplied by 100%.

4. The net profit margin represents the net profit divided by the revenue for the respective year multiplied by 100%.

5. Return on assets represents net profit divided by total assets as at the respective year end and multiplied by 100%.

6. Return on equity and return on assets are calculated on a full year basis.

7. Return on equity represents net profit divided by total equity as at the respective year end and multiplied by 100%.

8. Current ratio represents total current assets divided by total current liabilities as at the respective year end.

9. Quick ratio represents total current assets less inventories divided by total current liabilities as at the respective year end.

10. Interest coverage ratio represents profit before income tax and interest expenses divided by interest expenses for the respective year.

11. Net debt to equity ratio represents net debt divided by total equity as at the respective year 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 end multiplied by 100%.

13. We recorded a negative net debt to equity ratio for FY2022 and FY2023 as the Group is in a net cash position deriving the respective year end.

Revenue growth

Our revenue increased slightly from approximately RMB126.7 million in FY2022 to approximately RMB157.9 million in FY2023, representing an increase of approximately RMB31.2 million or 24.6%. Please refer to the paragraph headed "Management's Discussion and Analysis — Financial Review — Revenue" above in this section of this report for the reasons for the increase in our revenue.

Gross profit margin

Our gross profit margin increased slightly from approximately 41.5% in FY2022 to approximately 43.4% in FY2022. Please refer to the paragraph headed "Management's Discussion and Analysis — Financial Review — Gross profit and gross profit margin" above in this section of this report for the reasons for the changes in gross profit margin.

Net profit growth

Our profit for the year increased from approximately RMB31.8 million in FY2022 to approximately RMB49.2 million in FY2023, representing an increase of approximately RMB17.4 million or 54.8%. Please refer to the paragraph headed "Management's Discussion and Analysis — Financial Review — Profit for the year" above in this section of this report for the reasons for the increase in our net profit.

Net profit margin

We have a net profit margin of approximately 31.2% in FY2023, which is higher than the net profit margin of approximately 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.

Return on assets

Our return on assets for FY2023 was approximately 13.1%, which was higher than our return on assets of approximately 9.6% for FY2022, primarily due to the increase in our net profit in FY2023.

Return on equity

Our return on equity for FY2023 was approximately 14.5%, which was higher than our return on equity of approximately 11.0% for FY2022, primarily due to the increase in our net profit in FY2023.

Current ratio

Our current ratio increased from approximately 3.8 times as at 31 December 2022 to approximately 5.1 times as at 31 December 2023, primarily because of the increase in our bank and cash balances by approximately RMB18.4 million (or 25.8%) in FY2023.

Quick ratio

Our quick ratio increased from approximately 3.7 times as at 31 December 2022 to approximately 5.1 times as at 31 December 2023, primarily because of the increase in our bank and cash balances by approximately RMB18.4 million (or 25.8%) in FY2023.

Interest coverage ratio

Our interest coverage ratio increased from approximately 36.3 times for FY2022 to approximately 57.5 times for FY2023 primarily due to the increase in our profit before tax and interest expenses by approximately RMB17.4 million (or 54.8%) as compared to the profit before tax and interest expenses for FY2022.

Net debt to equity ratio

Net debt to equity ratio is not applicable to our Group as at 31 December 2022 and 31 December 2023 as our Group recorded net cash as at 31 December 2022 and 31 December 2023.

Gearing ratio

Our gearing ratio decreased slightly from approximately 7.1% as at 31 December 2022 to approximately 6.0% as at 31 December 2023, which was primarily due to the increase in our total equity by approximately RMB49.2 million (or 16.9%) during FY2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company carried out the share offer (the "**Share Offer**"), comprising 100,000,000 shares of the Company (the "**Shares**") at HK$1.08 per Share and the Shares were listed on the Stock Exchange on 28 March 2024 (the "**Listing Date**").

Our source of funds for our operations mainly comes from cash generated from our operations and bank borrowings. Upon the Listing, our source of funds will be a combination of internal generated funds, bank borrowings as well as net proceeds from the Share Offer. As at 31 December 2023, we had cash and cash equivalents of approximately RMB89.4 million (2022: RMB71.1 million) and bank borrowings of approximately RMB20.0 million (2022: RMB20.0 million). As at 31 December 2023, the Group's bank borrowings were denominated in RMB and were due within one year. Among the bank borrowings, approximately RMB10.0 million carried fixed interest rate and approximately RMB10.0 million carried floating rate as at 31 December 2023.

There has been no change in the capital structure of the Company since the Listing. As at the date of this report, the equity of the Company comprised mainly issued share capital and reserves.

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

The Group did not hold any significant investment nor did the Group carry out any material acquisition and disposal during the year.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had approximately RMB4.0 million (2022: Nil) of capital commitments in respect of the acquisition of property, plant and equipment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed 32 employees in the PRC (excluding independent non-executive directors of the Company whose appointments are effective from 26 February 2024) (2022: 41 employees). The total staff costs incurred by the Group for FY2023 was approximately RMB40.8 million compared to approximately RMB35.4 million for FY2022. The remuneration policy of our Group to reward its employees 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. 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 20 March 2024 (the "**Prospectus**"), as at the date of this report, the Group does not have other plans for material investments and capital assets.

CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, our Group did not have any contingent liabilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has minimal exposure to fluctuations in exchange rates as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group's entities. As at 31 December 2023, approximately 100.0% of the Group's bank and cash balances and bank borrowings were denominated in Renminbi (2022: 100.0%). As at 31 December 2023 and 2022, the Group has not entered into any foreign exchange contracts to hedge against the fluctuation in exchange rates and the Group did not have any foreign currency investments which have been hedged by currency borrowing and other hedging instruments. The directors of our Company (the "**Directors**") consider the impact of foreign exchange exposure to the Group is minimal.

PLEDGE OF ASSETS

As at 31 December 2023, the Group's investment properties and right-of-use assets with aggregate carrying amount of approximately RMB35,847,000 (2022: RMB24,786,000) had been pledged to secure the Group's borrowings.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities since the Listing Date.

USE OF PROCEEDS FROM THE LISTING

The Shares were listed on the Stock Exchange on the Listing Date. Net proceeds from the Listing were approximately HK$48.2 million (approximately RMB43.8 million), which, as disclosed in the Prospectus, will be used as follows:

	Unutilised amount				
	For the period from the Listing Date to 31 December 2024 (RMB'million)	For the period from 1 January 2025 to 31 December 2025 (RMB'million)	For the period from 1 January 2026 to 31 December 2026 (RMB'million)	Total (RMB'million)	Approximate % of the total net proceeds
Expansion of our cultivation capacity					
— Improvement and expansion of cultivation facilities at existing geographical markets	14.6	8.5	1.3	24.4	55.7
— Establishing new cultivation facilities in new geographical markets	7.6	1.9	—	9.5	21.7
Setting up a dedicated organic substrates production facility	6.2	—	—	6.2	14.2
Strengthening our operating efficiency through upgrade of information technology system	3.7	—	—	3.7	8.4
Total	32.1	10.4	1.3	43.8	100.0

From the Listing Date to the date of this annual report, the Group has not utilized any of the net proceeds from the Listing.

The Directors do not anticipate that there will be any material change to the proposed use of the net proceeds from the Listing.

DIVIDEND

No dividends were paid or declared by the Company for FY2023 and FY2022.

SIGNIFICANT EVENT AFTER REPORTING PERIOD

Save as disclosed in Note 42 to the consolidated financial statements of this report, there was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors after FY2023.

FUTURE PLANS AND PROSPECTS

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, details of which are set out in the section headed "Business — Our Business Strategies" in the Prospectus.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Yonggang ("Mr. Zhang") (張永剛), aged 48, was appointed as our executive Director on 23 July 2019. He also serves as chairman of our Board and our 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 four of our subsidiaries, namely Glory Team International Group Limited, Fujing Holdings (Hong Kong) Co., Limited, Qingdao Xinfujing Technology Company Limited* (青島鑫富景科技有限公司) ("**Xinfujing**") and Fujing Agriculture, and the legal representative of Xinfujing and 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.

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. He was not a director in any other listed companies for the last three preceding years.

Mr. Zhang is one of the controlling shareholders of the Company and the director of Wider International Group Limited ("**Wider International**"), the other controlling shareholder of the Company.

Mr. Cui Wei ("Mr. Cui") (崔偉), aged 40, was appointed as our executive Director on 27 May 2020. 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 worked 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 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. He was not a director in any other listed companies for the last three preceding years.

Ms. Guo Zeqing ("Ms. Guo") (郭澤清), aged 40, was appointed as our executive Director on 27 May 2020. She also serves as the financial controller of our Group.

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 worked 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. She was not a director in any other listed companies for the last three preceding years.

Mr. Lyu Zhonghua ("Mr. Lyu") (呂鐘華), aged 43, was appointed as our executive Director on 27 May 2020. Mr. Lyu joined our Group in December 2011 and is primarily responsible for supervising the implementation of strategies and managing human resources and administrative function of our Group.

Mr. Lyu has over 20 years of experience in accounting and corporate administration. He was 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. He was not a director in any other listed companies for the last three preceding years.

Mr. Pang Jinhong ("Mr. Pang") (逄金洪), aged 34, was appointed as our executive Director on 27 May 2020. 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. He was not a director in any other listed companies for the last three preceding years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Li Junliang ("Dr. Li") (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. He was not a director in any other listed companies for the last three preceding years.

Mr. Lam Chik Tong ("Mr. Lam") (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 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 has been registered as a certified public accountants (i.e. member of the Hong Kong Institute of Certified Public Accountant) 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. He was not a director in any other listed companies for the last three preceding years.

Ms. Chow Wai Mee May ("Ms. Chow") (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. She was not a director in any other listed companies for the last three preceding years.

SENIOR MANAGEMENT

Mr. Zhang is the chief executive officer of our Company. Ms. Guo Zeqing is the financial controller of our Company. Please refer to the paragraph headed "Directors and senior management — Executive directors" above in this section of the annual report for their biographies.

COMPANY SECRETARY

Mr. Au Yeung Ming Yin Gordon ("Mr. Au Yeung") (歐陽銘賢), aged 48, was appointed as our company secretary (the "**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. Before joining the Company, Mr. Au Yeung served as director, company secretary and chief financial officer of various companies listed on the GEM and the Main Board of the Stock Exchange.

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.

* *The English name is for identification purpose only.*

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability.

Since we were not yet listed on the Stock Exchange during FY2023, the Corporate Governance Code ("**CG Code**") as set out in Appendix C1 to the Rules Governing the listing of securities on the Stock Exchange ("**Listing Rules**") was not applicable to us during such period. Since the Listing Date and up to the date of this report, the Company has adopted the CG Code except for the deviation from the code provision C.2.1 of the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Code Provision C.2.1 of the CG Code

Pursuant to code provision C.2.1 of the CG 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 CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' dealings in the securities of the Company.

As the Company was not listed on the Stock Exchange as of 31 December 2023, related rules under the Listing Rules concerning the Model Code that the Directors shall observe did not apply to the Company for FY2023.

Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of this report.

BOARD COMPOSITION

As at the date of this report, the Board is comprised of eight Directors, with five executive Directors, namely Mr. Zhang Yonggang (chairman of the Board), Mr. Cui Wei, Ms. Guo Zeqing, Mr. Lyu Zhonghua and Mr. Pang Jinhong, and three independent non-executive Directors, namely Dr. Li Junliang, Mr. Lam Chik Tong and Ms. Chow Wai Mee May.

A list of Directors and their respective biographies are set out in the section headed "Directors and Senior Management" of this report. Save as disclosed in this report, to the best knowledge of the Board, there is no relationship (including financial, business, family or other material relationship(s)) among the Board members.

Since the Listing Date, the Board's composition is in compliance with the requirement under Rule 3.10A and Rule 3.10 of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board and at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The Board believes that the balance between the executive Directors and the independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out under Rule 3.13 of the Listing Rules. Upon the recommendation of the nomination committee of the Company ("**Nomination Committee**"), the Board considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the said Listing Rules. None of the independent non-executive Directors have served more than nine years as at the date of this report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision B.2.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each executive Director has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date which may be terminated by either party giving not less than three months' prior notice in writing and is subject to termination provisions therein and retirement and re-election at the annual general meetings of our Company in accordance with the Memorandum and Articles of Association (the "**Articles of Association**") of the Company or any other applicable laws from time to time whereby he/she shall vacate his office.

Each of our independent non-executive Directors has entered into a letter of appointment and a supplemental letter of appointment with the Company for an initial term of three years commencing from 26 February 2024 which may be terminated by either party by giving not less than one month's notice in writing to the other. Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the Listing Rules.

In accordance with the Articles of Association, 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 and any new director appointed to fill a causal vacancy or as an addition to the existing board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, considering and formulating the relevant procedures for nomination and appointment of Directors and monitoring the appointment and succession planning of Directors and assessing the independence of the independent non-executive Directors.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, namely the audit committee, the remuneration committee and the Nomination Committee (the "**Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through its Committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that the Directors' contribution to the Board remains informed and relevant and in compliance with code provision C.1.4 of the CG Code, the Company would arrange and fund suitable continuous professional development for the Directors to participate in order to develop and refresh their knowledge and skills. Before the Listing, all Directors attended an in-house training on the Listing Rules in the form of a seminar conducted by the legal advisers of the Company and relevant training material has been distributed to all the Directors. The training covered topics which include, the disclosure obligations in Hong Kong, the requirements of disclosable transactions and connected transactions etc. under the Listing Rules.

