



MIGAO GROUP HOLDINGS LIMITED 米高集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code : 9879

GLOBAL OFFERING

KNO_3

KCL

K_2SO_4

Sole Sponsor



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



Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



IMPORTANT

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



MIGAO GROUP HOLDINGS LIMITED 米高集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 225,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 22,500,000 Shares (subject to reallocation)
Number of International Offer Shares	: 202,500,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$4.30 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal value	: US\$0.01 per Share
Stock code	: 9879

Sole Sponsor



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



Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



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

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

The final Offer Price is expected to be determined by agreement between us and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or about Tuesday, 19 March 2024 and, in any event, not later than 12:00 noon on Tuesday, 19 March 2024. The Offer Price will be not more than HK\$4.30 per Offer Share and is currently expected to be not less than HK\$3.30 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$4.30 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%, subject to refund if the Offer Price is less than HK\$4.30 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before 12:00 noon on Tuesday, 19 March 2024 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. The Overall Coordinators (for themselves and on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.migaogroup.com. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Underwriting Agreement – Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.
This Prospectus is available at the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and our Company (www.migaogroup.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

13 March 2024

IMPORTANT

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

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

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

To apply for the Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	IPO App (which can be downloaded by searching “IPO App” in App store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp or www.hkeipo.hk)	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares or successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Wednesday, 13 March 2024 to 11:30 a.m. on Monday, 18 March 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Monday, 18 March 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC’s FINI system in accordance with your instruction	Investors who would <u>not</u> like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant’s stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

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

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

Please refer to the section headed “How to Apply for the Hong Kong Offer Shares” of this prospectus for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **HK eIPO White Form** service or the HKSCC EIPO channel must be for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

	Maximum amount payable ⁽²⁾		Maximum amount payable ⁽²⁾		Maximum amount payable ⁽²⁾		Maximum amount payable ⁽²⁾
Hong Kong Offer Shares applied for	on application/ successful allotment HK\$	Hong Kong Offer Shares applied for	on application/ successful allotment HK\$	Hong Kong Offer Shares applied for	on application/ successful allotment HK\$	Hong Kong Offer Shares applied for	on application/ successful allotment HK\$
1,000	4,343.37	20,000	86,867.31	300,000	1,303,009.66	4,000,000	17,373,462.00
2,000	8,686.73	30,000	130,300.96	400,000	1,737,346.20	5,000,000	21,716,827.50
3,000	13,030.10	40,000	173,734.62	500,000	2,171,682.76	6,000,000	26,060,193.00
4,000	17,373.46	50,000	217,168.28	600,000	2,606,019.30	7,000,000	30,403,558.50
5,000	21,716.82	60,000	260,601.94	700,000	3,040,355.86	8,000,000	34,746,924.00
6,000	26,060.20	70,000	304,035.59	800,000	3,474,692.40	9,000,000	39,090,289.50
7,000	30,403.56	80,000	347,469.25	900,000	3,909,028.96	10,000,000	43,433,655.00
8,000	34,746.92	90,000	390,902.90	1,000,000	4,343,365.50	11,000,000	47,777,020.50
9,000	39,090.29	100,000	434,336.56	2,000,000	8,686,731.00	11,250,000 ⁽¹⁾	48,862,861.88
10,000	43,433.65	200,000	868,673.10	3,000,000	13,030,096.50		

Notes:

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

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

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement on the Hong Kong Stock Exchange's website at www.hkexnews.hk and our website at www.migaogroup.com.

Hong Kong Public Offering commences 9:00 a.m. on Wednesday,
13 March 2024

Latest time for completing electronic applications under
HK eIPO White Form service through one of the below ways⁽²⁾

- (1) the designated website at www.hkeipo.hk
- (2) the **IPO App**, which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp 11:30 a.m. on Monday,
18 March 2024

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

Latest time for (a) completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC⁽⁴⁾ 12:00 noon on Monday,
18 March 2024

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

Application lists close⁽³⁾ 12:00 noon on Monday,
18 March 2024

Expected Price Determination Date⁽⁵⁾ Tuesday,
19 March 2024

- (1) Announcement of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.migaogroup.com at or before⁽⁶⁾ 11:00 p.m. on Wednesday,
20 March 2024

EXPECTED TIMETABLE⁽¹⁾

- (2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels, including:
- in the announcement to be posted on our website and the website of the Hong Kong Stock Exchange at www.migaogroup.com and www.hkexnews.hk, respectively⁽⁶⁾at or before 11:00 p.m. on
Wednesday, 20 March 2024

 - from the “IPO Results” function in the **IPO App** or at www.hkeipo.hk/IPOResult (or www.tricor.com.hk/ipo/result) from 11:00 p.m.,
Wednesday, 20 March 2024
to 12:00 midnight,
Tuesday, 26 March 2024

 - from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m.
and 6:00 p.m. from Thursday,
21 March 2024 to Tuesday,
26 March 2024
(excluding Saturday, Sunday and
public holiday in Hong Kong)

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from6:00 p.m.,
Tuesday, 19 March 2024

Dispatch of Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS pursuant to the Hong Kong Public Offering on or before⁽⁷⁾⁽⁹⁾ Wednesday,
20 March 2024

Dispatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful applications (in the event that the final Offer Price is less than initial price per Hong Kong Offer Share payable on application) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ Thursday,
21 March 2024

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on
Thursday, 21 March 2024

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering, are set out in the section headed “Structure of the Global Offering” in this prospectus.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk or the **IPO App** after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the designated website or **IPO App** prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 18 March 2024, the application lists will not open and close on that day. Please refer to the section headed “How to Apply for the Hong Kong Offer Shares – E. Severe Weather Arrangements” in this prospectus. If the application lists do not open and close on Monday, 18 March 2024, the dates mentioned in this section may be affected. We will make a press announcement in such an event.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for the Hong Kong Offer Shares – A. Application for Hong Kong Offer Shares” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Tuesday, 19 March 2024 and, in any event, not later than 12:00 noon on Tuesday, 19 March 2024. If, for any reason, the Offer Price is not agreed by 12:00 noon on Tuesday, 19 March 2024 between us and the Overall Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.
- (6) None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.
- (7) Share certificates for the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Thursday, 21 March 2024 provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms at or before that time. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates or before the Share certificates become valid evidence of title do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications in the event that the final Offer Price is less than the initial price per Offer Share payable on application. Part of your identification document number or, if you are joint applicants, part of the identification document number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your identification document number before encashment of your refund cheque. Inaccurate completion of your identification document number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. For more information, see “How to Apply for the Hong Kong Offer Shares”.
- (9) Applicants who have applied the **HK eIPO White Form** for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect Share certificates (where applicable) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 21 March 2024 or such other date as notified by us as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

EXPECTED TIMETABLE⁽¹⁾

Applicants who have applied for Hong Kong Offer Shares through the HKSCC EIPO channel should refer to the section headed “How to Apply for the Hong Kong Offer Shares – D. Despatch/Collection of Share Certificates and Refund of Application Monies” of this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Share certificates for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and uncollected Share certificates will be despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

Further information is set out in the section headed “How to Apply for the Hong Kong Offer Shares – D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, the procedures for application for the Hong Kong Offer Shares and the expected timetable, including the conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, we will publish an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering.

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SUMMARY

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

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

OVERVIEW

We are a national potash fertiliser company in China with sourcing and procurement, and processing and manufacturing capabilities selling various potash fertiliser products, including KCL, SOP, NOP and compound fertilisers. We ranked the third among potash fertiliser companies in China in terms of sales volume of potash fertilisers in 2022 and we ranked the second among fertiliser companies without its own potash mineral resources (i.e., non reserve-based potash fertiliser companies) in China in 2022 by the same measure. We accounted for approximately 7.1% of the total sales volume of potash fertilisers in China for 2022. In terms of sales revenue of KCL, SOP and NOP in 2022, we ranked the third, the fourth and the fifth among potash fertiliser companies in China, respectively, and accounted for approximately 7.0%, 4.0% and 0.3% of the total sales revenue of KCL, SOP and NOP, respectively, in China for the same year. Due to the discontinuation of production of our Chengdu Production Facility, we discontinued manufacturing of NOP since January 2019 and therefore only sold NOP to our customers by resale during the Track Record Period. Please refer to the section headed “Business – Production Facilities and Capacities – Our Group’s Production Facilities – Production Facility Subject to Relocation” in this prospectus for further information.

Our major raw material is KCL which is generally imported. For FY2021, FY2022, FY2023 and 8MFY2024, our purchase of KCL accounted for approximately 77.7%, 86.6%, 90.4% and 92.2% of our total purchases, respectively. The sea import master contract price (the “**Sea Import Master Contract Price**”) plays an important guiding role in the determination of the overall price of imported KCL to the PRC (by sea and by land). It is primarily determined by reference to the PRC domestic demand and the international market price of KCL (which reflects the global supply and demand), and therefore generally follows the trend of the international market price of KCL. As the Sea Import Master Contract Price affects our overall purchase price of KCL, it ultimately affects our selling price.

SUMMARY

The table below sets out the average international market price of KCL, the Sea Import Master Contract Price, our average purchase price of KCL and our average selling price of KCL during the Track Record Period:

		For the year ended 31 March			For the eight months ended 30 November 2023
	2021	2022	2023	2023	
	<i>Per tonne</i>				
Average international market price of KCL ⁽¹⁾	USD251	USD683	USD772	USD354	
Sea Import Master Contract Price ⁽²⁾	USD220/247	USD247/590	USD590	USD590/USD307	
Average purchase price of KCL ⁽³⁾	USD250 (RMB1,692.1)	USD381 (RMB2,448.8)	USD438 (RMB2,996.4)	USD302 (RMB2,150.9)	
Average selling price of KCL ⁽³⁾	USD254 (RMB1,723.9)	USD447 (RMB2,867.7)	USD551 (RMB3,771.6)	USD365 (RMB2,598.2)	

Notes:

- (1) The average international market price of KCL is based on the data published by the World Bank and comprises monthly market prices of KCL in various representative potash fertiliser markets from time to time.
- (2) The Sea Import Master Contract Price was USD220 from April 2020 to January 2021, USD247 from February 2021 to January 2022, USD590 from February 2022 to May 2023 and USD307 from June 2023 to the Latest Practicable Date.
- (3) The US\$ amount of our average purchase price of KCL and average selling price of KCL is calculated based on the weighted average of the exchange rate over the relevant financial period.

We have strategically situated our production facilities in main plantation zones in China to enable us to provide potash fertiliser products to our customers in a timely and cost-effective manner. As at the Latest Practicable Date, we had five key production facilities in Heilongjiang Province, Jilin Province, Guizhou Province and Guangdong Province in the PRC. As at the Latest Practicable Date, we had three KCL granulating lines, 40 SOP production lines, and three compound fertilisers production lines. Our total estimated production capacity of our KCL granules, SOP and compound fertiliser were 390,000 tonnes, 363,000 tonnes, and 172,000 tonnes, respectively. We have one other production facility, our Chengdu Production Facility, located in Sichuan Province which is subject to relocation. Prior to its discontinuation of production in January 2019, we also manufactured NOP at such production facility. We are currently planning to build our New Sichuan Production Facility in Mianyang City, Sichuan Province, which is expected to commence construction around the second half of 2024 and to complete construction and commence operation in the second half of 2025, to enable us to resume the production of NOP.

