
SUMMARY

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

There are risks associated with any investment. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully in full before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

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

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

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

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

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

SUMMARY

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

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

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

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

SUMMARY

Revenue

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

| | Year ended 31 December | | | | | Nine months ended 30 September | | | | | | |
|--------------------------|------------------------|-----------------------------|--------------------------|-------------------|--------------------|--------------------------------|--------------------------|-------------------|--------------------|-----------------------------|--------------------------|-------------------|
| | 2020 | | 2021 | | | 2022 | | | 2023 | | | |
| | % of total revenue | Average selling price (RMB) | Sales volume ('000 pots) | Revenue (RMB'000) | % of total revenue | Average selling price (RMB) | Sales volume ('000 pots) | Revenue (RMB'000) | % of total revenue | Average selling price (RMB) | Sales volume ('000 pots) | Revenue (RMB'000) |
| Shandong province | | | | | | | | | | | | |
| Laixi Facility | 87.1 | 15.0 | 7,045 | 141,291 | 91.2 | 15.0 | 7,631 | 80,127 | 15.0 | 15.0 | 5,342 | 111,058 |
| Shaanxi province | | | | | | | | | | | | |
| Xi'an Facility | 7.2 | 16.0 | 543 | 6,206 | 4.0 | 16.0 | 332 | 3,932 | 16.0 | 16.0 | 246 | 4,517 |
| Liaoning province | | | | | | | | | | | | |
| Dalian Facility | 5.7 | 16.0 | 434 | 7,449 | 4.8 | 16.0 | 432 | 4,567 | 16.0 | 16.0 | 285 | 5,719 |
| Total/overall | 100.0 | 15.1 | 8,022 | 154,946 | 100.0 | 15.1 | 8,395 | 88,626 | 100.0 | 15.1 | 5,873 | 121,294 |

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

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SUMMARY

Cost of sales

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

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

COMPETITIVE STRENGTHS

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

BUSINESS STRATEGIES

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

OUR CUSTOMERS, DISTRIBUTION AND SALES NETWORK

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

SUMMARY

restaurants end-user customers sell both traditional vegetable produce and potted vegetable produce. However, majority of the potted vegetable produce sold by them was supplied by us.

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

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

OUR CULTIVATION PROCESS

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

RAW MATERIALS, SUPPLIERS AND SUBCONTRACTORS

Raw materials

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

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

SUMMARY

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

Our suppliers

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

Our subcontractors

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

SUMMARY

SHAREHOLDERS’ INFORMATION

Our controlling shareholders

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

Pre-[REDACTED] investments

| | Ms. Geng Qi | Mr. Li Changbai | Mr. Cui Wei | Mr. Xie Xing |
|------------------------------------------------------------------------------|-------------|-----------------|-------------|--------------|
| Approximate percentage of shareholding in our Company upon [REDACTED] (Note) | [REDACTED]% | [REDACTED]% | [REDACTED]% | [REDACTED]% |

Note: Without taking into account any Shares which may be issued upon exercise of the [REDACTED] or any option and/or award which may be granted under the Share Scheme.

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

RISK FACTORS

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

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SUMMARY

KEY OPERATIONAL AND FINANCIAL DATA

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

Summary of consolidated statements of profit or loss

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

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

SUMMARY

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

We incurred [REDACTED] of approximately RMB[REDACTED], RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED] for FY2020, FY2021, FY2022 and 9M2023, respectively.

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

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

Summary of consolidated statements of financial position

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

Our net current assets increased from approximately RMB17.8 million as at 31 December 2020 to approximately RMB61.2 million as at 31 December 2021, which was primarily attributable to (i) the increase in our trade receivables by approximately RMB15.5 million; (ii) the increase in our bank and cash balances by approximately RMB16.0 million; and (iii) the increase in our prepayments and other receivables by

SUMMARY

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

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

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

Summary of consolidated statements of cash flows

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

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

SUMMARY

in FY2022, mainly because of our operating profit before working capital changes of approximately RMB49.9 million and the increase in trade payables of approximately RMB10.2 million and partially offset by the increase in trade receivables of approximately RMB7.0 million. We recorded a net cash generated from operating activities of approximately RMB42.2 million in 9M2023, mainly because of our operating profit before working capital changes of approximately RMB49.5 million as partially offset by the increase in trade receivables of approximately RMB4.9 million.