BOARD MEETINGS AND GENERAL MEETING

The Company intends to hold Board meetings regularly and at least four times a year. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

The Company had not been listed on the Stock Exchange during FY2023, and was only listed on the Stock Exchange on 28 March 2024. During FY2023, the Company held two Board meetings in which Directors at the time discussed various matters and the Listing application. The attendance records of each Director at the Board meetings of the Company held during FY2023 is set out in the table below:

Name of Directors	**Attendance of Meetings**
Executive Directors	2/2
Mr. Zhang Yonggang	2/2
Mr. Lyu Zhonghua	2/2
Mr. Cui Wei	2/2
Ms. Guo Zeqing	2/2
Mr. Pang Jinhong	2/2
Independent Non-Executive Directors *(Note)*	
Mr. Lam Chik Tong *(appointed on 16 November 2023 with effect from 26 February 2024)*	N/A
Dr. Li Junliang *(appointed on 16 November 2023 with effect from 26 February 2024)*	N/A
Ms. Chow Wai Mee May *(appointed on 16 November 2023 with effect from 26 February 2024)*	N/A

Note: Two Board meetings were held in FY2023, prior to the appointment of the independent non-executive Directors, namely, Mr. Lam Chik Tong, Dr. Li Junliang and Ms. Chow Wai Mee May. Mr. Lam Chik Tong, Dr. Li Junliang and Ms. Chow Wai Mee May attended such Board meetings as a proposed independent non-executive Director.

During the period from 1 January 2024 and up to 29 April 2024, two Board meetings were held to approve, among others, the Listing, the Share Offer and other related documents and the audited consolidated financial results of the Group for the year ended 31 December 2023.

No general meeting was held during FY2023.

Prior notice convening the Board meeting would be dispatched to the Directors before the Board meeting setting out the matters to be discussed. At the Board meeting, the Directors would be provided with the relevant documents to be discussed and approved to enable the Directors to make informed decisions. The Company Secretary would be responsible for ensuring the procedures of the Board meeting are observed and keeping minutes for the Board meeting which were sent to the Directors for records and are open for inspection at any reasonable time by any Director on reasonable notice.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The major roles and functions of the Board in respect of the corporate governance are:

— to develop and review the Company's policy and practices on corporate governance; and

— to review and monitor the training and continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct applicable to employees and Directors and the Company's compliance with the CG Code.

The Board had considered the following corporate governance matters:

— review of the policy and practices adopted by the Company and training for Directors, etc.

— review of usage of annual caps on the continuing connected transactions of the Group

— review of compliance with the CG Code and disclosure of Corporate Governance Report

— review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries as set out in code provision D.2.1 of the CG Code

BOARD COMMITTEES

Audit Committee

We have established the audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3.3 of the CG Code (the "**Audit Committee**"). The Audit Committee consists of three members, namely Mr. Lam Chik Tong, Dr. Li Junliang and Ms. Chow Wai Mee May, with Mr. Lam Chik Tong, our independent non-executive Director who possesses the appropriate accounting or related financial management expertise, being the chairperson of the Audit Committee.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and re-appointment of the external auditors, approve the remuneration and terms of engagement of the external auditors, review and monitor the external auditors' independence and objectivity and effectiveness of the audit process in accordance with the application standards, monitor the integrity of the Group's consolidated financial statements, review the Group's financial controls, and risks management and internal control systems, and perform other duties and responsibilities as assigned by our Board from time to time.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditors.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1.2 of the CG Code (the "**Remuneration Committee**"). The Remuneration Committee consists of three members, namely Mr. Lam Chik Tong, Dr. Li Junliang and Ms. Chow Wai Mee May, with Ms. Chow Wai Mee May, our independent non-executive Director, being the chairlady of the Remuneration Committee.

The primary duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's policies and structure of the remuneration for our Directors and senior management; (ii) evaluate the performance of, and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and (iii) review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

Pursuant to code provision E.1.5 of the CG Code, the remuneration paid to the members of the senior management (excluding Directors) by band during the year ended 31 December 2023 is set out below:

Remuneration band (HK$)	Number of person(s)
Nil to HK$1,000,000	2

The Remuneration Policy of Directors

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.

The remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence displayed, market comparable. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company and will be linked to the return to our Shareholders upon and after Listing Date. 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.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with paragraph B.3.1 of the CG Code. The Nomination Committee consists of four members, namely Ms. Chow Wai Mee May, Mr. Lam Chik Tong, Dr. Li Junliang, together with Mr. Zhang Yonggang, our chairman of the Board, who is also the chairperson of the Nomination Committee.

The primary functions of the Nomination Committee are to make recommendations to our Board in relation to the appointment and removal of Directors, and on matters of succession planning.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the board diversity policy adopted by the Company on 11 March 2024 (the "**Board Diversity Policy**"), including but not limited to gender, age, length of service, cultural and education background and professional experience. The Nomination Committee will review the structure, size and composition (including the skills, knowledge and experience required) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence, age, culture, ethnicity and gender diversity. The Nomination Committee should also ensure that independent views and input are available to the Board.

Nomination Policy

The Company has adopted a director nomination policy, pursuant to which in evaluating and selecting any candidate for directorship, the following criteria should be considered:

— **Attributes Complementary to the Board:** The candidate should possess attributes that complement and expand the skill set, experience and expertise of the Board as a whole, having regard to the current structure, size, diversity profile and skills matrix of the Board and the needs of the Board.

— **Business Experience & Board Expertise and Skills:** The candidate should have the ability to exercise sound business judgment and also possess proven achievement and experience in directorship including effective oversight of and guidance to management.

— **Availability:** The candidate should be able to devote sufficient time and make contributions to the Company that are commensurate with his/her role and Board responsibilities, including devoting adequate time for the preparation and participation in meetings, training and other Board or Company associated activities.

— **Motivation:** The candidate should be self-motivated and have a strong interest in the Company's businesses.

— **Integrity:** The candidate should be a person of integrity, honesty, good repute and high professional standing.

— **Independence:** Independent non-executive Director ("**INED**") candidates must satisfy the independence requirements under the Listing Rules. The INED candidate shall be independent in character and judgement and be able to represent and act in the best interests of all Shareholders of the Company.

Nomination Procedures

The Company has put in place the following director nomination procedures:

Appointment of New and Replacement Directors

— If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable Director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

— Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Nomination Committee and/or the Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable Director candidate for appointment.

Re-election of Directors and Nomination from Shareholders

— Where a retiring Director, being eligible, offers himself for re-election, the Nomination Committee and/or the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to Shareholders prior to a general meeting in accordance with the Listing Rules.

— Any Shareholder who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the Company Secretary within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the Listing Rules. Particulars of the candidate so proposed will be sent to all Shareholders for information by a supplementary circular.

BOARD DIVERSITY POLICY

In order to enhance the quality of the performance of the Board and to support the attainment of our strategic objectives and sustainable development, we have adopted the Board Diversity Policy. Pursuant to the Board Diversity Policy, the Board 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 the Board. The Board believes that such merit-based appointments will best enable the Company to serve the Shareholders.

The 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. The Company has three INEDs with different genders, industries backgrounds, representing more than one-third of the members of our Board. The Company is conscious of maintaining Board diversity with an appropriate level of female members on the Board, which shall not be less than one member with immediate effect and may further increase in the next five years. Since the Listing Date and as at the date of this annual report, the Board comprised two female Board members, in which case the Board considered gender diversity has been achieved.

The 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. The Board and the Nomination Committee had reviewed the implementation and effectiveness of the Board Diversity Policy and was of the view that the Board Diversity Policy and its implementation was sufficient and effective.

For recruiting potential successors to the Board to achieve Board diversity including gender diversity, the Board would prepare a list of desirable skills, experience, qualifications, gender or perspectives which the candidate should have. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, Shareholders, management, advisors of the Company and external executive search firms.

Workforce Diversity

As at 31 December 2023, the gender ratio (male to female) in the workforce (including senior management) of the Company is 1:1. The Company recognises the importance of gender diversity and endeavours to take steps to promote gender diversity at all levels of the Company (including the Board).

The Group strictly adheres to fair and appropriate employment practices and labour standards. The Group provides job applicants and employees with equal opportunities of employment and promotion, and prohibits all forms of discrimination on gender, religion, race, disability or age. The Board considered that gender diversity of the workforce of the Group has been well maintained during FY2023. As such, the plan for the Group in terms of gender diversity in workforce is to maintain the current balance of gender diversity in the foreseeable future.

COMPANY SECRETARY

The Company has appointed Mr. Au Yeung who is a representative from an external secretarial services provider as the Company Secretary. The primary contact person of the Company in relation to company secretarial matters with Mr. Au Yeung is Mr. Cui Wei, the executive Director. The role of the Company Secretary is to ensure effective information flows and communication among Directors, as well as between Shareholders and management of the Company. The Company Secretary is also responsible for advising the Board on governance matters. All Directors have access to the advice and services of the Company Secretary. For the year ended 31 December 2023, Mr. Au Yeung has confirmed that he has taken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

AUDITORS' REMUNERATION

The Group's consolidated financial statements for the year ended 31 December 2023 have been audited by joint auditors, McMillan Woods (Hong Kong) CPA Limited and Crowe (HK) CPA Limited, both of which are Certified Public Accountants. Service fees which shall be paid by the Company to McMillan Woods (Hong Kong) CPA Limited and Crowe (HK) CPA Limited for the year ended 31 December 2023 amounted to approximately RMB 3.3 million.

Services rendered	**Fees Payable (RMB'000)**
Audit service	1,478
Non-audit service (serving as reporting accountants for the Listing)	1,798
Total	3,276

DIRECTORS' RESPONSIBILITY ON CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2023.

The Directors are responsible for overseeing the preparation of consolidated financial statements of the Company and its subsidiaries with a view to ensuring that such consolidated financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023 have been audited by joint auditors, McMillan Woods (Hong Kong) CPA Limited and Crowe (HK) CPA Limited, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The independent joint auditors' report is set out on pages 70 to 75. The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023 have also been reviewed by the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks to take in achieving the Group's strategic objectives at least annually. The Group has not established a separate internal audit department; however, procedures are in place to provide adequate resources and qualified personnel to carry out the duties of the internal audit function, including annual review of the effectiveness of risk management and internal control. The Group has engaged an external independent internal control consultant to conduct a review on the internal control and risk management systems of the Group for the Listing and to report their findings to the Audit Committee and the Board. The scope of review covered overall management control, risk assessment and management, control procedures for revenue, purchasing, property, plant and equipment and human resource management. The period of internal control review covered full year for the financial year ended 31 December 2023.

Based on review and procedures conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, the risk management and internal control systems of the Group are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meeting, including the election of individual Director(s). All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening an extraordinary general meeting

Pursuant to Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings ("**EGM**"). Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the Secretary of the

Company, to require an EGM to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (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. The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM as follows: — At least fourteen (14) clear days' notice in writing. Such requisition shall be made in writing to the Board or the secretary(ies) of the Company to the principal place of business of the Company in Hong Kong for the attention of the Board or the Company Secretary.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Procedures for Shareholders to put forward proposals at Shareholders' meetings

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

Procedures for Shareholders to propose a person for election as a Director

If a Shareholder duly qualified to attend and vote at the general meeting convened to deal with appointment/election of Director(s) wishes to propose another person ("**Candidate**") for election as a Director at a general meeting, he/she should deposit (i) a written notice ("**Proposal Notice**") signed by the Shareholder of his/her intention to propose the Candidate for election as a Director; and (ii) a written notice ("**Consent Notice**") signed by the Candidate of his/her willingness to be elected, at either of the Hong Kong branch share registrar and transfer office or the principal place of business of the Company in Hong Kong during a period, which shall be at least seven days, and if submitted after despatch of the notice of the general meeting appointed for such election, commencing no earlier than the day after the despatch of the notice of the general meeting and ending no later than seven days before the date of such general meeting.

To enable the Shareholders to make an informed decision on their election at a general meeting, the Company shall publish an announcement or issue a supplementary circular as soon as practicable after the receipt of the Proposal Notice and the Consent Notice. The Company shall include particulars of the Candidate in the announcement or the supplementary circular. The Company shall assess whether or not it is necessary to adjourn the meeting for the election to give Shareholders at least 10 business days to consider the relevant information disclosed in the announcement or the supplementary circular.

Shareholders' enquires

The Company continues to promote investor relations and enhance communication with the existing Shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public.

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividends to the Company's branch share registrar and transfer office in Hong Kong, details of which are as follows:

Tricor Investor Services Limited
Address: 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email: is-enquiries@hk.tricorglobal.com Tel: (852) 2980 1333
Fax: (852) 2810 8185

Shareholders may, at any time, direct enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Board and the Company Secretary.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company recognises the importance of communications with the Shareholders as well as potential investors. This shareholders communication policy is reviewed by Audit Committee on an annual basis which aims to set out the provisions with the objective of ensuring that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and potential investors to engage actively with the Company. The Directors consider that the shareholders communication policy of the Company is satisfactory in terms of its implementation and effectiveness.