SUMMARY

From FY2021 to FY2023, our total revenue increased from RMB2,081.6 million in FY2021 to RMB3,841.4 million in FY2022 and further to RMB4,722.7 million in FY2023 and our profit for the year increased from RMB206.5 million in FY2021 to RMB396.6 million in FY2022 and further to RMB421.5 million in FY2023. However, the level of growth from FY2021 to FY2023 is not indicative of our financial performance before the Track Record Period or may not be indicative of our future financial performance. Please refer to the section headed “Risk Factors – Risks Relating to Our Business – We have historically recorded lower gross profit and net profit prior to the Track Record Period” in this prospectus for further information. Our revenue decreased from RMB2,727.2 million for 8MFY2023 to RMB2,283.7 million for 8MFY2024, and our profit for the period decreased from RMB236.8 million for 8MFY2023 to RMB162.1 million for 8MFY2024 primarily due to the decrease in average selling price of our KCL. Although we expect our revenue and gross profit for FY2024 will decrease compared to FY2023 given the expected lower average selling prices of our fertiliser products attributable to lower domestic market prices of potash fertilisers in FY2024, we expect the demand for our products will nonetheless increase. Please refer to the section headed “Business – Expected Demand for FY2024” for further information.

COMPETITIVE STRENGTHS

We believe the following competitive strengths enable us to maintain a leading position in the industry: (i) we are a national potash fertiliser company in China offering quality and diversified potash fertiliser products; (ii) we have established a long-term and stable relationship with large-scale enterprise customers and deployed our customer service network strategically; (iii) we have multiple channels for comprehensive procurement of raw materials for potash fertilisers to secure steady supply; (iv) we have a well-established research and development team to provide technological supports for the continuous development of our Group; and (v) our management team possess strong experience and most of them have been working with us for over ten years. Please refer to the section headed “Business – Competitive Strengths” in this prospectus for more information.

BUSINESS STRATEGIES

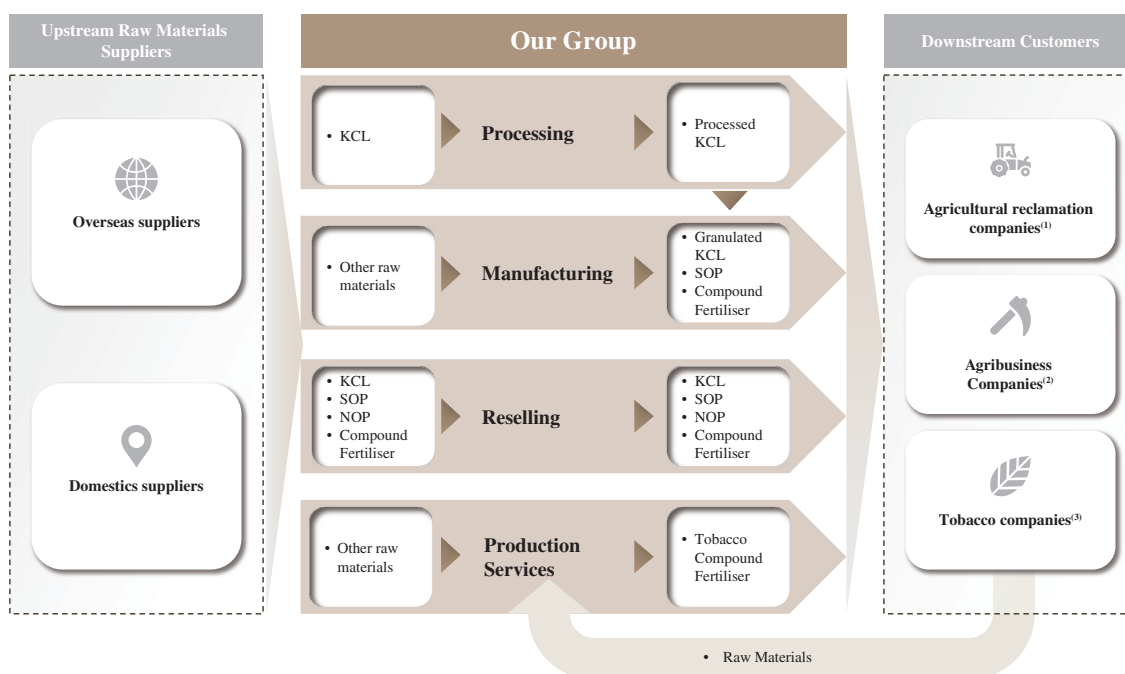
We intend to continue to strengthen and develop our existing market and industry position by adopting the following strategies while striving to enhance shareholder value and pursue growth strategies: (i) strengthening our cooperation with major customers and expansion of our customer base; (ii) expansion of procurement scale and diversification of procurement channels; (iii) continuous investment in research and development to maintain industrial position, and enhancing product competitiveness; and (iv) establishment of sales network in Southeast Asia for further expansion of overseas markets. Please refer to the section headed “Business – Business Strategies” in this prospectus for more information.

SUMMARY

BUSINESS MODEL

During the Track Record Period, our major products were KCL and SOP. Sales of KCL contributed to approximately 60.1%, 82.8%, 85.2% and 85.3% of our total revenue for FY2021, FY2022, FY2023 and 8MFY2024, respectively, and sales of SOP contributed to approximately 25.1%, 13.9%, 10.1% and 11.0% of our total revenue during the same year/period, respectively. The remaining revenues were primarily generated from the sales of NOP, compound fertilisers, and by-products and others, which primarily consist of (i) HCL, as a by-product from the manufacturing of SOP, and (ii) fertiliser additive.

The following diagram illustrates our business model in the context of the potash fertiliser manufacturing industry:



Notes:

- (1) Our Group's agricultural reclamation company customers include, among others, companies engaged in the plantation of agricultural products and several of them are large state owned enterprises such as Hulunbuir Agricultural.
- (2) Our Group's agribusiness company customers include, among others, companies engaged in the production, processing and sales of agricultural related supplies.
- (3) Our Group's tobacco company customers include, among others, companies engaged in the plantation of tobacco and production and sales of tobacco products and several of them are large state owned enterprises such as Guizhou Tobacco Investment.

Our major raw material for most of our products is KCL in powder form. Typically upon receipt of KCL from our suppliers, we process such KCL (either by ourselves or through third parties under our supervision) for sales to our customers or use as raw materials in the manufacturing of SOP and compound fertiliser.

SUMMARY

In relation to the sales of KCL, we typically either (i) sell the KCL directly to our customers after processing (i.e. processed KCL), or (ii) granulate the KCL into KCL granules before delivery upon our customers' request (i.e. granulated KCL). For FY2021, FY2022, FY2023 and 8MFY2024, we sold approximately 377,000 tonnes, 650,000 tonnes, 750,000 tonnes and 560,000 tonnes of processed KCL, respectively, and our revenue generated from sales of processed KCL amounted to RMB637.1 million, RMB1,809.4 million, RMB2,812.8 million and RMB1,452.7 million respectively, representing approximately 30.6%, 47.1%, 59.6% and 63.6% of our total revenue respectively; while we sold approximately 348,000 tonnes, 458,000 tonnes, 315,000 tonnes and 190,000 tonnes of granulated KCL, respectively, and our revenue generated from sales of granulated KCL amounted to RMB613.4 million, RMB1,369.4 million, RMB1,201.8 million and RMB495.7 million respectively, representing approximately 29.5%, 35.6%, 25.4% and 21.7% of our total revenue respectively. We also resell a small portion of our potash fertiliser products to our customers without further processing, granulation or manufacturing.

Since the fourth quarter of 2021, we started to provide fertiliser production services for certain tobacco compound fertiliser to Guizhou Tobacco Investment, one of our five largest customers in FY2021. Under this business model, Guizhou Tobacco Investment provides us with the principal raw materials and we manufacture them into compound fertiliser in accordance with the stipulated product specifications. We charge a production fee for such services and we generated production fees of nil, RMB20.8 million, RMB30.0 million and RMB5.4 million in FY2021, FY2022, FY2023 and 8MFY2024, respectively.

PRODUCTION FACILITIES AND UTILISATION

As at the Latest Practicable Date, we had five key production facilities and we had three KCL granulating lines, 40 SOP production lines, and three compound fertilisers production lines. Our total estimated production capacity of our KCL granules, SOP and compound fertiliser were 390,000 tonnes, 363,000 tonnes, and 172,000 tonnes, respectively. We also had our Chengdu Production Facility located in Sichuan Province, which is subject to relocation.

The utilisation rates of our production lines are generally subject to seasonality impact. As our fertiliser products are primarily for agricultural use, our production is subject to seasonal fluctuations as the demand of fertilisers is affected by the seasonal nature of fertiliser applications. Farmers in China typically apply crop nutrients during two application periods, i.e. the spring planting season (January to March) and the post harvest fertilising season (October to December). Hence, such periods are our peak season, and we generally recorded a higher utilisation rate during our peak season and a lower utilisation rate during our non-peak season (April to September).

SUMMARY

The table below sets out various information of our production lines (including the production lines at our Baoqing Production Facility and Anda Production Facility) for the years/periods indicated. For further information of the below table, please refer to the section headed “Business – Production Facilities and Capacities – Our Group’s Production Facilities – Utilisation Rates” in this prospectus.

	For the Year Ended 31 March						For the Eight Months Ended 30 November			
	2021		2022		2023		2022		2023	
	Actual		Actual		Actual		Actual		Actual	
	production	Utilisation	production	Utilisation	production	Utilisation	production	Utilisation	production	Utilisation
volume	rate	volume	rate	volume	rate	volume	rate	volume	rate	
tonnes	%	tonnes	%	tonnes	%	tonnes	%	tonnes	%	
KCL processing	376,964	105.8	650,226	185.1	749,827	216.3	386,965	169.8	559,574	235.5
• Changchun Production Facility	24,494	20.6	166,621	146.5	259,394	237.8	104,163	149.9	88,531	111.8
• Guangdong Production Facility	352,470	148.3	483,605	203.5	490,433	206.4	282,802	178.5	471,043	297.4
KCL granules	250,880	132.0	322,219	134.1	314,868	108.2	188,956	106.3	190,339	73.2
• Changchun Production Facility	250,880	132.0	246,592	135.5	181,843	104.2	127,531	114.8	153,884	121.5
• Anda Production Facility	–	–	75,627	129.6	133,025	114.0	61,425	92.1	36,455	27.3
SOP	220,328	86.4	160,668	58.8	110,937	33.3	68,242	32.2	103,053	42.6
• Guangdong Production Facility	101,457	69.5	75,804	51.9	32,052	22.0	20,423	21.0	46,143	47.4
• Changchun Production Facility	87,385	119.7	41,771	59.6	–	–	–	–	–	–
• Baoqing Production Facility	31,486	87.5	36,808	102.2	37,564	52.2	29,794	62.1	16,735	34.9
• Anda Production Facility	–	–	6,285	29.9	41,321	86.1	18,025	75.1	40,175	83.7
Compound fertiliser	75,763	44.0	62,112	36.1	77,311	44.9	24,835	21.7	22,917	20.0
• Daxing Production Facility	75,763	44.0	62,112	36.1	77,311	44.9	24,835	21.7	22,917	20.0

Our KCL processing utilisation rate was approximately 105.8%, 185.1% and 216.3% for FY2021, FY2022, and FY2023, respectively. The utilisation rate for KCL processing exceeded 100% from FY2021 to FY2023 as we worked overtime during busy time and the portion of the processed KCL processed by third party service providers was included in the calculation of the utilisation rate. Please refer to the section headed “Business – Production Facilities and Capacities – Our Group’s Production Facilities – Utilisation Rates” in this prospectus for further information on our KCL processing utilisation rate and its calculation basis.