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

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

Financial ratios

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

Notes:

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

SUMMARY

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

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

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

For more details, please refer to the paragraph headed “Financial Information — Key financial ratios” in this document.

Biological assets

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

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SUMMARY

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

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

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

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

Taxation

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

SUMMARY

Dividends and dividend policy

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

[REDACTED]

Our total estimated [REDACTED] primarily consist of our estimated [REDACTED] commissions for the [REDACTED] in addition to our professional fees paid in relation to the [REDACTED]. Assuming the [REDACTED] is not exercised and assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of our indicative price range for the [REDACTED], our total [REDACTED] is estimated to be approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), representing approximately [REDACTED]% of the gross proceeds from the [REDACTED]. The [REDACTED] comprise (i) [REDACTED]-related expenses of approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]); (ii) non-[REDACTED]-related expenses of RMB[REDACTED] (equivalent to HK\$[REDACTED]), including (a) fees and expenses of legal advisers and reporting accountants of approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]); and (b) other non-[REDACTED]-related fees and expenses of approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]). Our [REDACTED] of approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) is directly attributable to the issue of the [REDACTED] in the [REDACTED] which was and is expected to be accounted for as a deduction from equity in accordance with relevant accounting standards. Our remaining [REDACTED] of approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) were or are expected to be charged as expenses to our consolidated statements of profit or loss and other comprehensive income, of which approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) and approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) was charged for before the Track Record Period, FY2020, FY2021, FY2022 and 9M2023 respectively, while the balance of approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) is expected to be charged in the remaining months in the year ended 31 December 2023 and

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SUMMARY

year ending 31 December 2024. Our above total estimated [REDACTED] are the latest practicable estimates for reference only. The final amount to be recognised may differ from these estimates.

UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2023

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

FUTURE PLANS AND [REDACTED]

Assuming that the [REDACTED] is not exercised at all, based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the proposed [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED], the [REDACTED] of the [REDACTED], after deduction of [REDACTED] fees and other expenses payable by our Company in relation to the [REDACTED], are estimated to be HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million). Our Company currently intends to use the [REDACTED] from the [REDACTED] as follows:

| | For the period from the Latest Practicable Date to 31 December 2024 ([REDACTED]) | For the period from 1 January 2025 to 31 December 2025 ([REDACTED]) | For the period from 1 January 2026 to 31 December 2026 ([REDACTED]) | Total ([REDACTED]) | Approximate % of the total [REDACTED] |
|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------|---------------------------------------------|
| Expansion of our cultivation capacity | | | | | |
| — Improvement and expansion of cultivation facilities at existing geographical markets | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| — Establishing new cultivation facilities in new geographical markets | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Setting up a dedicated organic substrates production facility | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Strengthening our operating efficiency through upgrade of information technology system | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Total | <u>[REDACTED]</u> | <u>[REDACTED]</u> | <u>[REDACTED]</u> | <u>[REDACTED]</u> | <u>[REDACTED]</u> |

For details of how we intend to implement the [REDACTED] raised from [REDACTED], please refer to the section headed “Future Plans and [REDACTED]” and the paragraph headed “Business — Our business strategies” in this document.

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SUMMARY

[REDACTED] STATISTICS

| | Based on the [REDACTED] of HK\$[REDACTED] per Share | Based on the [REDACTED] of HK\$[REDACTED] per Share |
|--------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| [REDACTED] of our Shares <i>(Note 1)</i> | HK\$[REDACTED] | HK\$[REDACTED] |
| Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to the equity holders of the Company per Share <i>(Note 2)</i> | HK\$[REDACTED] | HK\$[REDACTED] |

Notes:

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

SUMMARY

IMPACT OF THE OUTBREAK OF COVID-19 EPIDEMIC

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

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

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

SUMMARY

Notes:

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

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

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

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

SUMMARY

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

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

OTHER INFORMATION

Regulatory Developments on Overseas Listing

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

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

NEEQ listing and delisting

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