The Company uses a range of communication tools to ensure its Shareholders are kept well informed of key business imperatives. There include annual and extraordinary meeting, annual report, interim report, various notices, announcement and circulars. Via the Company's website at www.fujingnongye.com, Shareholders can obtain updated and key information on the major developments of the Group. Information, such as financial statements, results announcements, circulars, notices of general meetings and all announcements, released by the Company on the Stock Exchange's website at www.hkex.com.hk is also posted on the Company's website immediately thereafter.

MANAGEMENT OF INSIDE INFORMATION

In order to promote transparency, accountability and responsibility in respect of the operation of a listed company, and for the maintenance of good corporate governance, the Company, assisted by legal advisers and financial advisers, would notify the Stock Exchange and make relevant disclosure to the public as soon as practicable of any inside information of the Company pursuant to the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**").

CONSTITUTIONAL DOCUMENTS

The amended and restated memorandum and articles of association of the Company for the purpose of the Listing was adopted by the Company on 11 March 2024. There was no change in the constitutional documents of the Company since the Listing Date and up to the date of this report.

The amended and restated memorandum and articles of association of the Company are available on the respective websites of the Stock Exchange and the Company.

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in growing, processing and selling of potted vegetable produce in the PRC. There was no significant change in the Group's principal activities during FY2023.

PRINCIPAL PLACE OF BUSINESS

The Company is an exempted company incorporated in the Cayman Islands on 23 July 2019 with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located in Unit 16, 28/F, One Midtown, 11 Hoi Shing Road, Tsuen Wan, Hong Kong and the headquarters and principal place of business of the Company in the PRC is located at Huanhu North Road South, Nanbu Village South, Rizhuang Town, Laixi, Qingdao, Shandong Province, PRC.

CORPORATE REORGANISATION AND SHARE OFFER

The Company was incorporated in the Cayman Islands on 23 July 2019.

In preparation for the Listing, the Group underwent a reorganisation (the "**Reorganisation**"), details of which are set out in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in the Prospectus.

The Company's Shares were listed on the Stock Exchange on 28 March 2024.

SEGMENT INFORMATION

The Directors have determined that the Group has only one operating and reportable segment, being plantation and sales of potted vegetables. For further details, please refer to note 8 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for FY2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 76.

The Board did not recommend the payment of a final dividend for FY2023. There is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

DIVIDEND POLICY

The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. The Board formulates the Company's profit distribution plan based on the results of operations, cash flows, financial condition, future business prospects, statutory and regulatory restrictions on the payment of dividends and other factors that the Board deems relevant. All of the Shareholders have equal rights to dividends and other distributions proportionate to their shareholding.

Going forward, the Company will re-evaluate its dividend policy in light of its financial position and the prevailing economic climate. The determination to pay dividends will be based upon the earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that the Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that the Company may enter into in the future.

Our Company does not intend to adopt fixed dividend policy specifying a dividend payout ratio. The declaration, payment and amount of dividends will be subject to the Company's discretion.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on 28 June 2024 (the "**2024 AGM**"). For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from 25 June 2024 to 28 June 2024, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong Branch Share Registrar and Transfer Office at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on 24 June 2024.

BUSINESS REVIEW

The review of the Group's business for FY2023 is set out in the sections headed "Management Discussion and Analysis" on pages 6 to 15 of this annual report.

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the last four financial years, as extracted from our Company's audited consolidated financial statements and the Prospectus, is set out on page 134 of this annual report. This summary does not form part of the audited consolidated financial statements.

RISKS AND UNCERTAINTIES

An analysis of the Group's financial risk management (including foreign currency risk, credit risk, interest rate risk and liquidity risk) is provided in note 6 to the consolidated financial statements. Other risks facing the Group are set out in the section headed "Risk Factors" of the Prospectus.

ANALYSIS USING FINANCIAL KEY PERFORMANCE INDICATORS

The analysis of the Group's performance for the year ended 31 December 2023 with key financial performance indicators is set out under the paragraphs headed "Financial Review" and "Liquidity, Financial Resources and Capital Structure" in the section headed "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to promoting corporate social responsibility and sustainable development and integrating them into our business operations. Details of environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group, save as those disclosed in the section headed "Business — Non-compliance" in the Prospectus in relation to the payment of social insurance and housing provident funds which would not have a material adverse effect on our business, financial condition and results of operations in light of the considerations as disclosed in the Prospectus. During FY2023, these was no material breach or non-compliance with the applicable laws and regulations by the Group, save as the above.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS, SUBCONTRACTORS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its suppliers, customers, subcontractors and other stakeholders to meet its immediate and long-term goals. During FY2023, there were no material and significant dispute between the Group and its suppliers, customers, subcontractors and/or stakeholders.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during FY2023 are set out in note 18 to the consolidated financial statements.

The fair value valuation of properties with aggregate carrying amount of approximately RMB198,371,000, comprised (i) the properties included in property, plant and equipment of approximately RMB159,963,000; (ii) the properties included in investment properties of approximately RMB17,723,000; and (iii) the properties included in right-of-use assets of approximately RMB20,685,000, was approximately RMB121,000,000 as at 31 December 2023 and no additional depreciation would be charged against the consolidated statement of profit or loss and other comprehensive income had the property been stated at such valuation as at 31 December 2023.

With reference to the value in use of these properties, which are higher than their carrying amount, the Directors considered that there are no impairment losses recognised as at 31 December 2023.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during FY2023 are set out in note 19 to the consolidated financial statements.

Further particulars of the Group's investment properties interest as at 31 December 2023 are as follows:

Location	Use	Lease term	Attributable interest of the Group
No. 202 Guandong Road, Dianbu Town, Laixi, Qingdao, Shandong Province, PRC	Leasing for rental income	Medium-term lease	100%

BANK BORROWINGS

Details of the bank borrowings of the Group during FY2023 are set out in note 31 to the consolidated financial statements.

SHARE CAPITAL

Details of movement in the Company's share capital during FY2023 are set out in note 35 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during FY2023 are set out on page 129 and in the consolidated statement of changes in equity respectively. As of 31 December 2023, the Company had no reserves available for distribution.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the paragraph headed "Share Scheme" on pages 38 to 40 of this annual report, the Company has not entered into any equity-linked agreement for the year ended 31 December 2023 and up to the date of this report.

Directors

The Directors of the Company during FY2023 and up to the date of this annual report were as follow:

Executive Directors:

Mr. Zhang Yonggang *(Chairman and Chief Executive Officer)*
Mr. Lyu Zhonghua
Mr. Cui Wei
Ms. Guo Zeqing
Mr. Pang Jinhong

Independent Non-executive Directors:

Mr. Lam Chik Tong (appointed on 16 November 2023 with effect from 26 February 2024)
Dr. Li Junliang (appointed on 16 November 2023 with effect from 26 February 2024)
Ms. Chow Wai Mee May (appointed on 16 November 2023 with effect from 26 February 2024)

The Directors' biographical details are set out in the section headed "Directors and Senior Management" in this annual report. Information regarding Directors' emoluments are set out in note 14(a) to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF THE DIRECTORS

Since the issuance of the Prospectus, there has been no change in any information relating to any Director that is required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors to be independent.

SERVICE CONTRACTS OF THE DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial fixed 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 the 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 month's notice in writing to the other.

According to article 84(1) of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. In addition, according to article 84(2) of the Articles of Association of the Company, all retiring Directors shall then be eligible for re-election at the annual general meeting. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election and any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Accordingly, Mr. Zhang, Mr. Cui Wei and Mr. Pang Jinhong would be subject to re-election at the forthcoming annual general meeting in accordance with the articles 84(1) and (2) of the Articles of Association of the Company respectively. None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualification, position, seniority and experience) and various in-house training courses. Share options and/or awards may also be granted to eligible employees. The remuneration packages are subject to review on a regular basis.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all Directors and senior management's remuneration, having regard to market competitiveness, individual performance and achievement. The Company has conditionally adopted a share scheme on 11 March 2024 (the "**Share Scheme**"), details of which are set out in the paragraph headed "D. Share Scheme" in Appendix VI to the Prospectus, as an incentive to Directors and the relevant eligible participants.

RETIREMENT BENEFITS SCHEME

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.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

Save as disclosed in note 40 to the consolidated financial statements in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected the Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 December 2023.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during FY2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTEREST

Mr. Zhang and Wider International, the controlling shareholder of the Company within the meaning of the Listing Rules (the "**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.

A deed of non-competition dated 14 March 2024 (the "**Deed of Non-competition**") has been entered into by each of the Controlling Shareholders in favour of the Company regarding certain non-competition undertakings given by the Controlling Shareholders in favour of the Company. The details of this Deed of Non-competition have been disclosed in the section headed "Relationship with Controlling Shareholders" in the Prospectus.

The Company has received a declaration (the "**Declaration**") from each of the Controlling Shareholders signed on 24 April 2024 confirming that up to the date of the Declaration, each of the Controlling Shareholders and his or its close associates has not breached any of the terms in the Deed of Non-competition.

The INEDs have reviewed the Declaration and all of them are satisfied that the Deed of Non-competition has been complied with up to the date of the Declaration.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

The Group did not enter into any non-exempt one-off connected transactions or continuing connected transactions during FY2023. Related party transactions during FY2023 are disclosed in note 40 to the consolidated financial statements in this annual report. As the Company was listed on 28 March 2024, none of these related party transactions constituted connected transaction or continuing connected transaction under the Listing Rules for FY2023.

MANAGEMENT CONTRACTS

The Company did not enter into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group during FY2023.

SHARE SCHEME

The Share Scheme was conditionally adopted by the written resolutions of the Company's shareholders passed on 11 March 2024 (the "**Share Scheme**"). Since the Listing Date and up to the date of this report, no option and/or award had been granted, agreed to be granted, exercised, cancelled or lapsed under the Share Scheme. The purpose of the Share Scheme is to recognise and acknowledge the contributions by the Proposed Grantee (as defined below) to the Group. By providing them with the opportunity to acquire equity interests in the Company, the Share Scheme aims to achieve the following objectives:

(i) attract skilled and experienced personnel, to incentivise them to remain with the Group, and to motivate them to strive for the future development and expansion of the 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 the Company.

The participants of the Share Scheme include the Directors and employees of the Group, directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company and 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)**") (collectively, the "**Proposed Grantee(s)**").

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. Besides, 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 the Service Providers, which shall not in aggregate exceed 3% of the relevant class of Shares in issue on the date our Shares commence trading on the Stock Exchange (the "**Service Provider Sublimit**"). The total number of Shares issued/transferred and to be issued/transferred upon exercise of the options and/or awards granted to each 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 the Shares in issue.

Subject to the Share Scheme, the exercise price in respect of any option must be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for a board lot on the option grant gate; (ii) the average closing price of the 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. 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.

Subject to early termination by the Company in general meeting or by the Board, the Share Scheme shall be valid and effective for a period of ten years from the Listing Date. The remaining life of the Share Scheme is approximately 9 years and 11 months.

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 the 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 the Company within the time period specified in the offer of grant made to any Proposed Grantee in writing (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). The period during which the option and/or award may be exercised is specified in the Offer and, in any event, ends not later than 10 years from the date of grant. 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 except for the specific circumstances set out in the Share Scheme. 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 the Board from time to time. Further details of the Share Scheme are set out in the section headed "D. Share Scheme" in Appendix VI to the Prospectus.

As at the Listing Date and the date of this report, no options or award has been granted by the Company and the outstanding number of Shares which may be issued upon exercise of all options and awards that may be granted under the Share Scheme is 50,000,000 Shares, representing approximately 10% of the issued share capital of the Company, out of which the outstanding number of Shares which may be issued under the Service Provider Sublimit is 15,000,000 Shares, representing approximately 3% of the issued share capital of the Company.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times from the Listing date and up to the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the Company was not listed on the Stock Exchange as at 31 December 2023, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executive of the Company as at 31 December 2023.

As at the date of this annual report, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix C3 of the Listing Rules, were as follows:

(i) Interest in our Shares

Name of Directors/chief executive	Capacity/Nature of interest directly and indirectly held	Relevant company	Number of Shares (note 1)	Approximate Percentage of Share Holding
Mr. Zhang (note 2)	Interest in a controlled corporation	Wider International	273,636,275	54.73%
Mr. Cui Wei (note 3)	Interest in a controlled corporation	Caring Plentiful Holdings Limited	9,900,010	1.92%

Notes:

1. All the above Shares are held in long position (as defined under Part XV of the SFO).

2. Wider International is wholly-owned by Mr. Zhang. Under the SFO, Mr. Zhang is deemed to be interested in all the Shares held by Wider International under the SFO.

3. Caring Plentiful Holdings Limited is wholly-owned by Mr. Cui Wei. Under the SFO, Mr. Cui Wei is deemed to be interested in all the Shares held by Caring Plentiful Holdings Limited under the SFO.

(ii) Interest in our Company's associated corporations

Name of Directors/ chief executive	Capacity/Nature of interest directly and indirectly held	Name of associated corporation	Number of Shares (note)	Approximate Percentage of Share Holding in the associated corporation
Mr. Zhang	Beneficial owner	Wider International	1	100%
Mr. Cui Wei	Beneficial owner	Caring Plentiful Holdings Limited	1	100%

Note:

All the above Shares are held in long position (as defined under Part XV of the SFO).

Save as disclosed above, as at the date of this report, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As the Company was not listed on the Stock Exchange as at 31 December 2023, Divisions 2 and 3 of Part XV of the SFO and section 352 of the SFO were not applicable to the substantial shareholders and other persons of the Company as at 31 December 2023.