SUMMARY

Our KCL granulation utilisation rate was 132.0%, 134.1% and 108.2% for FY2021, FY2022 and FY2023, respectively. Our KCL granulation utilisation rate exceeded 100% from FY2021 to FY2023 because we occasionally utilised the granulating equipment of our SOP production lines at Changchun Production Facility and Anda Production Facility for granulation of KCL. Please refer to the section headed “Business – Production Facilities and Capacities – Our Group’s Production Facilities – Utilisation Rates” in this prospectus for further information on our KCL granulation utilisation rate and its calculation basis.

Our SOP utilisation rate was 86.4%, 58.8% and 33.3% for FY2021, FY2022 and FY2023, respectively. We had a relatively low SOP utilisation rate of approximately 33.3% for FY2023 primarily due to (i) a decrease in demand of SOP from our customers as a result of higher average selling price of SOP during FY2023 as compared to that of FY2022; and (ii) the increase in SOP production capacity as we had four additional SOP production lines which commenced trial production in December 2022 at our Anda Production Facility. Our compound fertiliser utilisation rate was 44.0%, 36.1% and 44.9% for FY2021, FY2022 and FY2023, respectively. Our compound fertiliser are especially affected by seasonality impact. For further information on the fluctuation of the utilisation rates of our various production lines, please refer to the section headed “Business – Production Facilities and Capacities – Our Group’s Production Facilities – Utilisation Rates” in this prospectus.

CUSTOMERS AND SUPPLIERS

During the Track Record Period, we sold most of our products in the PRC and generated approximately 98.9%, 99.6%, 98.2% and 98.1% of our total revenue in the PRC. We primarily sell our fertiliser products to agricultural reclamation companies, tobacco companies and agribusiness companies. Our agricultural reclamation company customers primarily include companies engaged in the plantation of agricultural products; our tobacco company customers primarily include companies engaged in the plantation of tobacco and production and sales of tobacco products; and our agribusiness company customers primarily include companies engaged in the production, processing and sales of agricultural related supplies. We primarily sell our by-products to industrial companies. For FY2021, FY2022, FY2023 and 8MFY2024, sales to our largest customer accounted for approximately 27.9%, 22.4%, 20.0% and 9.6% of our total revenue, respectively, and sales to our top five customers accounted for approximately 58.1%, 59.4%, 52.4% and 40.8% of our total revenue, respectively.

We have developed strategic relationships and cooperations with our major customers. In 2018, (i) one of our key tobacco company customers invested in Yunnan EuroChem and acquired 30% equity interests of Yunnan EuroChem from EuroChem Migao, our joint venture; and (ii) we established two joint ventures, Baoqing Migao and Anda Migao, with an important agricultural reclamation customer, Customer A, and we further consolidated the two joint ventures as our subsidiaries on 31 March 2022. In 2016, we acquired 51% of Daxing Migao from Zunyi Migao, with the remaining 49% owned by Guizhou Tobacco Investment, another key tobacco company customer of us. We believe that by involving these customers in our group companies, we can benefit from their industry expertise. Further, we believe such strategic relationships and cooperations would benefit our customers and us mutually, as our customers are able to secure stable supply of quality fertiliser products while we are able to secure solid and stable demand for our fertiliser products.

SUMMARY

For FY2021, FY2022, FY2023 and 8MFY2024, purchases from our largest supplier amounted to approximately RMB451.4 million, RMB706.8 million, RMB976.9 million and RMB1,025.0 million, respectively, which accounted for approximately 22.4%, 19.1%, 29.2% and 46.6% of our total purchases (primarily purchases of raw materials and inventories), respectively. For the same years/periods, purchases from our five largest suppliers amounted to approximately RMB1,531.7 million, RMB2,484.5 million, RMB2,491.4 million and RMB1,599.7 million, respectively, which accounted for approximately 75.9%, 67.0%, 74.4% and 72.7% of our total purchases, respectively.

PURCHASES AND SALES

The table below sets out our (i) purchase volume of KCL (by overseas and domestic suppliers), (ii) average purchase price of KCL (by overseas and domestic suppliers), (iii) average unit cost of goods sold (by our fertiliser products), (iv) sales volume (by our fertiliser products), (v) average selling price (by our fertiliser products), (vi) gross profit margin (by our fertiliser products) and (vii) change in profit before tax if unit cost of goods sold of KCL increased or decreased by a certain percentage for the years/periods indicated:

	Year ended 31 March			Eight months ended	
	2021	2022	2023	30 November 2022	2023
Purchase volume of KCL					
Total purchase volume					
(Tonne)	926,902	1,310,234	1,009,792	562,257	943,416
• Overseas suppliers ⁽¹⁾ (Tonne)	420,021	370,510	68,273	4,997	334,820
• Domestic suppliers ⁽²⁾					
(Tonne)	506,881	939,724	941,519	557,260	608,596
Average purchase price of KCL					
Overall average purchase price					
(RMB/tonne)	1,692.1	2,448.8	2,996.4	3,366.1	2,150.9
• Overseas suppliers ⁽¹⁾					
(RMB/tonne)	1,539.8	2,657.4	2,297.9	3,904.9	2,223.2
• Domestic suppliers ⁽²⁾					
(RMB/tonne)	1,818.4	2,366.6	3,047.1	3,361.3	2,111.1
Average unit cost of good sold					
• KCL (RMB/tonne)	1,546.0	2,438.9	3,126.3	3,394.1	2,248.4
• SOP (RMB/tonne)	1,964.7	2,509.2	3,447.1	3,486.4	2,392.1
• NOP (RMB/tonne)	3,620.4	4,051.9	5,577.2	5,100.1	5,593.2
• Compound fertiliser ⁽⁵⁾					
(RMB/tonne)	2,085.9	2,237.2	2,120.5	2,330.2	2,031.8
Sales volume					
• KCL (Tonne)	725,405	1,109,099	1,066,950	578,170	749,913
• SOP (Tonne)	224,201	162,599	123,642	53,036	81,670

SUMMARY

	Year ended 31 March			Eight months ended	
				30 November	
	2021	2022	2023	2022	2023
• NOP (Tonne)	13,167	2,230	2,520	2,177	388
• Compound fertilisers ⁽⁵⁾ (Tonne)	81,892	10,982	19,085	3,632	3,489
Average selling price⁽³⁾					
• KCL (RMB/tonne) ⁽⁴⁾	1,723.9	2,867.7	3,771.6	4,112.8	2,598.2
• SOP (RMB/tonne)	2,328.4	3,281.5	3,850.3	4,030.4	3,065.8
• NOP (RMB/tonne)	3,726.6	4,006.1	6,097.7	5,691.4	6,043.7
• Compound fertilisers ⁽⁵⁾ (RMB/tonne)	2,364.5	2,275.7	2,501.8	2,701.8	2,397.2
Gross profit margin					
Overall gross profit margin (%)	12.0	16.5	16.3	16.9	14.4
• KCL (%)	10.3	15.0	17.1	17.5	13.5
• SOP (%)	15.6	23.5	10.5	13.5	22.0
• NOP (%)	2.9	(1.1)	8.5	10.4	7.5
• Compound fertiliser (%) ⁽⁵⁾	11.8	1.7	15.2	13.8	15.2
Change in profit before tax if unit cost of goods sold of KCL increases/(decreases) by					
• 10% (RMB'000)	(112,147)/ 112,147	(270,493)/ 270,493	(333,555)/ 333,555	(196,238)/ 196,238	(168,612)/ 168,612
• 20% (RMB'000)	(224,294)/ 224,294	(540,986)/ 540,986	(667,109)/ 667,109	(392,475)/ 392,475	(337,224)/ 337,224
• 100% (RMB'000)	(1,121,468)/ 1,121,468	(2,704,932)/ 2,704,932	(3,335,547)/ 3,335,547	(1,962,376)/ 1,962,376	(1,686,118)/ 1,686,118

Notes:

- (1) Overseas purchase includes direct purchase and purchase through domestic designated agent from suppliers located outside of Mainland China.
- (2) Domestic purchase refers to purchase from suppliers located within Mainland China. For our domestic purchase of KCL, majority of those purchases are KCL originated from overseas. For FY2023 and 8MFY2024, over 90% of our purchases of KCL from domestic suppliers were KCL originated from Russia.
- (3) Value added tax is excluded.
- (4) We adopt the same pricing policy for all KCL we sold including processed KCL and granulated KCL, given that the cost of granulation is considered to be insignificant, thus it is not separately accounted and it has been included in the weighted average cost of all the KCL sold during the Track Record Period.
- (5) Exclusive of provision of production services.

SUMMARY

Purchases

Our major raw material is KCL. The global potash reserve is concentrated in Canada, Belarus and Russia, which together account for more than 60% of the global potash reserves in 2022, according to the USGS (US Geological Survey). The global supply of potash fertilisers and raw materials of potash fertilisers have been affected by various factors: (i) the sanctions targeting Belarus's potash sector since mid-2021 have put a halt on the global supply of KCL from Belarus; (ii) the Russia-Ukraine conflict starting in February 2022 and the resulting sweeping sanctions measures imposed against Russia by the Western countries have further contributed to the uncertainty of global supply of KCL; and (iii) other factors, such as repeated COVID-19 outbreaks, the supply chain interruptions, the rising costs in logistics and transportation, the high prices of oil, natural gas, coal and other energy, and global inflation, have also impacted the global supply of KCL. However, to ensure world food security, various countries and world organisations have taken actions. For example, each of the U.S. and EU has confirmed on 14 July 2022 and 21 July 2022 respectively that Russian fertilisers (which include potash/KCL products) are not the targets of their respective sanctions measures against Russia and it specifically authorised transactions involving Russian fertilisers. Nonetheless, it may take time to completely remove the effect of sanctions measures on fertiliser trades, for example, problems with cargo insurance and payment settlement may persist. These, together with the global supply chain interruptions brought by the factors mentioned above, may continue to bring uncertainty to the global supply of KCL. Please refer to the section headed "Risk Factors – Risks Relating to our Business – We are exposed to global KCL supply uncertainty, as well as challenges in logistics and delivery; if we fail to effectively deal with these issues, our business and financial conditions could be adversely affected" in this prospectus for further information.

During the Track Record Period, we procured KCL from overseas and domestic suppliers. For overseas suppliers, we procured our KCL either directly from them or through our domestic designated agent. We also purchased KCL from domestic KCL suppliers who mostly sourced KCL overseas.