So far as the Directors are aware, as at the date of this report, the following persons (not being Directors or chief executive of the Company) have or are deemed or taken to have an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held (note 1)	Percentage of Interest
Wider International (note 2)	Beneficial Owner	273,636,275	54.73%
Beauty Sources Holdings Limited (note 3)	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 (as defined under Part XV of the SFO).

2. Wider International is wholly owned by Mr. Zhang, who is the chairman, chief executive officer and executive Director of our Group.

3. Beauty Sources Holdings Limited is owned as to 100% equity interest by Ms. Geng Qi, the sister of Ms. Geng Juan who is cohabiting with Mr. Zhang as his spouse.

Save as disclosed above, as at the date of this report, the Directors were not aware of any other persons who had or deemed or taken to have any interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed under the section headed "Related Party Transactions" stated in note 40 to the consolidated financial statements, there was no contract of significance entered into between the Company, or any of its subsidiaries, and a Controlling Shareholder of the Company, or any of its subsidiaries, during the year ended 31 December 2023.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the year ended 31 December 2023, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 67.9% (2022: 67.2%) and 16.6% (2022: 16.5%) of the Group's total revenue respectively.

During the year ended 31 December 2023, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 97.2% (2022: 99.7%) and 38.2% (2022: 50.8%) of the Group's total purchases respectively.

During the year ended 31 December 2023, the Group's five largest subcontractors in aggregate and the single largest subcontractor accounted for approximately 100% (2022: 100%) and 39.2% (2022: 26.9%) of the Group's total cost of sales respectively.

To the best knowledge of our Directors, none of the Directors, their respective close associates or any shareholder of the Company, who owns more than 5% of the issued share capital of the Company, had any interest in any of the top five customers, top five suppliers and top five subcontractors of the Group for the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities since the Listing Date.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Since the Listing Date, the Company and its subsidiaries did not issue or grant any convertible securities, options, warrants or other similar rights, and there were no convertible securities, options, warrants or other similar rights, conversion rights or subscription rights issued or granted by the Company or its subsidiaries at any time before.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that, amongst others, the Directors and other officers of the Company acting or who have acted in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. The Company maintains a directors and officers liability insurance which provides insurance coverage in respect of potential costs and liabilities arising from claims brought against its Directors and officers since the Listing.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 42 to the consolidated financial statements of this report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of this annual report.

AUDIT COMMITTEE

The Audit Committee assists the Board in reviewing and monitoring the external auditors' independence and objectivity and effectiveness of the audit process in accordance with the application standards, monitoring the integrity of the Group's consolidated financial statements and reviewing the Group's financial controls, and risks management and internal control systems. The annual results of the Group for FY2023 had been reviewed by the Audit Committee, which consists of three INEDs of the Company, namely Mr. Lam Chik Tong, Dr. Li Junliang and Ms. Chow Wai Mee May, with Mr. Lam Chik Tong as the chairman of the Audit Committee.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 20 to 31 of this report.

AUDITORS

The consolidated financial statements of the Group for FY2023 have been audited by joint auditors, McMillian Woods (Hong Kong) CPA Limited and Crowe (HK) CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for their re-appointment as the joint auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Mr. Zhang Yonggang
Chairman, Chief Executive Officer and Executive Director

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THE REPORT

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This report outlines the Group's policies and practices as well as certain major subsidiaries' policies and practices regards to four environmental aspects and eight social aspects in accordance with ESG Reporting Guide for the year ended 31 December 2023 (the "**FY2023**" or "**2023**").

Unless otherwise specified, the reporting boundary of this report covers our principal businesses. We regularly review the scope of the ESG Report to ensure that significant impacts to our overall business portfolio are covered.

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.

For both environmental and social aspects, this report will focus on facilities located in Laixi, Qingdao, Shandong province, which is our material operating segment.

The basis of reporting principles:

- Materiality:

  We determine material ESG issues by stakeholder engagement and materiality assessment.

- Quantitative:

  Information is supported by quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

- Consistency:

  The report will use consistent methodologies for meaningful comparisons in the past years unless improvements in methodology are identified.

- Balance:

  The report is presented in a fair and impartial manner. Both positive and negative sustainability performances are presented objectively.

2 BOARD STATEMENT

We regard ESG commitments as part of our responsibilities and is committed to take ESG considerations into account in our decision-making process. We take a top-down approach to ESG issues. The Board has overall responsibility for 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 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 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.

3 STAKEHOLDER ENGAGEMENT

Stakeholder engagement plays a core role in the sustainability of the Group. We fully appreciate the needs to build both online and offline communication channels and to provide stakeholders with timely reports on strategic planning and performance of the Group in order to establish a continuing communication mechanism with the stakeholders. In addition, we consult the stakeholders on their recommendations and propositions to ensure our business practices can meet the expectations of the stakeholders.

The stakeholders include the shareholders/investors, governments and regulatory bodies, employees, customers, suppliers and society and the public. We discuss with the stakeholders through various channels for their expectations and relevant feedback of the Group as below:

Stakeholders	Expectations	Communication and feedback
Shareholders/Investors	• Financial performance • Corporate governance • Risk management	• Annual general meetings/general meetings • Corporate reports and announcements • Optimising risk management and internal control
Government and regulatory bodies	• Taxation compliance • Regulatory compliance • Business ethics	• Compliance operation • Tax payment in full and on time
Employees	• Career development platform • Salary and benefits • Safe working environment • Occupational health and safety	• Promotion systems • Competitive salary and employee benefits • Providing trainings for employees and strengthening awareness on safety protocols
Customers	• Logistics and delivery service standards • Customer information security • Customer rights and interests protection	• Getting delivery status through product tracking system • Customer privacy protection • Compliance marketing
Suppliers	• Integrity cooperation • Business ethics and credibility	• Building a responsible supply chain • Performing the contract according to law

3 STAKEHOLDER ENGAGEMENT *(CONTINUED)*

Stakeholders	Expectations	Communication and feedback
Community	• Community involvement • Social responsibilities • Environmental protection • Employment opportunities	• Volunteer work • Charity and social investment • Putting environmental protection and energy saving equipment into use • Providing employment opportunities

4 FEEDBACK

For details on the ESG performance, corporate governance as well as financial performance, please visit our Company's website at fujingnongye.com and the annual reports. We treasure any feedback and comments on our sustainability performance, please send the feedback and enquiries to fjny@outlook.com.

5 MATERIALITY MATRIX

During the FY2023, we have evaluated a number of environmental, social and operation related issues, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure our business development is in line with the expectations and requirements of our stakeholders. The Group's and our stakeholders' matter of concern are presented in the following materiality matrix:

Importance to the Group

Importance to Stakeholders	Low	Medium	High
High	◆ Anti-discrimination ◆ Protecting labour rights	◆ Talent management ◆ Staff training and promotion opportunities ◆ Staff compensation and welfare policies	➢ Customers' satisfaction ➢ Anti-corruption ➢ Product quality and safety ➢ Suppliers management ◆ Occupational health and workplace safety
Medium	➢ Community involvement	✧ Use of resources	➢ Operational compliance ➢ Protecting customers' privacy ✧ Air emissions
Low	◆ Preventive measures for child and forced labour	✧ Non-hazardous wastes produced	✧ Use of raw materials ✧ Hazardous wastes produced

✧ Environmental ◆ Employee ➢ Operation

5 MATERIALITY MATRIX *(CONTINUED)*

The table underneath shows the aspects on the ESG Guide to be assessed and those ESG issues were determined to be material to the Group.

	ESG Aspects as set forth in the ESG Reporting Guide	Material ESG issues for the Group
(A)	Environmental	
A1	Emissions	Emission from town gas, electricity or vehicle
A2	Use of Resources	Use of energy and paper
A3	Environment and Natural Resources	
A4	Climate Change	
(B)	Social	
B1	Employment and Labour Practices	Labour practices
B2	Health and Safety	Workplace health and safety
B3	Development and Training	Employee development and training
B4	Labour Standards	Anti-child and forced labour
B5	Supply Chain Management	Supply chain management
B6	Product Responsibility	Product responsibility
B7	Anti-corruption	Anti-corruption, fraud prevention and anti-money laundering
B8	Community Involvement	Community programs, employee volunteering and donation

A. Environmental

Our operations are subject to the current environmental protection laws and regulations promulgated by the PRC government. We are committed to minimizing 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.

5 MATERIALITY MATRIX *(CONTINUED)*

A. Environmental *(Continued)*

A1.1. Emissions Data from Gaseous Fuel Consumption

Other air pollutants to be considered include nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matter ("**PM**"), which have adverse effects on climate, ecosystems, air quality, habitats, agriculture, and human and animal health. We generate other air pollutants through the use of our motor vehicles.

a) We did not have town fuel and town gas consumption during the FY2023.

b) We routinely utilized motor vehicles during the FY2023, data on vehicle emissions are set out below:

	KPI 2023	**Unit**	**%**
NOx	88.2	Kg	91.0%
SOx	0.2	Kg	0.2%
PM	8.5	Kg	8.8%
Total	**96.9**	**Kg**	**100.0%**

When considering the air emissions intensity, we have recorded approximately 0.614 kg (2022: 0.878 kg) of air emission per million of revenue.

Going forwards, we will continue improving the efficiency of routine vehicle use by planning travel routes that further limit air emissions.

A1.2. Greenhouse Gas Emission

Greenhouse gas emissions are the main contributors to global warming, leading to climate changes and threatening the ecosystem of the world. To continuously fulfill the duties as a socially responsible enterprise, we embrace green practices our in day-to-day operations in order to minimize greenhouse gas emissions.

	KPI 2023	**Unit**	**%**
Scope 1 Direct Emission	40,198	Kg	18.7%
Scope 2 Indirect Emission	166,883	Kg	77.4%
Scope 3 Other indirect Emission	8,436	Kg	3.9%
Total	**215,517**	**Kg**	**100.0%**

Scope 1: It mainly represents the towngas, liquefied petroleum gas and diesel oil from consumption of motor vehicles.
Scope 2: It mainly represents the electricity purchased from power suppliers.
Scope 3: It mainly represents the paper waste disposed at landfills and water used.

5 MATERIALITY MATRIX *(CONTINUED)*

A. Environmental *(Continued)*

A1.2. Greenhouse Gas Emission *(Continued)*

During the FY2023, there was 215,517 (2022: 223,695) Kg of carbon dioxide ("**CO_2**") equivalent greenhouse gases (mainly the usage of vehicles for transportation of petrol and gasoline) were released from our operation.

When considering the greenhouse gas emissions intensity, we recorded approximately 1,365 (2022: 1,766) Kg of greenhouse gas emissions per million of revenue during the FY2023.

Compliance with Relevant Laws and Regulations:

We did not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes of the Group during the FY2023. In addition, no significant fines or non-monetary sanctions for non-compliance with relevant laws and regulations had been reported in the FY2023.

A1.3. Hazardous Waste and Non-hazardous Waste

Wastage management

There were 3 major types of wastes produced during production: i) unsold vegetable; ii)used pots; and iii) used organic substrates.

(i) 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 overprocessing 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%.

Unsold vegetables will be reused by feeding the vegetable waste to livestock or giving the vegetable culls to local food banks.

5 MATERIALITY MATRIX *(CONTINUED)*

A. Environmental *(Continued)*

A1.3. Hazardous Waste and Non-hazardous Waste *(Continued)*

Wastage management *(Continued)*

(ii) 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.

(iii) 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.

Hazardous Waste and Non-hazardous Waste

Our operations produced an insignificant amount of both hazardous waste and non-hazardous waste, during the FY2023.

A2. Use of Resource

Energy

We aim to minimise environmental impacts in our operations by identifying and adopting appropriate measures in our operations. All employees are notified to implement such policies and measures on resource utilisation. Regular review is conducted on the energy objectives and targets to seek continuous improvement in our energy performance.

5 MATERIALITY MATRIX *(CONTINUED)*

A. Environmental *(Continued)*

A2. Use of Resource *(Continued)*

Energy *(Continued)*

Monthly monitoring of the usage of electricity, water and other materials is implemented. Unexpected high electricity consumptions will be investigated to find out the root cause and preventive measures will be taken. During the reporting period, we have performed the following measures relating to promoting energy efficiency:

- Switching off unnecessary lightings and electrical appliances when not in use; and

- Purchasing and using LED lighting and energy efficient office equipment.

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. 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 our reputation and creditability. 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 noncompliance 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 Chanzi 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.

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. 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.

5 MATERIALITY MATRIX *(CONTINUED)*

A. Environmental *(Continued)*

A2. Use of Resource *(Continued)*

Water consumption *(Continued)*

According to our historical record, 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.

To further mitigate the risks of water shortage and water pollution, we have also:

— retained a water pond in our Laixi Facility for collecting rainwater 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.

Paper Usage

Efficiency in usage of paper in daily operation has been advocated and communicated to employees. We consistently encourage double-sided printing and collecting single sided used printed paper for reusing purpose.

The summary of the resources consumed are set out below:

	KPI			
	2023	**2022**	**Unit**	**% increase/ (decrease)**
Energy consumed	299,270	321,090	MWh	(6.8%)
Water consumed	238,124	293,661	Cubic meter ("**m³**")	(18.9%)

5 MATERIALITY MATRIX *(CONTINUED)*

A. Environmental *(Continued)*

A2. Use of Resource *(Continued)*

Paper Usage *(Continued)*

Resources consumed per million of revenue are summarized below:

	KPI			
	2023	2022	Unit	% increase/ (decrease)
Revenue	157.86	126.69	million of revenue	24.6%
Energy consumed intensity	1,896	2,534	MWh/million of revenue	(25.2%)
Water consumed intensity	1,508	2,318	m^3/million of revenue	(34.9%)

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, we have 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:

During the FY2023, we had set targets to decrease their consumption of electricity, water, and packing material by 1%, relative to their 2022 target. Their target was unachieved, as supported by the figures below:

	Target KPI			
	2023	2022	Unit	Result
Energy consumed	360,910	363,910	MWh	Achieved
Water consumed	352,503	356,063	m^3	Achieved

5 MATERIALITY MATRIX *(CONTINUED)*

A. Environmental *(Continued)*

A2. Use of Resource *(Continued)*

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 several policies and 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 several 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 can promote efficient agriculture practices such as drip irrigation and water-efficient crops to reduce water consumption in the agricultural sector.

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.

5 MATERIALITY MATRIX *(CONTINUED)*

A. Environmental *(Continued)*

A2. Use of Resource *(Continued)*

Benefits of achieving the goal target

Financial impacts

There are several potential financial impacts on the Group that could be resulted from actions taken for achieving ESG targets.

- Increase in investment: measures such as tree planting and switching to electric vehicle represent one-off investment cost to the Group;

- Cost savings: On the other hand, by becoming more efficient in our operations, such as switching to electric 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 us 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.

5 MATERIALITY MATRIX *(CONTINUED)*

A. Environmental *(Continued)*

A3. Environmental and Natural Resources

Protecting the environment and ensuring responsible use of natural resources are important considerations in the agriculture industry. We have established a series of policies, protocols and measures on environmental protection and natural resources conservation to ensure our sustainable development and operation. We strive to enhance our efficiency in the usage of energy, water and materials and comply with relevant local environmental regulations and international general practices. The actions taken are aligned with international standards. These include greenhouse gas emission inspections, reduction and classification, recycling of wastes, and consultations on energy conservation.

We encourage all employees to proactively recycle and excessive and minimise the use of nature resources. We have actively introduced environmental protection measures in the office spaces, including (i) prioriting use of energy-saving lighting and electrical appliances; (ii) turning off electric equipment and lighting during non-office hours; and (iii) reusing of papers and gradually paving a way to a paperless office. In addition, we also encourage our employees to save resources, cherish food and avoid preventable creation of wastes.

During the FY2023, our operations had no significant impact on the environment and natural resources.

A4. Climate change

In consideration of the our operations and activities, the current global environmental conditions, and the views and opinions of the stakeholders, the Board identified and resolved that (i) global warming caused by direct and indirect CO_2e emissions, and (ii) conservation of fresh water are the most important climatic issues that we have impacted the physical environment. These climatic issues not only affect the operation costs of the Group but also the climatic and physical environmental conditions.

(i) Energy

Global warming is directly and indirectly resulting in the of uses of fossil fuels for electricity and transportation. During the FY2023, our operations and activities directly and indirectly generated CO_2e emissions through the use of electricity and petrol, though the amount was not substantial. We have implemented policies and measures, explained above, trying to reduce electricity and petrol consumption for the primary purpose to reduce CO_2e emissions. Fortunately, the main activity of the Group is to grow vegetables, which through the natural process of photosynthesis to absolve CO_2 and produce oxygen, contributing positively to address global warming.

5 MATERIALITY MATRIX *(CONTINUED)*

A. Environmental *(Continued)*

A4. Climate change *(Continued)*

(ii) Fresh Water

The most precious natural resources of the world, is most urgently needed to conserve nowadays. With regard to our business operation and activities, the offices' water consumption is normal and insignificant, but the plantation operation requires a substantial amount of fresh water. To fulfil our corporate objective in conserving fresh water and to save costs, we have already built water recycling and reusing system, specialized drainage. At the same time, we have always reminded our employees not to waste and to use fresh water smartly. The introduction of the above measures has ensured the fresh water is conserved and used efficiently.

During the FY2023, we have already implemented measures to lower greenhouse gas emissions and pollutants, to conserve fresh water and to preserve soil with the aim at improving the global environmental and climatic conditions ultimately contributing to the improvement of global warming. Our operations and activities do not cause much negative impacts to the environmental and climatic conditions. On the contrary, the growing of vegetables and the control and use of the surface running fresh water have positively contributed to the building of a greener climate and environment.

B. Social

We believe that sustainable business success relies on the contribution and support of our talented employees. We treat our employees as the most valuable assets to the Group. The contributions of the employees drive the our achievement of corporate goals and continuous development. We therefore place significant emphasis on developing human capital and providing competitive remuneration and welfare packages. The human resources policies and procedures, including recruitment, probation, termination, promotion, retirement, transfer, appraisal, working hours, salary, bonus, entitled leave and medical benefits, fully comply with the relevant legislation.

B1. Employment and Labour Practices

Employee Benefits

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.

5 MATERIALITY MATRIX *(CONTINUED)*

B. Social *(Continued)*

B1. Employment and Labour Practices *(Continued)*

Employee Benefits *(Continued)*

We emphasis 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.

We seek to attract and retain talented employees through providing fair compensation package and upholding the values of respect and integrity. Compensation packages are competitive, and promotion opportunities and rewards available to employees are benchmarked against their individual performance, experience and prevailing market conditions. We implement a set of comprehensive policies to maximise the development of effective human resource management, supporting the needs of employees while ensuring that our goals are achieved.

We perform annual staff performance appraisal, assessing employee performance to determine year-end bonus eligibility. Factors, considered, including but not limited to the employees' attendance, capability, attitude, and contributions to the Group. With reference to appraisal on the employees, staff promotion and salary increment are rewarded to the contributing and improving employees.

Staff Composition

As at 31 December 2023, we employed a total of 32 (excluding INEDs) (2022: 41) staff. We believe that championing diversity, equity, and inclusion is integral to our long-term success.

a) Employee' s Employment Type Distribution

	2023		2022	
Employment type	**Male**	**Female**	Male	Female
Full Time	**50%**	**50%**	50%	44%
Part-time	**0%**	**0%**	0%	0%
Total	**50%**	**50%**	50%	44%

5 MATERIALITY MATRIX *(CONTINUED)*

B. Social *(Continued)*

B1. Employment and Labour Practices *(Continued)*

Staff Composition *(Continued)*

b) Employee' s Age and Gender Distribution

	2023		2022	
Age Group	**Male**	**Female**	Male	Female
0–15	**0%**	**0%**	0%	0%
16–18	**0%**	**0%**	0%	0%
19 — 30	**0%**	**3%**	2%	5%
31 — 45	**15%**	**22%**	32%	19%
46 — 60	**22%**	**16%**	15%	15%
= 61/>61	**13%**	**9%**	7%	5%
Total	**50%**	**50%**	56%	44%

c) Employee' s Geographical Distribution

	2023		2022	
Location	**Male**	**Female**	Male	Female
Hong Kong	**0%**	**0%**	0%	0%
Mainland China	**50%**	**50%**	56%	44%
Total	**50%**	**50%**	56%	44%

d) Employee' s Position Distribution

	2023		2022	
Position	**Male**	**Female**	Male	Female
Senior Management	**9%**	**3%**	7%	2%
Middle level staff	**10%**	**6%**	7%	5%
Junior staff	**31%**	**41%**	42%	37%
Total	**50%**	**50%**	56%	44%

5 MATERIALITY MATRIX *(CONTINUED)*

B. Social *(Continued)*

B1. Employment and Labour Practices *(Continued)*

Staff Composition *(Continued)*

e) Turnover Rate by Age Group

	2023		2022	
Age Group	**Male**	**Female**	Male	Female
0–15	**0%**	**0%**	0%	0%
16–18	**0%**	**0%**	0%	0%
19 — 30	**2%**	**2%**	4%	2%
31 — 45	**12%**	**0%**	6%	0%
46 — 60	**2%**	**2%**	2%	0%
= 61/>61	**0%**	**0%**	0%	0%
Total	**16%**	**4%**	13%	2%

We are not aware of any material non-compliance with the Employment Ordinance of Hong Kong, Employees' Compensation Ordinance of Hong Kong, Labour Law of the PRC and other applicable laws and regulations that have a significant impact on us relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare during the FY2023.

B2. Employee 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 because of implementation of our comprehensive occupational safety measures.

5 MATERIALITY MATRIX *(CONTINUED)*

B. Social *(Continued)*

B2. Employee Health and Safety *(Continued)*

Occupational Health and Safety Data

The statistics on work accident incidences from 2021–2023 are set out below:

	2023		2022		2021	
Health and Safety	**Male**	**Female**	Male	Female	Male	Female
Number of work-related fatalities	**–**	**–**	–	–	–	–
Rate of work-related fatalities	**–**	**–**	–	–	–	–
Lost days due to work injury	**–**	**–**	–	–	–	–

We do not aware of any material non-compliance with the Occupational Safety and Health Ordinance of Hong Kong, Prevention and Control of Disease Ordinance of Hong Kong, Law on Occupational Safety and Health of PRC and other applicable laws and regulations that have a significant impact on us relating to providing a safe working environment and protecting employees from occupational hazards during the FY2023.

B3. Development and Training

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. We have 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.

5 MATERIALITY MATRIX *(CONTINUED)*

B. Social *(Continued)*

B3. Development and Training *(Continued)*

All employees are encouraged to enhance their skills and knowledge in order to perform their duties more efficiently and effectively. During the FY2023, we provided approximately 72 hours of training to our employees.

The Total training hours received by our employees by gender and position type in the FY2023 are sent out below:

	2023		
Training hours	**Male**	**Female**	**Total**
Senior management	12	4	16
Middle management	6	4	10
Junior level	20	26	46
Total	**38**	**34**	**72**

We encourage our employees to strike a balance between work and life. All employees are encouraged to participate in the recreational activities in order to enhance the team spirit, employee's sense of belonging and morale.

B4. Labour Standard

We fully understand that exploitation of child and forced labour is universally condemned, strictly complying with all laws and regulations against child and forced labour. Internal policies are also in place to ensure that no person who is underage or under coercion is hired and, if any such case is identified during the recruitment process, it will be reported to the relevant authorities.

Employees are entitled to various fringe benefits, such as annual leave, marriage leave, compassionate leave and medical coverage, in accordance with local regulations. With the well-established benefit and support systems in place the Group strives to retain talents and encourage the growth of our employees.

We do not aware of any material non-compliance with the Employment Ordinance of Hong Kong, Employment of Children Regulations of Hong Kong, Labour Law of the PRC that have a significant impact on us relating to preventing child or forced labour during the FY2023.

5 MATERIALITY MATRIX *(CONTINUED)*

B. Social *(Continued)*

B5. Supply Chain Management

We expect our major suppliers to adhere to the same environmental, social responsibility, health and safety, and governance policies as the 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 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.

In 2023, we maintained stable business relationship with all of our suppliers. During the FY2023, we had total 28 suppliers, the geographical distribution of those suppliers are set out below:

By location	**No. of suppliers**
Shandong Province	19*
Liaoning Province	5
Shaanxi Province	4
Total	**28**

* There are 4 suppliers who also trade with us in the Liaoning Province and Shaanxi Province.

5 MATERIALITY MATRIX *(CONTINUED)*

B. Social *(Continued)*

B6. Product Responsibility

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. 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.

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.

5 MATERIALITY MATRIX *(CONTINUED)*

B. Social *(Continued)*

B6. Product Responsibility *(Continued)*

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.

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. We have standard procedure in cultivation to ensure that our 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 the Group in cultivation if necessary in strict compliance with the Management Measures. As confirmed by our Directors, we have 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. We 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 potted vegetable produce.

5 MATERIALITY MATRIX *(CONTINUED)*

B. Social *(Continued)*

B6. Product Responsibility *(Continued)*

Production process quality control *(Continued)*

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 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 some species of potted vegetable produce cultivated at our Laixi Facility.

For our business model, consumer data protection and privacy policies are not applicable because the Group does not obtain any individual consumer's data.

During FY2023, no products sold or shipped were recalled for safety and health reasons, and no complaints were received regarding safety and health issues.

5 MATERIALITY MATRIX *(CONTINUED)*

B. Social *(Continued)*

B7. Anti-corruption

We have zero tolerance on any corruptions, frauds and all other behaviours violating work ethics. It values and upholds integrity, honesty and fairness in the way it conducts businesses. We have formulated related policies on the control and prevention of bribery, extortion, fraud and money laundering between shareholders and related parties in each business operation and trade activity. During the reporting period, we did not note any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering, including but not limited to the the Prevention of Bribery Ordinance of Hong Kong.

As spelt out in the Employee Handbook, employees should declare potential conflict of interest to their supervisor or Human Resources Department and abide by the Code of Ethics for employees. Basic standards of expected conducts for all employees are clearly set out in the Anti-Fraud, Anti-Money Laundering Policy. The definition of "Fraud", "Money laundering", "Terrorism Financing" and "Employees" are clearly stated in the above policy. Such policy will be reviewed at least bi-annually and revised as needed. The Director is responsible for the administration, revision, interpretation and application of this policy.