During the Track Record Period, our average purchase price of imported KCL generally followed the trend of the Sea Import Master Contract Price. For FY2021, FY2022, FY2023 and 8MFY2024, our average purchase price per tonne of KCL from overseas suppliers was approximately RMB1,539.8, RMB2,657.4, RMB2,297.9 and RMB2,223.2, respectively, while our average purchase price per tonne of KCL from domestic suppliers for FY2021, FY2022, FY2023 and 8MFY2024 was approximately RMB1,818.4, RMB2,366.6, RMB3,047.1 and RMB2,111.1, respectively. We recorded a lower average purchase price of KCL from domestic suppliers than overseas suppliers for FY2022 primarily due to the fact that we purchased a significant amount of KCL from a domestic supplier prior to the hike in the Sea Import Master Contract Price to US\$590 in February 2022. We recorded lower average purchase price of KCL from domestic suppliers than overseas suppliers for 8MFY2023 and 8MFY2024 primarily due to the fact that majority of our purchases of KCL from domestic suppliers were KCL imported by ground transportation, and the price of which may deviate from the prevailing Sea Import Master Contract Price from time to time as it was subject to more frequent adjustments taking into account of the trend of the prevailing international market price of KCL at the relevant time. As direct materials are significant contribution to our cost of goods sold and purchase costs of KCL is a significant contribution to our direct materials cost, changes in our purchase price of imported KCL will therefore affect the changes in our unit cost of goods sold.

SUMMARY

During the Track Record Period, we sometimes recorded lower unit cost of goods sold of KCL than our average purchase price of KCL for the same financial period primarily because (i) the purchase price was increasing during such period; and (ii) the KCL purchased in the later period of the relevant financial period, which were higher in purchase price, were carried forward for sale or production to the next financial period. Assuming all other variables remain constant, if the unit cost of goods sold of our fertiliser products increased by approximately 14.5%, 14.7%, 13.5%, 13.5% and 10.1% for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively, our profit before tax would be nil.

Sales

The sales of our fertiliser products is seasonal because the use of crop nutrients is seasonal. Similar to our production schedule, our sales volume and sales revenue are typically being the highest during our peak season (October to March). Accordingly, our sales in the second half of our financial year are typically significantly higher than those in the first half of our financial year. For further information on the impact of seasonality on our operations and financial performances, please refer to the section headed “Financial Information – Key Factors Affecting our Results of Operations – Seasonality” in this prospectus.

During the Track Record Period, our primary product was KCL and we also sold a significant amount of SOP, which was our second largest product. Our average selling price of our fertiliser products (other than compound fertilisers) were generally in an increasing trend from FY2021 to FY2023, following the market trend of domestic market price of potash fertiliser products in China. For further information on the fluctuation of our sales volume and average selling prices of our fertiliser products, please refer to the sections headed “Business” and “Financial Information” in this prospectus.

Pricing and Profitability

We generally determine the prices of our products based on a number of factors, such as raw material costs, labour and manufacturing costs, inventory level, prevailing domestic market price, specifications of products, sales volume and transportation costs. The predominant component of our product’s unit costs is our raw material costs. During the Track Record Period, our direct materials costs accounted for approximately 95.9%, 97.9%, 97.5% and 96.4% of our cost of goods sold for FY2021, FY2022, FY2023 and 8MFY2024, respectively.

Our gross profit margin is mainly affected by our average selling price of our fertiliser products and the relevant unit cost of goods sold. For detailed analysis on the fluctuation of our gross profit margin during the Track Record Period, please refer to the paragraphs headed “Revenue from Sales of Products” and “Gross Profit and Gross Profit Margin” under the section headed “Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income” in this prospectus.

SUMMARY

INVENTORY

Our inventory comprised primarily of raw materials, finished goods and others. We monitor the movement of our inventory monthly to ensure the availability of raw materials and our fertiliser products and manage our inventory levels generally based on the market demand and sale orders. Further, we also may stock up on our raw materials (including KCL) in anticipation of uncertainty in their supply or any significant increase in their prices. Our average inventory turnover days was approximately 24.5 days, 51.5 days, 41.2 days and 37.1 days for FY2021, FY2022, FY2023 and 8MFY2024, respectively. Please refer to the section headed “Financial Information – Selected Balance Sheet Items – Inventories” in this prospectus.

COMPETITION

We face intense competition in the potash fertiliser industry in the PRC. There were over 200 potash fertiliser producers in the PRC in 2022, which included SOEs, private-owned enterprises and foreign-invested enterprises. For FY2023, our sales volume of KCL and SOP was approximately 1,067,000 tonnes and 124,000 tonnes, respectively. Our Directors and Frost & Sullivan consider that we are in direct competition with large-scale potash fertiliser producers in the PRC.

RISK FACTORS

There are risks associated with your investment in the Offer Shares, among which, the relatively material risks are: (i) our business, financial performance and prospects could be adversely affected by global KCL supply uncertainty and fluctuation of purchase price and procurement costs of KCL as a result of, among others, sanctions on certain potash production countries; (ii) our purchase of KCL concentrates on our top five suppliers and any failure or delay in the supply may have a material adverse impact on us; (iii) we may not be able to sustain the gross profit margins at the levels recorded during the Track Record Period; (iv) we historically generated certain portion of our gross profit from our customers in the tobacco industry and any decrease in our gross profit generated from these customers may have a material and adverse impact on us; (v) we are exposed to market risks from fluctuating selling price of our fertiliser products in China; (vi) we rely on our major customers and our customer concentration may expose us to risks relating to fluctuation or decline in our revenue; and (vii) decline in market demand for our major fertiliser products may have a material and adverse impact on us.

SUMMARY OF FINANCIAL INFORMATION

The following tables summarise certain items of the historical consolidated financial information of our Group for the years/periods indicated and are extracted from, and should be read in conjunction with, the Accountants’ Report in Appendix I to this prospectus.

SUMMARY

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Revenue	2,081,579	100.0	3,841,400	100.0	4,722,749	100.0	2,727,223	100.0	2,283,747	100.0
Cost of goods sold	<u>(1,830,838)</u>	<u>(88.0)</u>	<u>(3,207,977)</u>	<u>(83.5)</u>	<u>(3,955,216)</u>	<u>(83.7)</u>	<u>(2,266,532)</u>	<u>(83.1)</u>	<u>(1,954,164)</u>	<u>(85.6)</u>
Gross profit	250,741	12.0	633,423	16.5	767,533	16.3	460,691	16.9	329,583	14.4
PROFIT										
BEFORE TAX	<u>264,926</u>	<u>12.7</u>	<u>471,044</u>	<u>12.3</u>	<u>533,414</u>	<u>11.3</u>	<u>305,485</u>	<u>11.2</u>	<u>196,608</u>	<u>8.6</u>
Income tax expense	<u>(58,401)</u>	<u>(2.8)</u>	<u>(74,464)</u>	<u>(1.9)</u>	<u>(111,900)</u>	<u>(2.4)</u>	<u>(68,642)</u>	<u>(2.5)</u>	<u>(34,482)</u>	<u>(1.5)</u>
PROFIT FOR THE YEAR/PERIOD	<u>206,525</u>	<u>9.9</u>	<u>396,580</u>	<u>10.3</u>	<u>421,514</u>	<u>8.9</u>	<u>236,843</u>	<u>8.7</u>	<u>162,126</u>	<u>7.1</u>
Profit (loss) for the year/period attributable to:										
Owners of our Company	202,294	9.7	396,337	10.3	405,089	8.6	237,552	8.7	157,235	6.9
Non-controlling interests	<u>4,231</u>	<u>0.2</u>	<u>243</u>	<u>0.0</u>	<u>16,425</u>	<u>0.3</u>	<u>(709)</u>	<u>(0.0)</u>	<u>4,891</u>	<u>0.2</u>
	<u>206,525</u>	<u>9.9</u>	<u>396,580</u>	<u>10.3</u>	<u>421,514</u>	<u>8.9</u>	<u>236,843</u>	<u>8.7</u>	<u>162,126</u>	<u>7.1</u>

SUMMARY

Revenue, Gross Profit and Gross Profit Margin

The following table sets forth the breakdown of our revenue, gross profit and gross profit margin by sales of each type of products and provision of production services for the years/periods indicated:

	For the year ended 31 March									For the eight months ended 30 November					
	2021			2022			2023			2022			2023		
	Gross		margin	Gross		margin	Gross		margin	Gross		margin	Gross		margin
	Revenue	profit		Revenue	profit		Revenue	profit		Revenue	profit		Revenue	profit	
RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	
									(unaudited)						
<i>Sales of products:</i>															
- KCL	1,250,489	129,021	10.3	3,180,575	475,643	15.0	4,024,088	688,541	17.1	2,377,891	415,515	17.5	1,948,412	262,294	13.5
- SOP	522,039	81,552	15.6	533,569	125,576	23.5	476,058	49,848	10.5	213,759	28,852	13.5	250,386	55,027	22.0
- NOP	49,068	1,399	2.9	8,933	(102)	(1.1)	15,366	1,311	8.5	12,391	1,287	10.4	2,347	175	7.5
- Compound fertiliser	193,629	22,814	11.8	24,992	423	1.7	47,747	7,278	15.2	9,812	1,349	13.8	8,363	1,275	15.2
- By-Products and Others	66,354	15,955	24.0	72,527	25,899	35.7	129,449	10,634	8.2	103,395	11,349	11.0	68,815	8,755	12.7
<i>Provision of production services</i>															
	-	-	-	20,804	5,984	28.8	30,041	9,921	33.0	9,975	2,339	23.4	5,424	2,057	37.9
Total/Overall	2,081,579	250,741	12.0	3,841,400	633,423	16.5	4,722,749	767,533	16.3	2,727,223	460,691	16.9	2,283,747	329,583	14.4

Our revenue was in increasing trend from FY2021 to FY2023 primarily due to the increase in sales volume of our KCL from FY2021 to FY2022 and increase in our average selling price of KCL in each financial year from FY2021 to FY2023. Our revenue decreased from 8MFY2023 to 8MFY2024 primarily due to the decrease in the average selling price of our KCL and SOP by approximately 36.8% and 23.9%, respectively, but partially offset by the increase in overall sales volume of our products by approximately 30.0% from 8MFY2023 to 8MFY2024.

Our overall gross profit and overall gross profit margin increased in FY2022 primarily due to the increase in gross profit and gross profit margin of our KCL and SOP in FY2022. Our overall gross profit further increased in FY2023 primarily due to the increase in gross profit of our KCL, and our overall gross profit margin remained relatively stable for FY2022 and FY2023. Our overall gross profit and overall gross profit margin decreased from 8MFY2023 to 8MFY2024 primarily due to the decrease in gross profit and gross profit margin of our KCL in 8MFY2024.

We recorded a gross loss margin for the sales of our NOP of approximately 1.1% for FY2022, primarily because the resale of our NOP generally recorded a low gross profit margin during the Track Record Period, and the resale of such products in FY2022 occurred mostly during the non-peak season with a lower selling price. During FY2023, a relatively low gross profit margin for the sales of our SOP of approximately 10.5% was recorded, primarily due to

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the higher increase in its unit cost of goods sold as a result of the increase in its average purchase price of KCL in the same year than the increase in the average selling price. For the detailed analysis on the fluctuation of our revenue, gross profit and gross profit margin by each type of our products during the Track Record Period, please refer to the paragraphs headed “Revenue from Sales of Products” and “Gross Profit and Gross Profit Margin” under the section headed “Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income” in this prospectus.

Our customers mainly include agricultural reclamation companies, tobacco companies and agribusiness companies. The following table sets forth the breakdown of our revenue, gross profit and gross profit margin by each type of customers for the years/periods indicated:

	For the year ended 31 March									For the eight months ended 30 November					
	2021			2022			2023			2022			2023		
	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Agribusiness companies	818,978	105,094	12.8	2,425,590	519,174	21.4	3,220,948	610,537	19.0	2,080,233	385,344	18.5	1,884,980	274,513	14.6
Agricultural reclamation companies	844,200	86,272	10.2	1,202,222	68,334	5.7	1,275,895	139,252	10.9	537,349	68,326	12.7	320,498	46,982	13.7
Tobacco companies	233,364	36,480	15.6	71,020	15,874	22.4	81,055	11,691	14.4	31,868	4,294	13.5	19,695	1,496	7.6
Others	185,038	22,895	12.4	142,568	30,040	21.1	144,851	6,052	4.2	77,773	2,727	3.5	58,574	6,592	11.3
Total/Overall	2,081,579	250,741	12.0	3,841,400	633,423	16.5	4,722,749	767,533	16.3	2,727,223	460,691	16.9	2,283,747	329,583	14.4

The major source of our revenue and gross profit during the Track Record Period was derived from agribusiness companies, and secondly from agricultural reclamation companies. We recorded a relatively high gross profit margin of approximately 21.4% from agribusiness companies for FY2022 mainly because approximately 47.0% of our KCL were sold with higher average selling price to agribusiness companies from December 2021 to March 2022 when the domestic market price of imported KCL was relatively higher. We recorded a relatively low gross profit margin of approximately 5.7% from agricultural reclamation companies for FY2022 mainly because approximately 69.7% of our KCL were sold with a lower average selling price to agricultural reclamation companies from April 2021 to November 2021 when the domestic market price of imported KCL was relatively lower. For the detailed analysis on the fluctuation of our revenue, gross profit and gross profit margin by each type of customers during the Track Record Period, please refer to the paragraphs headed “Revenue by Types of Customers” and “Gross Profit and Gross Profit Margin by Types of Customers” under the section headed “Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income” in this prospectus.

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Profit for the year/period

Our profit for the year increased from RMB206.5 million for FY2021 to RMB396.6 million for FY2022, mainly due to (i) the increase in revenue from sales of our KCL from RMB1,250.5 million for FY2021 to RMB3,180.6 million for FY2022; and (ii) the increase in revenue from sales of our SOP from RMB522.0 million for FY2021 to RMB533.6 million in FY2022. Our profit for the year increased from RMB396.6 million for FY2022 to RMB421.5 million for FY2023 mainly due to the increase in revenue from the sales of our KCL from RMB3,180.6 million for FY2022 to RMB4,024.1 million for FY2023. Our profit for the period decreased from RMB236.8 million for 8MFY2023 to RMB162.1 million for 8MFY2024 mainly due to the decrease in revenue from the sales of our KCL from RMB2,377.9 million for 8MFY2023 to RMB1,948.4 million for 8MFY2024.

Summary of Consolidated Statements of Financial Position

The following table sets forth our current assets, current liabilities, net current assets, non-current assets, non-current liabilities, net assets and non-controlling interests as at the dates indicated:

	As at 31 March			As at
	2021	2022	2023	30 November
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
Current assets	1,846,450	2,983,993	2,450,552	2,934,722
Current liabilities	1,695,572	2,488,710	1,574,373	1,822,720
Net current assets	150,878	495,283	876,179	1,112,002
Non-current assets	559,590	727,764	788,263	743,629
Non-current liabilities	54,711	48,129	88,549	124,314
Net assets	655,757	1,174,918	1,575,893	1,731,317
Non-controlling interests	29,067	147,633	155,081	158,012

Our net current assets amounted to RMB150.9 million, RMB495.3 million, RMB876.2 million and RMB1,112.0 million at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively. We improved our net current assets of RMB150.9 million as at 31 March 2021 to RMB495.3 million as at 31 March 2022 and further to RMB876.2 million as at 31 March 2023, primarily attributable to the profit for the year of RMB396.6 million and RMB421.5 million for FY2022 and FY2023, respectively. Our net current assets was further increased to RMB1,112.0 million as at 30 November 2023 mainly due to (i) the increase in inventories of RMB292.5 million; (ii) the increase in trade and other receivables and prepayments of RMB418.7 million; (iii) the decrease in trade and other payables of RMB135.7 million; (iv) the decrease in amounts due to related companies of RMB158.9 million; partially offset by (v) the decrease in bank balances and cash of RMB152.2 million; and (vi) the increase in contract liabilities of RMB493.0 million. For detailed information, please refer to the section headed “Financial Information – Selected Balance Sheet Items” in this prospectus.

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Our net assets increased from RMB655.8 million as at 31 March 2021 to RMB1,174.9 million as at 31 March 2022, mainly due to the profit for the year for FY2022 of RMB396.6 million, the increase in equity arising on acquisition of subsidiaries of RMB120.5 million and other comprehensive income for the year for FY2022 of RMB4.3 million, partially offset by the dividend paid to non-controlling interests of RMB2.2 million in FY2022. Our net assets increased from RMB1,174.9 million as at 31 March 2022 to RMB1,575.9 million as at 31 March 2023, mainly due to the profit for the year for FY2023 of RMB421.5 million, partially offset by other comprehensive expense for the year of RMB10.1 million, the dividend paid to non-controlling interests of RMB9.0 million in FY2023 and the deemed distribution to Mr. Liu of RMB1.5 million in FY2023 representing the difference between the consideration for the acquisition of Tongjiang Migao and the net liabilities of Tongjiang Migao at the date of acquisition. Our net assets increased from RMB1,575.9 million as at 31 March 2023 to RMB1,731.3 million as at 30 November 2023, mainly due to the profit of RMB162.1 million for 8MFY2024, partially offset by the other comprehensive expense of RMB4.7 million and the dividend paid to non-controlling interests of RMB2.0 million for the same period.

Summary of Consolidated Cash Flow

The following table sets forth selected cash flow data from our consolidated cash flow statements for the years/periods indicated. For their analysis, please refer to the section headed “Financial Information – Liquidity and Capital Resources – Cash Flow” in this prospectus.

	For the year ended 31 March			For the eight months ended 30 November	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>				
Net cash from (used in)					
operating activities	261,236	(332)	134,055	110,293	(125,120)
Net cash (used in) from					
investing activities	(79,655)	(6,243)	(91,270)	(65,693)	71,845
Net cash (used in) from					
financing activities	(132,118)	232,393	37,548	(11,045)	(99,397)
Net increase (decrease) in cash					
and cash equivalents	49,463	225,818	80,333	33,555	(152,672)
Cash and cash equivalents at					
the beginning of the					
year/period	6,049	54,707	283,456	283,456	365,731
Effect of foreign exchange rate					
changes	(805)	2,931	1,942	3,984	446
Cash and cash equivalents at					
the end of the year/period					
represented by bank balances					
and cash	54,707	283,456	365,731	320,995	213,505

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During the Track Record Period, net operating cash outflow of RMB0.3 million and RMB125.1 million was recorded in FY2022 and 8MFY2024, respectively. The net operating cash outflow recorded in FY2022 was primarily attributable to (i) the increase in trade and bills receivables and inventories prepayment which was in line with our sales growth and our strategy to maintain higher inventory reserve, (ii) the increase in inventories due to the higher inventory reserve maintained by our Group as at 31 March 2022 in view of the potential risk of adverse import price fluctuation of KCL as a result of the global supply uncertainty, (iii) the decrease in outstanding amount payable to Guizhou Tobacco Investment for our purchases of raw materials, partially offset by (iv) the increase in trade payable derived from the increase in domestic raw material purchases to satisfy additional demands of our products and to maintain higher inventory reserve, (v) the increase in amounts due to joint ventures, (vi) the increase in contract liabilities due to the increase in deposits made by our customers for sales orders in late FY2022, and (vii) the payment for additional EIT and surcharges resulted from the re-filings of revised EIT annual settlement returns for 2019 and 2020 by Guangdong Migao and Sichuan Migao. For details, please refer to the section headed “Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income – Income Tax Expense – PRC Tax Re-filings” in this prospectus.

The net operating cash outflow recorded in 8MFY2024 was primarily attributable to (i) the increase in trade and other receivables and prepayments mainly due to the increase in inventories prepayment to secure sources of KCL for our production and sales in the remaining period of the peak season in FY2024, (ii) the increase in inventories mainly due to the increase in raw material reserve maintained by our Group as at 30 November 2023 to satisfy customers’ demands in the peak season in FY2024, (iii) the decrease in trade and other payables, as our Group did not incur significant purchases in early FY2024 in view of the lower demands from our customers for the same period, partially offset by (iv) the increase in contract liabilities mainly due to the increase in deposits made by our customers in 8MFY2024 to secure the supply of our potash fertiliser products for the peak season in FY2024, and (v) the payment of income tax.

For details, please refer to the section headed “Financial Information – Liquidity and Capital Resources – Cash Flow – Net cash from/(used in) operating activities” in this prospectus.

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Key Financial Ratios

The following table sets forth certain key financial ratios for the dates/years/periods indicated. For their analysis, please refer to the section headed “Financial Information – Key Financial Ratios” in this prospectus.

	As at or for the year			As at
	ended 31 March			or for the
	2021	2022	2023	eight months
				ended
				30 November
				2023
Return on equity	32.3%	38.6%	28.5%	15.0%
Return on total assets	8.4%	10.7%	12.5%	6.4%
Current ratio (times)	1.1	1.2	1.6	1.6
Gearing ratio	22.2%	29.4%	19.8%	21.8%
Interest coverage ratio (times)	26.3	49.8	31.2	16.4
Net profit margin	9.9%	10.3%	8.9%	7.1%

SHAREHOLDER INFORMATION

Our Controlling Shareholders

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, Mr. Liu, Migao Barbados and Migao BVI will directly and indirectly hold 75% of our issued share capital, and hence will remain as our Controlling Shareholders. Each of our Directors and Controlling Shareholders has confirmed that, as at the date of this prospectus, none of them had any interest in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

OFFERING STATISTICS

Expected market capitalisation ⁽¹⁾ :	HK\$2,970 million to HK\$3,870 million
Offer size:	225,000,000 Shares (subject to the Over-allotment Option)
Offering Price:	Not more than HK\$4.30 per Offer Share and is expected to be not less than HK\$3.30 per Offer Share (excluding brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and the AFRC transaction levy)

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Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 30 November 2023 per Share ⁽²⁾ :	HK\$2.66 (based on the Offer Price of HK\$3.30 per Offer Share) HK\$2.90 (based on the Offer Price of HK\$4.30 per Offer Share)
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Notes:

- (1) The calculation of market capitalisation is based on 900,000,000 Shares expected to be in issue immediately upon completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised at all).
- (2) Please refer to Appendix II to this prospectus for the bases and assumptions in calculating this figure.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 30 November 2023 per Share did not take into account the further dividends (the “**Subsequent Dividends**”) declared and paid by Anda Migao and Baoqing Migao after the Track Record Period and up to the Latest Practicable Date. Had the Subsequent Dividends been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 30 November 2023 per Share would be RMB2.40 (equivalent to HK\$2.64) based on an Offer Price of HK\$3.30 per Share and RMB2.62 (equivalent to HK\$2.89) based on an Offer Price of HK\$4.30 per Share, respectively. Please refer to Appendix II to this prospectus for further information.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$713.9 million (equivalent to approximately RMB647.7 million from the Global Offering), assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated Listing expenses payable by us and assuming the initial Offer Price of HK\$3.80 per Share, being the mid-point of the indicative Offer Price range. We intend to use (i) approximately 45.2% of the net proceeds from the Global Offering for the investment and construction of the Heilongjiang Warehousing and Production Centre; (ii) approximately 28.2% of the net proceeds from the Global Offering for the investment and construction of our New Sichuan Production Facility; (iii) approximately 14.2% of the net proceeds from the Global Offering to fund the establishment of a research and development centre; (iv) approximately 6.0% of the net proceeds from the Global Offering to purchase new equipment and machinery; and (v) approximately 6.4% of the net proceeds from the Global Offering for additional working capital and other general corporate purposes. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for details.