All employees should be alert for occurrences of fraud and be aware that unusual transactions or behaviours could be indications of fraud. Employees will be subjected to disciplinary actions if they are found to be engaged in fraudulent activities. Disciplinary actions include termination of an individual, or prosecution to the appropriate law enforcement and/or regulatory agencies for independent investigation, depending on the situation.

An assessment of the risk of money laundering in our operations will be conducted by the Managing Director annually. Due diligence will be conducted by the responsible departments before the acceptance of business counterparties. For any indicators of suspicious activities, the Finance Manager will report to the Audit Committee immediately.

During the reporting period, we have provided 77 hours of training in relation to anti-corruption to our employees.

B8. Community Involvement

We advocate the concept of giving back to the community. We make efforts on not only increasing our positive impacts on the environment and community, but also in creating a safe and equal working environment for our employees. Moreover, it emphasizes providing good quality of products and services for the interests of our customers. We believe that working as a responsible corporate is critical for giving back to the community. In the coming years, we will continue to invest efforts in the abovementioned aspects and maintaining the success of this year.

Furthermore, We are planning to corporate with local food banks to donate unsold potted vegetables to those in need.

INDEPENDENT JOINT AUDITORS' REPORT

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24/F., Siu On Centre,
188 Lockhart Road, Wan Chai,
Hong Kong

TO THE SHAREHOLDERS OF FUJING HOLDINGS CO., LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fujing Holdings Co., Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 76 to 133, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Joint Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are: (i) allowance for expected credit losses ("**ECL**") of trade receivables; and (ii) fair value measurement of biological assets.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowance for ECL of trade receivables Refer to the material accounting policy information in notes 4(k) and 4(x), key estimates in note 5(c), credit risk in note 6(b) and trade receivables in note 25 to the consolidated financial statements. As at 31 December 2023, the carrying amount of the Group's trade receivables is approximately RMB61,909,000, net of allowance for ECL of approximately RMB274,000. Allowance for ECL of trade receivables of approximately RMB113,000 has been recognised in profit or loss during the year ended 31 December 2023. The management of the Group, assisted by an independent valuer as the management's expert, estimated the amount of allowance for ECL of trade receivables based on the provision matrix and such calculation involves significant estimates made by the management of the Group in determining the methodology, underlying assumptions and data, including historical credit loss experience and forward-looking information specific to the debtors and their economic environment. We have identified the allowance for ECL of trade receivables as a key audit matter because the carrying amount of the Group's trade receivables is significant to the consolidated financial statements as a whole and involves significant estimates made by the management of the Group in calculating the allowance for ECL.	Our audit procedures in relation to this matter included: — evaluating design, implementation and operating effectiveness of the key controls over trade receivables, including the allowance for ECL of trade receivables under the ECL model; — assessing the competence, capabilities and objectivity of the independent valuer engaged by the Group; — assessing the reasonableness of the Group's ECL model, including the valuation methodology, underlying assumptions and data used, by examining, on a sampling basis, the underlying assumptions and data used in the ECL model; — assessing the reasonableness of the forward-looking information adopted in the ECL model with reference to the latest available market information; and — assessing the appropriateness of the disclosure made in the consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter

Fair value measurement of biological assets

Refer to the material accounting policy information in note 4(g), key estimates in note 5(b), fair value measurement in note 7 and biological assets in note 23 to the consolidated financial statements.

As at 31 December 2023, the carrying amount of the Group's biological assets is approximately RMB9,645,000. Gains on biological assets fair value adjustments of approximately RMB843,000 has been recognised in profit or loss during the year ended 31 December 2023.

The biological assets comprises potted vegetables and are measured at fair value less estimated costs to sell. The fair value, which has been assessed by an independent valuer as the management's expert, is derived based on market and cost approaches, with significant estimates made by the management of the Group on the market prices, scrap rate, species, growing conditions and cost incurred of the biological assets under the Level 3 fair value measurement as defined in note 7 to the consolidated financial statements.

We have identified the fair value measurement of biological assets as a key audit matter because the carrying amount of the Group's biological assets is significant to the consolidated financial statements as a whole and involves significant estimates made by the management of the Group in determining its fair value.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to this matter included:

— evaluating design, implementation and operating effectiveness of the key controls over biological assets and its fair value calculation;

— assessing the competence, capabilities and objectivity of the independent valuer engaged by the Group;

— assessing, with the assistance from the auditors' expert, the appropriateness of the valuation methodology and examining, on a sampling basis, the reasonableness of the underlying assumptions and data used in determining the fair value of the biological assets; and

— assessing the appropriateness of the disclosure made in the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our joint auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assist the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

JOINT AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a joint auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

JOINT AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our joint auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our joint auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

JOINT AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our joint auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (HK) CPA Limited
Certified Public Accountants
Chung Wai Chuen Alfred
Audit Engagement Director
Practising Certificate Number: P05444

9/F, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

29 April 2024

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Lo Ka Ki
Audit Engagement Director
Practising Certificate Number: P06633

24/F., Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

29 April 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 Results before biological assets fair value adjustments RMB'000	2023 Biological assets fair value adjustments RMB'000	2023 Total RMB'000	2022 Results before biological assets fair value adjustments RMB'000	2022 Biological assets fair value adjustments RMB'000	2022 Total RMB'000
Revenue	9	**157,860**	**—**	**157,860**	126,694	–	126,694
Cost of sales		**(86,794)**	**(2,532)**	**(89,326)**	(70,804)	(3,351)	(74,155)
Gross profit		**71,066**	**(2,532)**	**68,534**	55,890	(3,351)	52,539
Other income	10	**1,175**	**—**	**1,175**	887	–	887
Change in fair value of biological assets		**—**	**3,375**	**3,375**	–	(2,053)	(2,053)
Allowance for expected credit losses ("**ECL**") of trade receivables	6(b)	**(113)**	**—**	**(113)**	(160)	–	(160)
Listing expenses		**(9,590)**	**—**	**(9,590)**	(5,727)	–	(5,727)
Selling and distribution expenses		**(311)**	**—**	**(311)**	(420)	–	(420)
Administrative and other expenses		**(12,968)**	**—**	**(12,968)**	(12,354)	–	(12,354)
Profit from operations		**49,259**	**843**	**50,102**	38,116	(5,404)	32,712
Finance costs	11	**(872)**	**—**	**(872)**	(900)	–	(900)
Profit before tax		**48,387**	**843**	**49,230**	37,216	(5,404)	31,812
Income tax expense	12	**—**	**—**	**—**	–	–	–
Profit for the year	13	**48,387**	**843**	**49,230**	37,216	(5,404)	31,812
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		**48,384**	**843**	**49,227**	37,213	(5,404)	31,809
Earnings per share (RMB)							
Basic and diluted	16			**0.12**			0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	18	**162,330**	162,756
Investment properties	19	**17,723**	6,135
Right-of-use assets	20	**21,271**	22,003
Intangible assets	21	**—**	—
Prepayments	26	**3,500**	—
		204,824	190,894
Current assets			
Biological assets	23	**9,645**	8,371
Inventories	24	**1,741**	1,557
Trade receivables	25	**61,909**	53,444
Prepayments and other receivables	26	**9,009**	6,252
Amount due from the ultimate holding company	27	**6**	6
Amounts due from shareholders	27	**3**	3
Bank and cash balances	28	**89,429**	71,079
		171,742	140,712
Current liabilities			
Trade payables	29	**7,240**	15,552
Accruals and other payables	30	**5,921**	1,546
Amount due to a director	27	**30**	30
Bank borrowings	31	**19,995**	20,000
Lease liabilities	32	**107**	98
Deferred income	33	**227**	227
		33,520	37,453
Net current assets		**138,222**	103,259
Total assets less current liabilities		**343,046**	294,153

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
Non-current liabilities			
Lease liabilities	32	**347**	454
Deferred income	33	**3,046**	3,273
		3,393	3,727
NET ASSETS		**339,653**	290,426
Capital and reserves			
Share capital	35	**10**	10
Reserves	37(b)	**339,643**	290,416
TOTAL EQUITY		**339,653**	290,426

Approved by the board of directors of the Company on 29 April 2024 and are signed on its behalf by:

Zhang Yonggang
Director

Cui Wei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital RMB'000	Merger reserve (Note 37(b)(i)) RMB'000	Foreign currency translation reserve (Note 37(b)(ii)) RMB'000	Statutory reserve (Note 37(b)(iii)) RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	10	72,165	—	18,382	168,060	258,617
Profit for the year	—	—	—	—	31,812	31,812
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)
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
Profit for the year	**—**	**—**	**—**	**—**	**49,230**	**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)**
Total comprehensive income for the year	**—**	**—**	**(3)**	**—**	**49,230**	**49,227**
Appropriations	**—**	**—**	**—**	**4,929**	**(4,929)**	**—**
Changes in equity for the year	**—**	**—**	**(3)**	**4,929**	**44,301**	**49,227**
At 31 December 2023	**10**	**72,165**	**(6)**	**26,500**	**240,984**	**339,653**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**49,230**	31,812
Adjustments for:			
Interest income		**(44)**	(17)
Depreciation of property, plant and equipment		**10,212**	10,034
Depreciation of investment properties		**634**	295
Depreciation of right-of-use assets		**732**	765
Finance costs		**872**	900
Biological assets fair value adjustments		**(843)**	5,404
Allowance for ECL of trade receivables		**113**	160
Loss on disposal of property, plant and equipment		**—**	214
Loss on write-off of property, plant and equipment		**—**	382
Operating profit before working capital changes		**60,906**	49,949
Increase in biological assets		**(431)**	(3,994)
Increase in inventories		**(184)**	(1,358)
Increase in trade receivables		**(8,578)**	(7,014)
(Increase)/decrease in prepayments and other receivables		**(2,757)**	2,823
(Decrease)/increase in trade payables		**(8,312)**	10,229
Increase/(decrease) in accruals and other payables		**4,372**	(173)
Decrease in deferred income		**(227)**	(227)
Net cash generated from operating activities		**44,789**	50,235
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investment properties		**(12,222)**	—
Payments for property, plant and equipment		**(13,286)**	(1,522)
Proceeds from disposal of property, plant and equipment		**—**	414
Interest received		**44**	17
Net cash used in investing activities		**(25,464)**	(1,091)

	Note	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank borrowings raised		**19,995**	10,000
Repayments of bank borrowings		**(20,000)**	(10,000)
Principal elements of lease payment		**(98)**	(125)
Interest paid		**(818)**	(836)
Interest on lease liabilities		**(54)**	(64)
Net cash used in financing activities		**(975)**	(1,025)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**18,350**	48,119
Effect of foreign exchange rate changes		**—**	(3)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**71,079**	22,963
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**89,429**	71,079
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	28	**89,429**	71,079

1. GENERAL INFORMATION

Fujing Holdings Co., Limited (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. The Company's shares have been listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 28 March 2024.

Pursuant to the reorganisation of the Group in connection with the listing of shares of the Company on the Main Board of the Stock Exchange (the "**Listing**"), the Company became the investment holding company of the Group on 8 February 2021 (the "**Group Reorganisation**"). Details of the Group Reorganisation were set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 20 March 2024 (the "**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 its subsidiaries (together with the Company collectively referred to as the "**Group**") are set out in note 22.

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

These 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 ("**HKASs**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") 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 applied by the Group for the prior periods.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs *(CONTINUED)*

(b) Amendments to HKFRSs in issue but not yet effective

Up to the date of issue of these consolidated financial statements, the HKICPA has issued the following 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 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 consolidated financial performance and financial position.

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have 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 costs to sell).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of these 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 consolidated financial statements are disclosed in note 5.

The material accounting policy information applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. 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 statement of financial position, the investments in subsidiaries are stated at cost less impairment losses, if any.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), which is different from the Company's functional currency, Hong Kong dollars ("**HK$**"). As the major revenue and assets of the Group are derived from operations in the People's Republic of China (the "**PRC**"), RMB is chosen as the presentation currency to present the consolidated financial statements.

(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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(b) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all of 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 rates 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.

(c) Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated in the consolidated statement 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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(c) Property, plant and equipment *(Continued)*

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.

(d) 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.

(e) Intangible assets

Computer software is 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.

(f) 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(f) Leases *(Continued)*

The Group as lessee *(Continued)*

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's 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 Group presents right-of-use assets, that do not meet the definition of investment properties, and lease liabilities separately in the consolidated statement of financial position.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(f) Leases *(Continued)*

The Group as a 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.

(g) Biological assets

Biological assets are measured at fair value less costs to sell. Costs 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.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weight average basis and comprised all costs of purchase and, where applicable, costs of 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.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(i) Recognition and derecognition of financial instruments *(Continued)*

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.

(j) 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.

(k) 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 contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for ECL.

(l) 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.

(m) 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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(n) 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 the reporting period.

(o) Trade and other payables

Trade and other payables are recognised initially at 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.

(p) 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.

(q) Revenue and other income

Revenue is recognised when control over a product 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 potted 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(r) 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 the 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.

(s) 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.

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

(t) 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(t) Government grants *(Continued)*

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.

(u) 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. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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 generally recognised for all deductible temporary differences 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 other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction 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 the 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 the 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(u) Taxation *(Continued)*

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 the 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 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.

(v) 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 a parent of the Group.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(v) Related parties *(Continued)*

(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.

(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 a parent of the Group.

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

(w) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of the 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(w) Impairment of non-financial assets *(Continued)*

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, if any, and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount of non-financial assets 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.