DIVIDENDS

The group entities comprising our Group have paid or declared dividends during the Track Record Period, which included (i) a dividend in an aggregate amount of RMB4.0 million, RMB4.5 million, RMB4.0 million and RMB4.0 million has been declared and paid by Daxing Migao during FY2021, FY2022, FY2023 and 8MFY2024, respectively; (ii) a dividend in an aggregate amount of RMB6.4 million has been declared and paid by Baoqing Migao during FY2023; and (iii) a dividend of RMB15.9 million has been declared and paid by Anda Migao during FY2023. Other than the above, no dividend was declared or paid by our Group during the Track Record Period. Our Company has not declared or paid any dividend since its incorporation.

After the Track Record Period and up to the Latest Practicable Date, a dividend in an aggregate amount of RMB21.6 million has been declared and paid by Anda Migao, and a dividend in an aggregate amount of RMB8.1 million has been declared and paid by Baoqing Migao.

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We currently do not have any pre-determined dividend pay-out ratio. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. For details, please refer to the section headed “Financial Information – Dividend Policy” in this prospectus.

LISTING EXPENSES

Our Listing expenses primarily consist of underwriting commissions and professional fees paid to the professional advisers for their services rendered in relation to the Listing and the Global Offering. The total estimated Listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions and excluding any discretionary incentive fee which may be payable by us) in relation to the Global Offering are RMB128.0 million (equivalent to approximately HK\$141.1 million), representing approximately 16.5% of the gross proceeds from the Global Offering, of which (i) RMB2.8 million, RMB1.7 million, RMB22.1 million, RMB20.9 million and RMB15.4 million has been charged to our consolidated statements of profit or loss for the period before the Track Record Period, FY2021, FY2022, FY2023 and 8MFY2024, respectively; (ii) RMB16.2 million is expected to be charged to our consolidated statements of profit or loss after the Track Record Period; and (iii) RMB48.9 million is expected to be accounted for as a deduction from equity upon the Listing. The aforementioned estimated listing expenses of approximately HK\$141.1 million include (i) underwriting related expenses of approximately HK\$25.7 million; (ii) non-underwriting related fees and expenses paid and payable to legal advisers and reporting accountants, of approximately HK\$88.8 million; and (iii) other non-underwriting related fees and expenses of HK\$26.6 million.

BUSINESS DEALINGS WITH THIRD PARTIES SUBJECT TO INTERNATIONAL SANCTIONS

While we used to purchase KCL, directly or indirectly, from Supplier D in Belarus, we have ceased entering into new purchase contracts with it since it was designated as an SDN by OFAC. We do not intend to engage in further transactions with Supplier D or otherwise purchase KCL originated from Belarus, either directly or indirectly, for so long as Supplier D and/or the potash sector of Belarus remains subject to international sanctions. Based on the facts and detailed analysis set out in the section headed “Business – Business Dealings with Third Parties Subject to International Sanctions – International Sanctions Applicable to Belarus” and subject to our full implementation of the sanction compliance measures set out in the section headed “Business – Business Dealings with Third Parties Subject to International Sanctions – Sanctions Compliance Measures” in this prospectus, our International Sanctions Legal Advisers are of the view that our business dealings in respect of Belarus are not subject to material risk in respect of U.S. primary or secondary sanctions, nor subject to material risk in respect of the relevant EU, UK and Canada sanctions. We have also purchased KCL from Russia, which has been subject to enhanced sanctions since its military aggressions in Ukraine. However, both the U.S. and EU have clarified that the Russia’s fertiliser sector (including

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potash) is not the target of sanctions against Russia. In addition, the U.S. has issued a general license to specifically authorise sales of fertiliser involving Russia. Based on the facts and detailed analysis set out in the section headed “Business – Business Dealings with Third Parties Subject to International Sanctions – International Sanctions Applicable to Russia” and subject to our full implementation of the sanction compliance measures set out in the section headed “Business – Business Dealings with Third Parties Subject to International Sanctions – Sanctions Compliance Measures” in this prospectus, our International Sanctions Legal Advisers are of the view that our business dealings in respect of Russia are not subject to material risk in respect of U.S. primary or secondary sanctions, nor subject to material risk in respect of the relevant EU, UK and Canada sanctions. For details of our business dealings with third parties subject to international sanctions, our sanctions compliance measures and the relevant sanctions laws and regimes, please refer to the section headed “Business – Business Dealings with Third Parties Subject to International Sanctions”, the section headed “Risk Factors – Risks Relating to Our Business – We could be adversely affected as a result of any transactions we have with countries that are, or become subject to, sanctions administered by the Relevant Sanctions Authorities and other relevant authorities administering sanctions measures” and the section headed “Regulatory Overview – Sanctions Laws and Regulations” in this prospectus.

MEASURES TAKEN BY US TO ADDRESS KCL SUPPLY UNCERTAINTY

To address the supply uncertainty and the sanctions of Supplier D of Belarus, and to ensure stable supply of KCL for our operations, we have strengthened cooperation with our existing potash suppliers to increase purchase of KCL from them and to source KCL from domestic producers. We have also discussed with Supplier A to engage in price inquiry with it on the supply of KCL with origins from non-CIS countries. We plan to continue to develop other alternative sources of KCL to ensure we have diverse procurement channels. For further information on our alternative sourcing, please refer to the section headed “Business – Development in Global Potash Supply and Prices – Measures Taken by us to Address Supply Uncertainty” in this prospectus. Our Directors believe that these alternative sourcing and new business relationships with domestic producer and other overseas suppliers will diversify our source of supplies, and reduce the risk of concentration on a number of existing suppliers.

COVID-19

An outbreak of a public health emergency of an infectious disease caused by a strain of coronavirus started in December 2019 and declared a pandemic by the World Health Organization in March 2020. Government authorities in the PRC imposed a series of restrictions and controls to better detect the COVID-19 infections and manage the COVID-19.

Given we primarily operate in China, these measures have caused temporary disruption to our operations and we encountered some delays in our construction plan during the Track Record Period. For further information on the impact of COVID-19 on our operations, please refer to the section headed “Business Impact of the COVID-19 Outbreak on our Business” in this prospectus. Although some parts of our operations have been affected by the COVID-19

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pandemic, the COVID-19 pandemic outbreak has not materially adversely affected our overall results of operations or financial conditions during the Track Record Period and up to the Latest Practicable Date. We recorded an increasing trend in our revenue from FY2021 to FY2023.

Given that the PRC government has substantially lifted its COVID-19 prevention and control policies, our Directors are of the view that the COVID-19 pandemic is not expected to have a material adverse impact on our business in the long run. Nevertheless, if there are further waves of large-scale outbreaks of the pandemic in the PRC, our operations and financial performance maybe adversely affected. Please also refer to the section headed “Risk factors – Risks Relating to Our Business – We face risks related to force majeure events such as health epidemics, infectious diseases and other outbreak, including the COVID-19 outbreak” in this prospectus.

RECENT DEVELOPMENTS

Recent Operational Developments

Our sales volume of our KCL and SOP were approximately 1,007,000 tonnes and 120,000 tonnes, respectively, for the ten months ended 31 January 2024, which already accounted for approximately 94.3% and 97.0% of our total sales volume of KCL and SOP for FY2023, respectively. Therefore, we expect our total sales volume of KCL and SOP for FY2024 will exceed FY2023.

For FY2024, we anticipate that our revenue will be lower than that for FY2023 primarily due to the anticipated decrease in the average selling price of our KCL and SOP in view of the significant decrease in the Sea Import Master Contract Price from US\$590 per tonne in February 2022 to US\$307 per tonne in June 2023, but partially offset by an increase in sales volume of our KCL and SOP due to the expected increase in demand of our products. Further, we also expect a decline in our gross profit margin for FY2024 compared to FY2023 primarily due to the decrease in average selling price of our KCL, but partially offset by (i) the decrease in unit cost of goods sold of our potash fertiliser products, primarily due to our expected lower purchase price of KCL in view of the lower Sea Import Master Contract Price; and (ii) an increase in sales volume of our SOP which generally has a higher profit margin.

We also expect the profit for the year for FY2024 will be lower than that for FY2023 primarily as a result of the expected decrease in gross profit, but partially offset by (i) decrease in other gains and losses due to decrease in net foreign exchange losses as a result of decrease in the settlements of monetary liabilities denominated in US\$; (ii) decrease in distribution and selling expenses as a result of the decrease in inventory relocation transportation costs; and (iii) decrease in income tax expenses in line with the decrease in profit before tax.

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Recent Regulatory Developments

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of the 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 “**Overseas Listing Trial Measures**”) and five relevant guidelines, which became effective on 31 March 2023. Where an issuer submits an application for initiate public issuance for overseas offering for listing directly or indirectly, such issuer must file with CSRC within three business days after such application is submitted. We submitted a filing to the CSRC for application of the Listing and the Global Offering on 28 April 2023 and completed the filing procedures with CSRC on 17 August 2023. Please refer to the section headed “Regulatory Overview – Laws and Regulations Relating to Overseas Listing” in this prospectus for further information.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that since 30 November 2023 (being the date on which the latest audited consolidated financial statements of our Group were prepared) and up to the date of this prospectus, (i) there had been no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Accountants’ Report”	the report of the Reporting Accountants dated 13 March 2024, the text of which is set out in Appendix I to this prospectus
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council
“Anda Migao”	Anda Beidahuang Migao Agricultural Technology Co., Ltd.* (安達北大荒米高農業科技有限公司), a company established under the laws of the PRC with limited liability on 19 June 2018 and is owned as to 35% by Heilongjiang Beidahuang, and 65% by us through Changchun Migao (as to 34%) and Guangdong Migao (as to 31%). Anda Migao was our joint venture from its establishment to 30 March 2022 and was consolidated and accounted for as our subsidiary from 31 March 2022
“Anda Production Facility”	our production facilities located in Anda City, Heilongjiang Province, the PRC which is owned by Anda Migao, details of which are set out in the sections headed “Business – Production Facilities and Capacities” of this prospectus
“APPH”	Asia Pacific Potash Holdings Limited (亞太鉀肥控股有限公司), a company incorporated in Hong Kong with limited liability on 13 May 2016 and is wholly-owned by Elegant Castle
“Articles” or “Articles of Association”	the articles of association of our Company (as amended from time to time), conditionally adopted on 28 February 2024, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Baoqing Migao”	Baoqing Migao Agricultural Technology Co., Ltd.* (寶清米高農業科技有限公司), a company established under the laws of the PRC with limited liability on 14 May 2018 and is owned as to 23% by Heilongjiang Beidahuang, and 77% by us through Guangdong Migao (as to 40%) and Changchun Migao (as to 37%). Baoqing Migao was our joint venture from its establishment to 30 March 2022 and was consolidated and accounted for as our subsidiary from 31 March 2022
“Baoqing Production Facility”	our production facilities located in Baoqing County, Heilongjiang Province, the PRC which is owned by Baoqing Migao, details of which are set out in the section headed “Business – Production Facilities and Capacities” in this prospectus
“Belarus Producer”	a state-owned potash fertiliser producer in Belarus, which is one of the largest producers of potash fertilisers in the world
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business to the public
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Canadian dollars” or “CAD” or “C\$”	Canadian dollars, the lawful currency of Canada
“Capitalisation Issue”	the issue of 674,000,000 Shares to be made upon the capitalisation of part of the sum standing to the credit of the share premium account of our Company referred to in the section headed “Appendix IV – Statutory and General Information – A. Further Information about Our Group – 3. Resolutions in Writing of Our Shareholder”
“Capital Market Intermediary(ies)” or “CMI(s)”	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Cayman Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Changchun Migao”	Migao Chemical (Changchun) Co., Ltd.* (米高化工(長春)有限公司), a company established under the laws of the PRC with limited liability on 5 December 2006 and our wholly-owned subsidiary
“Changchun Production Facility”	our production facilities located in Changchun City, Jilin Province, the PRC which is owned by Changchun Migao, details of which are set out in the section headed “Business – Production Facilities and Capacities” in this prospectus
“Chengdu Production Facility”	our production facilities located in Chengdu City, Sichuan Province, the PRC which is owned by Sichuan Migao, details of which are set out in the section headed “Business – Production Facilities and Capacities” in this prospectus
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Circular 13”	Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (關於進一步簡化和改進直接投資外匯管理政策的通知), promulgated by SAFE in February 2015
“Circular 37”	Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investment Conducted by Domestic Residents through Overseas Special Purpose Vehicle* (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) promulgated by SAFE in July 2014

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“Circular 75”	Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Financing and Return on Investment Conducted by Residents in China via Special-Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) promulgated by SAFE in October 2005 and annulled in July 2014
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company” or “the Company”	Migao Group Holdings Limited 米高集團控股有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability on 21 November 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this prospectus, refers to the controlling shareholders of our Company, being Mr. Liu, Migao Barbados and Migao BVI
“Corporate Governance Code”	the corporate governance code set forth in Appendix C1 of the Listing Rules as amended from time to time
“COVID-19”	coronavirus disease 2019
“CSRC”	China Securities Regulatory Commission
“Daxing Migao”	Zunyi Daxing Compound Fertiliser Co., Ltd.* (遵義大興複肥有限責任公司), a company established under the laws of the PRC with limited liability on 5 November 1996 and is owned as to 51% by Sichuan Migao and 49% by Guizhou Tobacco Investment and is our subsidiary

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“Daxing Production Facility”	our production facilities located in Zunyi City, Guizhou Province, the PRC which is owned by Daxing Migao, details of which are set out in the section headed “Business – Production Facilities and Capacities” in this prospectus
“Deed of Indemnity”	the deed of indemnity dated 10 March 2024 executed by Mr. Liu in favour of our Company (for itself and on behalf of our subsidiaries) to provide certain indemnities, particulars of which are set out in the section headed “Appendix IV – Statutory and General Information – D. Other Information – 1. Tax and other indemnities”
“Director(s)”	director(s) of our Company
“EIT”	enterprise income tax in the PRC
“Elegant Castle”	Elegant Castle International Limited, a BVI business company incorporated under the laws of the BVI with limited liability on 19 September 2011 and is wholly-owned by Migao Barbados
“EU”	the European Union
“EuroChem Group”	EuroChem Group AG, a company incorporated under the laws of Switzerland and is an international fertiliser producer
“EuroChem International”	EuroChem International Holding B.V., a company incorporated under the laws of the Netherlands with limited liability on 12 December 2008, which is wholly-owned by EuroChem Group
“EuroChem Migao”	EuroChem Migao Limited, a limited liability company incorporated in Hong Kong on 14 February 2014 and is owned as to 50% by HK Migao and 50% by EuroChem International and is our joint venture

DEFINITIONS

“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“FINI”	Fast Interface for New Issuance, a new digital platform through which IPO market participants and regulators can manage the end-to-end settlement process for new listings in Hong Kong
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the independent industry consultant commissioned by our Company to prepare the Frost & Sullivan Report
“Frost & Sullivan Report”	the independent research report commissioned by our Company and prepared by Frost & Sullivan
“FY2020”	the Company’s financial year ended 31 March 2020
“FY2021”	the Company’s financial year ended 31 March 2021
“FY2022”	the Company’s financial year ended 31 March 2022
“FY2023”	the Company’s financial year ended 31 March 2023
“FY2024”	the Company’s financial year ending 31 March 2024
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company and our subsidiaries, or, where the context so requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guide for New Listing Applicants”	Guide for New Listing Applicants published by the Hong Kong Stock Exchange

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“Guizhou Tobacco Investment”	Guizhou Tobacco Investment Management Co., Ltd.* (貴州煙草投資管理有限公司), an Independent Third Party (other than being a substantial shareholder of Daxing Migao)
“Guizhou Tobacco Zunyi”	Zunyi Branch of Guizhou Tobacco Company* (貴州省煙草公司遵義分公司), now known as Zunyi City Branch of Guizhou Tobacco Company* (貴州省煙草公司遵義市公司)
“Guangdong Migao”	Guangdong Migao Chemical Co., Ltd.* (廣東米高化工有限公司), a company established under the laws of the PRC with limited liability on 30 April 2004 and is our wholly-owned subsidiary
“Guangdong Production Facility”	our production facilities located in Foshan City, Guangdong Province, the PRC which is owned by Guangdong Migao, details of which are set out in the section headed “Business – Production Facilities and Capacities” of this prospectus
“Heilongjiang Beidahuang”	Heilongjiang Beidahuang Modern Agricultural Services Group Agricultural Materials Co., Ltd.* (黑龍江北大荒現代農業服務集團農資有限公司) (formerly known as Heilongjiang Beidahuang Seed Industry Group Agricultural Production Materials Co., Ltd.* (黑龍江北大荒種業集團農業生產資料有限公司)), a state-owned company established under the laws of the PRC with limited liability on 25 August 2008 and is a substantial shareholder of our subsidiaries, Anda Migao and Baoqing Migao, and is therefore a connected person of our Company
“Heilongjiang Warehousing and Production Centre”	a warehousing and production centre we intend to construct in Tongjiang City, Heilongjiang Province, the PRC, details of which are set out in the section headed “Future Plans and Use of Proceeds – Use of Proceeds – Heilongjiang Warehousing and Production Centre” in this prospectus
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the IPO App or the designated website at <u>www.hkeipo.hk</u>

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“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by us, as specified on the designated website at www.hkeipo.hk or the IPO App
“HK Migao”	H.K. Migao Industry Limited (香港米高實業有限公司), a limited liability company incorporated in Hong Kong on 24 August 2005 and is our wholly-owned subsidiary
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
“HKSCC Participant”	means a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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“Hong Kong Offer Shares”	the 22,500,000 Offer Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation, as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the issue and offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage, Hong Kong Stock Exchange trading fee, AFRC transaction levy and SFC transaction levy) on and subject to the terms and conditions described in this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated 12 March 2024 relating to the Hong Kong Public Offering and entered into among the Company, the executive Directors, Mr. Liu, Migao BVI, the Sole Sponsor, the Overall Coordinators and the Hong Kong Underwriters
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of us, our subsidiaries or any of their respective associates
“International Offer Shares”	the 202,500,000 Offer Shares being initially offered by us for subscription or purchase under the International Offering together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option, subject to reallocation, as described in the section headed “Structure of the Global Offering” in this prospectus

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“International Offering”	the conditional offering of the International Offer Share(s) by the International Underwriters outside the United States in offshore transactions in reliance on Regulation S to institutional, professional and other investors as set out in the section headed “Structure of the Global Offering” in this prospectus
“International Sanctions Legal Advisers”	Ashurst Hong Kong, our legal advisers as to international sanctions laws in connection with the Listing
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company, the executive Directors, Mr. Liu, Migao BVI, the Sole Sponsor, the Overall Coordinators and the International Underwriters on the Price Determination Date
“IPO App”	the mobile application for HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunners”	GF Securities (Hong Kong) Brokerage Limited, CMB International Capital Limited, Essence International Securities (Hong Kong) Limited, China Merchants Securities (HK) Co., Limited, ABCI Capital Limited, China Everbright Securities (HK) Limited, Soochow Securities International Brokerage Limited, Shenwan Hongyuan Securities (H.K.) Limited, Orient Securities (Hong Kong) Limited and Livermore Holdings Limited
“Joint Global Coordinators”	GF Securities (Hong Kong) Brokerage Limited, CMB International Capital Limited and Essence International Securities (Hong Kong) Limited

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“Joint Lead Managers”	GF Securities (Hong Kong) Brokerage Limited, CMB International Capital Limited, Essence International Securities (Hong Kong) Limited, China Merchants Securities (HK) Co., Limited, ABCI Securities Company Limited, China Everbright Securities (HK) Limited, Soochow Securities International Brokerage Limited, Shenwan Hongyuan Securities (H.K.) Limited, Orient Securities (Hong Kong) Limited and Livermore Holdings Limited
“Latest Practicable Date”	4 March 2024, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Liaoning Migao”	Liaoning Migao Chemical Co., Ltd.* (遼寧米高化工有限公司), a company established under the laws of the PRC on 18 January 2005 and was disposed of by our Group to APPH on 1 January 2017. Liaoning Migao was indirectly wholly-owned by Mr. Liu (and therefore was a related party of our Company) from 1 January 2017 to 15 June 2022, and it became an Independent Third Party following its disposal by APPH on 15 June 2022
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about Thursday, 21 March 2024, on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

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“M&A Rules”	the Regulations on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, the SAIC and the SAFE on 8 August 2006, effective as of 8 September 2006 and amended on 22 June 2009
“Main Board”	the stock market (excluding the options market) operated by the Hong Kong Stock Exchange and which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Malaysia Migao”	Migao Holding (Malaysia) Sdn. Bhd., a company incorporated under the laws of Malaysia with limited liability on 24 November 2017 and is our wholly-owned subsidiary
“Malaysia Migao International”	Migao International (Malaysia) Sdn. Bhd., a company incorporated under the laws of Malaysia with limited liability on 10 July 2017 and is our wholly-owned subsidiary
“Malaysian ringgit” or “RM”	Malaysian ringgit, the lawful currency of Malaysia
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, conditionally adopted on 28 February 2024 with effect from the Listing Date, as amended from time to time
“Migao Barbados” or “Migao International”	Migao International Holding Limited, a company incorporated under the laws of the BVI with limited liability on 19 August 2005 and was discontinued as a company under the laws of the BVI and continuing as a company under the laws of Barbados on 25 January 2010 and is wholly-owned by Mr. Liu and one of our Controlling Shareholders
“Migao BVI”	Migao Holding Limited 米高控股有限公司, a BVI business company incorporated under the laws of the BVI with limited liability on 17 November 2017 and one of our Controlling Shareholders