(x) Impairment of financial assets

The Group recognises a loss allowance for ECL of trade and other receivables and bank and cash balances. The amount of ECL is updated at the end of the 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 the reporting period.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(x) Impairment of financial assets *(Continued)*

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 the 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(x) Impairment of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

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 the 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 fulfil 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 amount.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(x) Impairment of financial assets *(Continued)*

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 the 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(x) Impairment of financial assets *(Continued)*

Measurement and recognition of ECL *(Continued)*

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 allowance for ECL in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(y) Events after the reporting period

Events after the reporting period that provide additional information about the Group's consolidated financial 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 consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

In applying the Group's material accounting policies, which are described in note 4, the directors of the Company are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 consolidated financial statements (apart from those involving estimations, which are dealt with below).

5. CRITICAL JUDGEMENT AND KEY ESTIMATES *(CONTINUED)*

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 years ended 31 December 2023 and 2022, 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 the 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.

As at 31 December 2023, the carrying amounts of property, plant and equipment, investment properties and right-of-use assets were approximately RMB162,330,000 (2022: RMB162,756,000), RMB17,723,000 (2022: RMB6,135,000) and RMB21,271,000 (2022: RMB22,003,000) respectively. No impairment losses have been recognised for the years ended 31 December 2023 and 2022.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES *(CONTINUED)*

Key sources of estimation uncertainty *(Continued)*

(b) Fair value measurement of biological assets

The Group's biological assets are measured at fair value less costs to sell at the end of the 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 market and cost approaches 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.

As at 31 December 2023, the carrying amount of biological assets was approximately RMB9,645,000 (2022: RMB8,371,000).

(c) Allowance for ECL of trade receivables

The management of the Group estimates the amount of allowance for ECL of 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 being revised downward due to changes in facts and circumstances, a material allowance may arise.

As at 31 December 2023, the carrying amount of trade receivables was approximately RMB61,909,000 (2022: RMB53,444,000), net of allowance for ECL of approximately RMB274,000 (2022: RMB161,000).

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's 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.

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(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 2023, the Group has concentration of credit risk as 23.7% (2022: 18.6%) and 68.4% (2022: 69.1%) of the total gross trade receivables were due from the Group's largest customer and 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 (2022: 60–120 days) and 180 days (2022: 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 allowance for ECL of 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 allowance based on invoice date is distinguished between the Group's different customer bases into two major groups, namely distributors and end-user customers.

Allowance for ECL

	2023	2022
	RMB'000	RMB'000
Non-credit impaired	**274**	161

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit risk *(Continued)*

The following table of ageing analysis, based on invoice date, provides information about the Group's exposure to credit risk and allowance for ECL of trade receivables (non-credit impaired):

	2023			
	0–90 days RMB'000	**91–180 days RMB'000**	**181–365 days RMB'000**	**Total RMB'000**
Distributors				
Expected loss rate	**0%**	**1%**	**5%**	
Gross carrying amount	**36,567**	**25,186**	**430**	**62,183**
Loss allowance	**—**	**(252)**	**(22)**	**(274)**
Net carrying amount	**36,567**	**24,934**	**408**	**61,909**

	2022			
	0–90 days RMB'000	91–180 days RMB'000	181–365 days RMB'000	Total RMB'000
Distributors				
Expected loss rate	0%	1%	5%	
Gross carrying amount	37,550	16,055	—	53,605
Loss allowance	—	(161)	—	(161)
Net carrying amount	37,550	15,894	—	53,444

There was no trade receivables arising from end-user customers as at 31 December 2023 and 2022.

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 during the years ended 31 December 2023 and 2022, the historical loss rates from sales records 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 2023 and 2022, the expected loss rate for trade receivables for distributors as at 31 December 2023 and 2022 remained the same.

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit risk *(Continued)*

Movement in the allowance for ECL of trade receivables during the year ended 31 December 2023 is as follows:

	2023	2022
	RMB'000	RMB'000
At 1 January	**161**	1
Allowance for ECL of trade receivables	**113**	160
At 31 December	**274**	161

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 the 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 borrowing at fixed interest rate.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities as at 31 December 2023 and 2022, 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 certain bank borrowings with floating interest rates for the years ended 31 December 2023 and 2022 is limited due to their short maturities or the insignificant amounts involved.

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(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 non-derivative financial liabilities is as follows:

	2023					
	Less than 1 year RMB'000	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**	**Total contractual undiscounted cash flows RMB'000**	**Carrying amount RMB'000**
Trade payables	**7,240**	**–**	**–**	**–**	**7,240**	**7,240**
Accruals and other payables	**5,921**	**–**	**–**	**–**	**5,921**	**5,921**
Amount due to a director	**30**	**–**	**–**	**–**	**30**	**30**
Bank borrowings	**20,277**	**–**	**–**	**–**	**20,277**	**19,995**
Lease liabilities	**152**	**108**	**272**	**58**	**590**	**454**

	2022					
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount 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

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(e) Categories of financial instruments

	2023	2022
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortised cost	**152,138**	125,038
Financial liabilities:		
Financial liabilities at amortised cost	**33,186**	37,128

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities at amortised cost as reflected in the consolidated statement 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 the 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:

	2023			
	Fair value measurements using inputs of:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Recurring fair value measurements				
Biological assets — potted vegetables	**—**	**—**	**9,645**	**9,645**

7. FAIR VALUE MEASUREMENTS *(CONTINUED)*

(a) Disclosures of level in fair value hierarchy: *(Continued)*

Description	2022 Fair value measurements using inputs of: Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements				
Biological assets — potted vegetables	—	—	8,371	8,371

(b) Reconciliation of assets measured at fair value based on Level 3 inputs:

	2023 RMB'000	2022 RMB'000
Biological assets:		
At 1 January	**8,371**	9,781
Increase due to plantation	**87,225**	74,798
Decrease due to sales, before the biological assets fair value adjustments	**(86,794)**	(70,804)
Biological assets fair value adjustments (note)	**843**	(5,404)
At 31 December	**9,645**	8,371
Note: Including gains arising from fair value adjustments of biological assets held at the end of the reporting period	**3,375**	2,532

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 biological assets held at end of the reporting period are presented as a separate item in the consolidated statement 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 years ended 31 December 2023 and 2022.

7. FAIR VALUE MEASUREMENTS *(CONTINUED)*

(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 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 valve measurements are set out below:

Biological assets — potted vegetables:

Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of unobservable inputs
Market and cost approaches	Market price	RMB15-RMB16 per pot (2022: RMB15-RMB16 per pot)	Increase
	Scrap rate	3.45%-4.76% (2022: 3.46%-4.45%)	Decrease

Sensitivity analysis

The following tables 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 years indicated, assuming all other variables remained constant. The fair value of the 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
2023	**(2,542)**	**(1,271)**	**1,271**	**2,542**
2022	(2,018)	(1,009)	1,009	2,018

(d) Other risk exposure of the biological assets

The Group is also exposed to risks arising from (i) regulatory and environmental risks; (ii) climate and other risks; and (iii) price risk. Details of such risks have been disclosed in note 23.

8. 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 potted vegetables.

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 for the years ended 31 December 2023 and 2022. Accordingly, no further geographical information of non-current assets and revenue was disclosed.

(b) Revenue from major customers

	2023	2022
	RMB'000	RMB'000
Sales of potted vegetables:		
Customer B	**26,070**	20,729
Customer D	**20,908**	16,164
Customer F	**18,908**	15,054
Customer G	**26,271**	20,914

9. 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:

	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Products transferred at a point in time:		
— Sales to distributors	**157,858**	126,692
— Direct sales to end-user customers	**2**	2
	157,860	126,694

There is 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

	2023	2022
	RMB'000	RMB'000
Interest income	**44**	17
Rental income	**640**	640
Net foreign exchange gains	**8**	3
Government grants (note)	**227**	227
Compensation received	**256**	—
	1,175	887

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 (note 33). There are no unfulfilled conditions and other contingencies attaching to them.

11. FINANCE COSTS

	2023	2022
	RMB'000	RMB'000
Interest on lease liabilities	**54**	64
Interest on bank borrowings	**818**	836
	872	900

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 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 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) ("**Xinfujing**") in the 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.

12. INCOME TAX EXPENSE *(CONTINUED)*

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:

	2023	2022
	RMB'000	RMB'000
Profit before tax	**49,230**	31,812
Tax at applicable tax rate	**12,313**	7,959
Tax effect of expenses that are not deductible	**9**	12
Tax effect of tax exemption	**(12,322)**	(7,971)
Income tax expense	**—**	—

13. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the followings:

	2023	2022
	RMB'000	RMB'000
Auditors' remuneration	**1,478**	41
Cost of inventories sold, before the biological assets fair value adjustments	**86,794**	70,804
Depreciation of property, plant and equipment (note (i))	**10,212**	10,034
Depreciation of investment properties	**634**	295
Depreciation of right-of-use assets (note (ii))	**732**	765
Loss on disposal of property, plant and equipment	**—**	214
Biological assets fair value adjustments	**(843)**	5,404
Listing expenses	**9,590**	5,727
Loss on write-off of property, plant and equipment	**—**	382
Allowance for ECL of trade receivables	**113**	160
Staff costs (including directors' emoluments) (note (iii))		
— Salaries, bonus, allowances, subcontracting fees and other benefits in kind	**40,232**	34,750
— Retirement benefits scheme contributions	**611**	660
	40,843	35,410

13. PROFIT FOR THE YEAR *(CONTINUED)*

Notes:

(i) Depreciation of property, plant and equipment of approximately RMB5,661,000 (2022: RMB5,565,000) for the year ended 31 December 2023 is included in cost of sales.

(ii) Depreciation of right-of-use assets of approximately RMB269,000 (2022: RMB273,000) for the year ended 31 December 2023 is included in cost of sales.

(iii) Staff costs of approximately RMB37,725,000 (2022: RMB32,260,000) for the year ended 31 December 2023 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

Dr. Li Junliang, Mr. Lam Chik Tong and Ms. Chow Wai Mee May were appointed on 16 November 2023 as the independent non-executive directors of the Company with effect from 26 February 2024. During the years ended 31 December 2023 and 2022, the independent non-executive directors of the Company 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 of the Group during the years ended 31 December 2023 and 2022 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 years ended 31 December 2023 and 2022 are set out below.

For the year ended 31 December 2023

	Fees RMB'000	Salaries and allowances RMB'000	Other benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Zhang	—	240	—	85	325
Mr. Lyu Zhonghua	—	91	—	32	123
Mr. Cui Wei	—	82	—	28	110
Ms. Guo Zeqing	—	121	—	40	161
Mr. Pang Jinhong	—	55	—	20	75
	—	589	—	205	794

14. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES *(CONTINUED)*

(a) The emoluments paid or payable to each of the director of the Company *(Continued)*

For the year ended 31 December 2022

	Fees RMB'000	Salaries and allowances RMB'000	Other benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Total 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

During the years ended 31 December 2023 and 2022, 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 years ended 31 December 2023 and 2022.

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, no significant transactions, arrangements or contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the years ended 31 December 2023 and 2022.

14. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES *(CONTINUED)*

(c) Five highest paid individuals

The five highest paid individuals in the Group during the year ended 31 December 2023 included 3 (2022: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2022: 3) individuals are set out below respectively:

	2023	2022
	RMB'000	RMB'000
Salaries and allowances	**237**	332
Retirement benefits scheme contributions	**64**	62
	301	394

The emoluments fell within the following band:

	2023	2022
Nil to HK$1,000,000 (equivalent to approximately RMB915,000)	**2**	3

During the years ended 31 December 2023 and 2022, 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 years ended 31 December 2023 and 2022.

15. 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).

16. EARNINGS PER SHARE

The calculations 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 (note 42) 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.

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.

During the years ended 31 December 2023 and 2022, the Group had no forfeited contributions which may be used by the Group to reduce the existing level of contributions or the contributions payable in future years.

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 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	–	4,512	–	–	275	4,999	9,786
Write-off	–	–	–	–	(3,848)	–	(3,848)
At 31 December 2023	133,675	58,601	3,881	2,552	6,208	5,424	210,341
Accumulated depreciation							
At 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 year	4,109	3,957	198	208	1,740	–	10,212
Write-off	–	–	–	–	(3,848)	–	(3,848)
At 31 December 2023	20,521	17,216	2,992	2,282	5,000	–	48,011
Carrying amount							
At 31 December 2023	113,154	41,385	889	270	1,208	5,424	162,330
At 31 December 2022	117,263	40,830	1,087	478	2,673	425	162,756

19. INVESTMENT PROPERTIES

	Properties RMB'000
Cost	
At 1 January 2022, 31 December 2022 and 1 January 2023	9,450
Addition	12,222
At 31 December 2023	21,672
Accumulated depreciation	
At 1 January 2022	3,020
Charge for the year	295
At 31 December 2022 and 1 January 2023	3,315
Charge for the year	634
At 31 December 2023	3,949
Carrying amount	
At 31 December 2023	17,723
At 31 December 2022	6,135

The Group let out its investment properties under operating leases with monthly rental under lease terms of 2 to 5 years (2022: 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.

As at 31 December 2023, the carrying amount of investment properties as security for the Group's bank borrowings amounted to approximately RMB17,723,000 (2022: RMB6,135,000) (note 31).

As at 31 December 2023, the fair value of investment properties was approximately RMB23,700,000 (2022: RMB12,100,000). 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 during the years ended 31 December 2023 and 2022. 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 years ended 31 December 2023 and 2022.

The directors of the Company considered that the outgoing expenses in respect of rental income arising from the investment properties are immaterial to be disclosed for the years ended 31 December 2023 and 2022.

20. RIGHT-OF-USE ASSETS

	Office and cultivation facilities	
	2023	2022
	RMB'000	RMB'000
At 1 January	**22,003**	22,768
Depreciation	**(732)**	(765)
At 31 December	**21,271**	22,003

	2023	2022
	RMB'000	RMB'000
Depreciation expenses on right-of-use assets	**732**	765
Interest expense on lease liabilities (included in finance costs)	**54**	64
Expenses relating to short-term lease (included in administrative and other expenses)	**33**	—

The Group leases office and cultivation facilities for its operations. Lease contracts are entered into for fixed term of 2 to 50 years (2022: 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 land. 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 2023 and 2022, 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 years ended 31 December 2023 and 2022, there is no such triggering event. The Group does not expect to exercise such option.

As at 31 December 2023 and 2022, all of the Group's leases did not have extension option.

As at 31 December 2023, the Group's right-of-use assets with carrying amount of approximately RMB18,124,000 (2022: RMB18,651,000) had been pledged to secure the Group's borrowings (note 31).

Details of total cash outflows for leases is set out in note 41.

21. INTANGIBLE ASSETS

	Computer software RMB'000
Cost	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	63
Accumulated amortisation	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	63
Carrying amount	
At 31 December 2023	—
At 31 December 2022	—

22. INVESTMENTS IN SUBSIDIARIES

	2023 RMB'000	2022 RMB'000
Unlisted investments, at cost	**—***	—*

* Represents amount less than RMB1,000.

22. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Particulars of the subsidiaries of the Company during the years ended 31 December 2023 and 2022 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
				2023	2022	
Directly held:						
Glory Team International Group Limited	8 August 2019	BVI	United State dollar ("**US$**") 1	**100%**	100%	Investment holding, Hong Kong
Prosperity Plentiful Holdings Limited	16 May 2019	BVI	US$1	**100%**	100%	Investment holding, Hong Kong
Indirectly held:						
Fujing Holdings (Hong Kong) Co., Limited	9 October 2019	Hong Kong	HK$1	**100%**	100%	Investment holding, Hong Kong
Prosperity Plentiful Holdings (Hong Kong) Co., Limited	6 June 2019	Hong Kong	HK$1	**100%**	100%	Investment holding, Hong Kong
Xinfujing	6 May 2020	The PRC	–	**100%**	100%	Investment holding, the PRC
Fujing Agriculture	4 December 2006	The PRC	RMB70,707,080	**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 the reporting period.

Details of the restrictions on conversion of RMB into foreign currencies for the subsidiaries established in the PRC are set out in note 28.

23. BIOLOGICAL ASSETS

	2023	2022
	RMB'000	RMB'000
At 1 January	**8,371**	9,781
Increase due to plantation	**87,225**	74,798
Decrease due to sales, before the biological assets fair value adjustments	**(86,794)**	(70,804)
Biological assets fair value adjustments (note)	**843**	(5,404)
At 31 December	**9,645**	8,371

Biological assets were potted vegetables and were stated at fair value less estimated costs to sell at the end of the 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 at the end of the 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 at the end of the 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.

The Group had approximately 772,000 (2022: 721,000) pots of vegetables as at 31 December 2023 and approximately 10,467,000 (2022: 8,395,000) pots of vegetable were sold during the year ended 31 December 2023. The total output of potted vegetables during the year ended 31 December 2023 was approximately 10,851,000 (2022: 9,283,000) pots.

Note: Included in biological assets fair value adjustments is losses arising from unsold vegetable produce of approximately RMB4,585,000 (2023: nil) 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.

23. BIOLOGICAL ASSETS *(CONTINUED)*

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 system in place is 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 risk 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

	2023	2022
	RMB'000	RMB'000
Agricultural materials	**1,741**	1,557

As at 31 December 2023 and 2022, the Group's inventories were stated at cost.

The Group's inventories primarily consist of agricultural materials which mainly include seeds, fertilisers and biopesticides which were not utilised at the end of the reporting period.

25. TRADE RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Trade receivables	**62,183**	53,605
Allowance for ECL (note 6(b))	**(274)**	(161)
	61,909	53,444

At 1 January 2022, the carrying amount of trade receivables was approximately RMB46,590,000 (net of allowance for ECL of approximately RMB1,000).

25. TRADE RECEIVABLES *(CONTINUED)*

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 (2022: 60–120 days) and 180 days (2022: 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 the reporting period, based on the invoice date, and net of allowance for ECL, is as follows:

	2023	2022
	RMB'000	RMB'000
0–90 days	**36,567**	37,550
91–180 days	**24,934**	15,894
181–365 days	**408**	—
	61,909	53,444

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 2023 are set out in note 6(b).

26. PREPAYMENTS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Prepayments for renovation of property, plant and equipment	**3,500**	—
Prepaid listing expenses	**6,260**	5,412
Other prepayments	**1,958**	334
Other receivables	**791**	506
	12,509	6,252
Analysed as:		
Current assets	**9,009**	6,252
Non-current assets	**3,500**	—
	12,509	6,252

Details of impairment assessment of other receivables under HKFRS 9 as at 31 December 2023 are set out in note 6(b).

27. AMOUNTS DUE FROM/TO THE ULTIMATE HOLDING COMPANY/SHAREHOLDERS/DIRECTOR

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 have been settled prior to the Listing.

28. BANK AND CASH BALANCES

At the end of the reporting period, the Group's bank and cash balances are denominated in the following currencies:

	2023	2022
	RMB'000	RMB'000
HK$	**23**	6
RMB	**89,406**	71,073
	89,429	71,079

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

	2023	2022
	RMB'000	RMB'000
Trade payables	**7,240**	15,552

An ageing analysis of the Group's trade payables at the end of the reporting period, based on invoice date, is as follows:

	2023	2022
	RMB'000	RMB'000
0–90 days	**7,049**	13,139
91–180 days	**150**	2,372
Over 1 year	**41**	41
	7,240	15,552

The carrying amount of the Group's trade payables is denominated in RMB.

30. ACCRUALS AND OTHER PAYABLES

	2023	2022
	RMB'000	RMB'000
Accruals	**502**	512
Other payables	**5,419**	1,034
	5,921	1,546

31. BANK BORROWINGS

	2023	2022
	RMB'000	RMB'000
Bank borrowings, secured	**19,995**	20,000

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:

	2023	2022
Bank borrowings	**3.45%-4.40%**	3.75%-4.55%

The Group's banking facilities as at 31 December 2023 were guaranteed by 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; and were secured by (i) investment properties of the Group (note 19); and (ii) certain right-of-use assets of the Group (note 20).

The Group's banking facilities as at 31 December 2022 were guaranteed by 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 were secured by (i) investment properties of the Group (note 19); and (ii) certain right-of-use assets of the Group (note 20).

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, a sister of Ms. Geng Juan and a shareholder of the Company (the "**Shareholder**").

The personal guarantees provided by Mr. Zhang, Ms. Geng Juan and the Shareholder have been released subsequent to 31 December 2023 upon the Listing.

32. LEASE LIABILITIES

	Present value of minimum lease payments	
	2023	2022
	RMB'000	RMB'000
Within one year	**107**	98
In the second year	**75**	107
In the third to fifth years, inclusive	**220**	247
After five years	**52**	100
Present value of lease obligations	**454**	552
Less: amount due for settlement within 12 months (shown under current liabilities)	**(107)**	(98)
Amount due for settlement after 12 months	**347**	454

	Minimum lease payments	
	2023	2022
	RMB'000	RMB'000
Within one year	**152**	152
In the second year	**108**	152
In the third to fifth years, inclusive	**272**	323
After five years	**58**	115
	590	742
Less: future finance charges	**(136)**	(190)
Present value of lease obligations	**454**	552

All lease liabilities are denominated in RMB.

33. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Government grants:		
At 1 January	**3,500**	3,727
Amortisation	**(227)**	(227)
At 31 December	**3,273**	3,500
Less: current portion	**(227)**	(227)
Non-current portion	**3,046**	3,273

The government grants regarding subsidies of agricultural development and greening purpose are deferred and credited to profit or loss on a systematic basis over 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 2023 and 2022, 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. As at 31 December 2023, the aggregate amounts of temporary differences associated with unremitted earnings of the subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately RMB246,126,000 (2022: RMB196,837,000).

35. SHARE CAPITAL

	Number of shares	Amount US$'000	Equivalent to 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

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 years ended 31 December 2023 and 2022.

The Group is not subject to any externally imposed capital requirements.

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.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 RMB'000	2022 RMB'000
Non-current asset			
Investments in subsidiaries	22	**—***	—*
Current assets			
Amount due from the ultimate holding company		**6**	6
Amounts due from subsidiaries		**3**	3
Bank and cash balances		**5**	3
		14	12
Current liability			
Amount due to a subsidiary		**16**	7
Net current (liability)/assets		**(2)**	5
Total assets less current liability		**(2)**	5
NET (LIABILITY)/ASSETS		**(2)**	5
Capital and reserves			
Share capital	35	**10**	10
Reserves	37(a)	**(12)**	(5)
(CAPITAL DEFICIENCY)/TOTAL EQUITY		**(2)**	5

* Represents amount less than RMB1,000.

37. RESERVES

(a) The Company

The Company's reserves and movements are analysed as follows:

	Foreign currency translation reserve (Note 37(b)(ii)) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 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 year	–	(7)	(7)
At 31 December 2023	–	(12)	(12)

(b) Nature and purpose of reserves

(i) 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.

(ii) 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 material accounting policy information set out in note 4(b).

(iii) 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-up capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the paid-up capital of the Group's subsidiaries.

38. 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:

	2023	2022
	RMB'000	RMB'000
Within one year	**3**	—

(b) The Group as lessor

Operating leases relate to investment properties owned by the Group with lease terms of 2 to 5 years (2022: 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 last 5 years. The Group did not identify any indications that this situation will change.

Minimum lease payments receivable on leases are as follows:

	2023	2022
	RMB'000	RMB'000
Within one year	**327**	640
In the second year	**—**	327
	327	967

The following table presents the amount reported in the consolidated statement of profit or loss and other comprehensive income:

	2023	2022
	RMB'000	RMB'000
Rental income under operating leases	**640**	640

39. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2023	2022
	RMB'000	RMB'000
Property, plant and equipment	**3,959**	—

40. RELATED PARTY TRANSACTIONS

Other than those balances with related parties disclosed in note 27 to the consolidated financial statements, the Group had the following material transactions with its related parties during the years ended 31 December 2023 and 2022.

(a) Transactions with related party

	2023	2022
	RMB'000	RMB'000
Rental payment paid to a related company in respect of a property	**33**	36

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.

(b) Guarantees

As at 31 December 2023 and 2022, Mr. Zhang and Ms. Geng Juan had provided personal guarantees in favour of banking facilities granted to Fujing Agriculture, an indirect wholly-owned subsidiary of the Company.

Details of the above guarantees are set out in note 31.

(c) Key management compensation

Key management mainly represents the directors of the Company. Their remunerations have been disclosed in note 14(a).

41. NOTES TO THE CONSOLIDATED STATEMENT 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 statement of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 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	(823)	(152)	(975)
Interest expenses	818	54	872
At 31 December 2023	**19,995**	**454**	**20,449**

(b) Total cash flows for bank borrowings

Net cash outflows included in the consolidated statement of cash flows for bank borrowings comprise the followings:

	2023 RMB'000	2022 RMB'000
Within financing cash flows	**823**	836

(c) Total cash outflows for leases

Net cash outflows included in the consolidated statement of cash flows for leases comprise the followings:

	2023 RMB'000	2022 RMB'000
Within operating cash flows	**33**	—
Within financing cash flows	**152**	189
Total cash outflows for leases	**185**	189

42. 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 31, 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 31, the personal guarantees provided by Mr. Zhang, Ms. Geng Juan and Ms. Geng Qi have been released upon the Listing.

(d) The audit committee has established and come into operation with effect from 26 February 2024, in compliance with the Corporate Governance Code.

(e) On 28 March 2024, the Shares of the Company were listed on the Main Board of the Stock Exchange, where 100,000,000 Shares of US$0.01 each were issued and subscribed at a price of HK$1.08 each. The proceeds will be credited to the Company's share capital and share premium accounts accordingly.

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 December			
	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**157,860**	126,694	154,946	121,405
Profit before tax	**49,230**	31,812	47,303	43,778
Income tax expense	**—**	—	—	—
Profit for the year	**49,230**	31,812	47,303	43,778
Other comprehensive (loss)/income for the year	**(3)**	(3)	1	(1)
Total comprehensive income for the year	**49,227**	31,809	47,304	43,777

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December			
	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	**204,824**	190,894	201,476	197,875
Total current assets	**171,742**	140,712	88,617	50,576
Total current liabilities	**(33,520)**	(37,453)	(27,423)	(32,771)
Total non-current liabilities	**(3,393)**	(3,727)	(4,053)	(4,367)
Net assets	**339,653**	290,426	258,617	211,313
Share capital	**10**	10	10	10
Reserves	**339,643**	290,416	258,607	211,303
Total equity	**339,653**	290,426	258,617	211,313