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“Migao Century (Chengdu)”	Migao Century Engineering Technology (Chengdu) Co., Ltd.* (米高世紀工程技術(成都)有限公司), a company established under the laws of the PRC with limited liability on 11 August 2022 and is our wholly-owned subsidiary
“Migao Corporation (AmalCo)”	Migao Corporation, being the entity formed under the laws of Ontario, Canada on 21 December 2016 as a result of the corporate amalgamation of Migao Corporation (TSX) and Migao Corporation (Purchaser). Migao Corporation (AmalCo) is indirectly wholly-owned by Mr. Liu
“Migao Corporation (Purchaser)”	Migao Corporation, being the entity incorporated as 2521416 Ontario Inc. under the laws of Ontario, Canada on 3 June 2016, the purchaser of Migao Corporation (TSX) which was wholly-owned by Mr. Liu
“Migao Corporation (TSX)”	Migao Corporation, being the entity incorporated as 1273561 Ontario Inc. under the laws of Ontario, Canada on 29 December 1997, which subsequently changed its name to Fox Mountain Explorations Ltd. on 5 June 1998 and further renamed as “Migao Corporation” after the reverse take-over by HK Migao on 18 May 2006
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
“Mr. Liu”	Mr. Liu Guocai (劉國才), an executive Director, our chairperson, chief executive officer, and one of our Controlling Shareholders
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

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“New Sichuan Production Facility”	our new production facility to be constructed in Mianyang City, Sichuan Province, details of which are set out in the section headed “Business – Expansion Plan – New Sichuan Production Facility Plan” in this prospectus
“non-CIS countries”	countries which are not one of the Commonwealth of Independent States
“OFAC”	The United States Treasury Department’s Office of Foreign Assets Control, the principal U.S. regulator implementing and enforcing U.S. international sanctions programmes and policies
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%)
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
“Overall Coordinators”	the overall coordinators as named in the section headed “Directors and Parties Involved in the Global Offering” in this prospectus
“Over-allotment Option”	the option expected to be granted by us to the International Underwriters under the International Underwriting Agreement, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 33,750,000 additional new Shares, representing 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, as described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC GAAP”	Generally Accepted Accounting Principles of the PRC

DEFINITIONS

“PRC government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisers”	Jingtian & Gongcheng, the PRC legal advisers to our Company
“Price Determination Date”	the date, expected to be on or about Tuesday, 19 March 2024, on which the Offer Price will be determined and, in any event, not later than 12:00 noon on Tuesday, 19 March 2024
“Primary Sanctioned Activity”	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any activity in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by a listing applicant incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation
“Privatisation”	the privatisation and delisting of Migao Corporation (TSX) from the TSX
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Jurisdiction(s)”	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any jurisdiction that is relevant to the listing applicant and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation. For the purposes of this prospectus, Relevant Jurisdictions include the U.S., the EU, the UK, the UN and Canada

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“Relevant Person(s)”	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means the Group, its investors and shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of its shares, including the Hong Kong Stock Exchange and related group companies
“Relevant Sanctions Authorities”	means the relevant governmental authorities in the Relevant Jurisdictions that administer their respective sanctions related law or regulation, such as OFAC
“Reorganisation”	the reorganisation of the group of companies now comprising our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Reporting Accountants”	Deloitte Touche Tohmatsu
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Russian Producer”	a company incorporated in the Russian Federation and is listed on the Moscow Exchange, one of the largest potash producers and exporters in the world
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAIC”	the State Administration for Industry & Commerce of the PRC (中華人民共和國工商行政管理總局) or its delegated authority at the provincial, municipal or other local level
“SAMR”	the State Administration for Market Regulation of the PRC* (中華人民共和國國家市場監督管理總局) or its delegated authority at the provincial, municipal or other local level and its predecessor, SAIC
“Sanctioned Country”	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction

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“Sanctioned Person(s)”	means certain person(s) and identity(ies) listed on the SDN List or other restricted parties lists maintained by the Relevant Sanctions Authorities
“Sanctioned Target”	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means any person or entity (i) designated on SDN List or any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
“SDN List”	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons
“SDN”	specially designated nationals and blocked persons
“Secondary Sanctionable Activity”	has the meaning ascribed to it under Chapter 4.4 of the Guide for New Listing Applicants, means certain activity by a listing applicant that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the listing applicant is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

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“Shanghai Migao”	Huantaiyang Chemical Industry (Shanghai) Co., Ltd.* (寰太洋化工(上海)有限公司) (formerly known as Migao Chemical Industry (Shanghai) Co., Ltd.* (米高化工(上海)有限公司)), a company established under the laws of the PRC with limited liability on 26 September 2006 and was disposed of by our Group on 1 January 2017. Shanghai Migao is indirectly wholly-owned by Mr. Liu
“Share(s)”	ordinary share(s) in the capital of our Company with nominal value of US\$0.01 each
“Shareholder(s)”	holder(s) of the Shares
“Sichuan Migao”	Sichuan Migao Chemical Fertiliser Co., Ltd.* (四川米高化肥有限公司), a company established under the laws of the PRC with limited liability on 6 June 2003 and is our wholly-owned subsidiary
“Singapore dollars” or “SGD” or “S\$”	Singapore dollars, the lawful currency of the Republic of Singapore
“Singapore Migao”	Migao International (Singapore) Pte. Ltd., a company established under the laws of Singapore with limited liability on 31 March 2010 and is our wholly-owned subsidiary
“SOE”	State-owned entity(ies)
“Sole Sponsor”	GF Capital (Hong Kong) Limited, a licenced corporation registered under the SFO permitted to carry on Type 6 (advising on corporate finance) regulated activity
“Sponsor-Overall Coordinator”	GF Securities (Hong Kong) Brokerage Limited, a licenced corporation registered under the SFO permitted to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
“Stabilising Manager”	GF Securities (Hong Kong) Brokerage Limited, a licenced corporation registered under the SFO permitted to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
“State Council”	the State Council of the PRC (中華人民共和國國務院)

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“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager (or its affiliates acting on its behalf) and Migao BVI, pursuant to which Migao BVI will agree to lend up to 33,750,000 Shares to the Stabilising Manager on terms set forth therein
“subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“SWIFT”	The Society for Worldwide Interbank Financial Telecommunication, a global provider of secure financial messaging services
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“Tianjin Migao”	Huantaiyang (Tianjin) Property Leasing Co., Ltd.* (寰太洋(天津)房屋租賃有限公司) (formerly known as Migao Chemical (Tianjin) Co., Ltd.* (米高化工(天津)有限公司) until 9 May 2023 and as Huantaiyang Chemical (Tianjin) Co., Ltd.* (寰太洋化工(天津)有限公司) until 12 January 2024), a company established under the laws of the PRC with limited liability on 12 December 2007 and was disposed of by our Group on 30 September 2017. Tianjin Migao is indirectly wholly-owned by Mr. Liu
“Tongjiang Migao”	Migao Agricultural Technology (Tongjiang) Co. Ltd.* (米高農業科技(同江)有限公司), a company established under the laws of the PRC with limited liability on 27 May 2021 and is wholly owned by Changchun Migao and is our subsidiary
“Track Record Period”	the three financial years of our Company ended 31 March 2021, 2022 and 2023 and the eight months ended 30 November 2023
“TSX”	the Toronto Stock Exchange
“TSX Venture Exchange”	the TSX Venture Exchange, a public venture capital market place for emerging companies

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“UK”	the United Kingdom
“UK Person(s)”	means: <ul style="list-style-type: none">(i) any individual who is a UK citizen of the UK (including overseas territories), including dual citizens, regardless of his or her current location in the world;(ii) any individual, regardless of his or her nationality, while physically located in the UK; and(iii) any corporation, partnership, association, or other organisation (and their branches) organised under the laws of the UK or of any territory or possession of the UK
“UN”	the United Nations
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America
“U.S. dollars” or “US\$”	U.S. dollars, the lawful currency of the United States of America
“U.S. Person(s)”	means: <ul style="list-style-type: none">(i) any individual who is a U.S. citizen or legal permanent resident of the U.S., including dual citizens, regardless of his or her current location in the world;(ii) any individual, regardless of his or her nationality, while physically located in the U.S.;(iii) any corporation, partnership, association, or other organisation organised under the laws of the U.S. or of any state, territory, possession, or district of the U.S.; and

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	(iv) the foreign branches of any U.S. corporation, partnership, association or other organisation organised under the laws of the U.S. or of any state, territory, possession or district of the U.S.
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“Yunnan EuroChem”	Yunnan EuroChem Fertiliser Technology Co., Ltd.* (雲南歐羅漢姆肥業科技有限公司), a company established under the laws of the PRC with limited liability on 12 July 2013 and is owned as to 70% by EuroChem Migao and 30% by Yunnan Huaye, an indirect joint venture of our Company
“Yunnan Huaye”	Yunnan Huaye Investment Co., Ltd.* (雲南華葉投資有限責任公司), a company established under the laws of the PRC with limited liability on 12 September 2013 and is wholly-owned by Yunnan Tobacco and is an Independent Third Party
“Yunnan Production Facility”	the production facilities located in Qujing City, Yunnan Province, the PRC which is owned by Yunnan EuroChem
“Yunnan Tobacco”	China National Tobacco Corporation Yunnan Company* (中國煙草總公司雲南省公司)
“Zunyi Migao”	Huantaiyang (Zunyi) Real Estate Leasing Co., Ltd.* (寰太洋(遵義)房地產租賃有限公司) (formerly known as Migao (Zunyi) Real Estate Leasing Co., Ltd.* (米高(遵義)房地產租賃有限公司) and Migao (Zunyi) Technology Fertiliser Co., Ltd.* (米高(遵義)科技肥業有限公司)), a company established under the laws of the PRC with limited liability on 21 February 2011 which was disposed of by our Group on 1 January 2017. Zunyi Migao is indirectly wholly-owned by Mr. Liu
“8MFY2023”	eight months ended 30 November 2022
“8MFY2024”	eight months ended 30 November 2023

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“%” per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.

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

The English names of PRC entities, PRC laws or regulations, and PRC governmental authorities referred to in this prospectus are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese marked with “*” is for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“compound fertiliser”	a kind of fertiliser with three-components, providing nitrogen, phosphorus and potassium. Compound fertiliser can be used for balanced fertilisation and can increase the utilisation rate of fertilisers
“HCL”	hydrochloric acid, an aqueous solution of hydrogen chloride, belonging to one-component inorganic strong acid, which is an important part of the chlor-alkali industry and is widely used in industrial fields
“KCL” or “MOP”	potassium chloride, a compound with the chemical formula KCl containing around 60% potassium oxide equivalent, which can be used as a fertiliser
“Mannheim Method”	a mature and reliable production technology in SOP manufacturing, which consists of a thermal decomposition reaction between sulphuric acid and KCL to simultaneously produce SOP and HCL, a by-product
“m ³ ”	cubic metre
“mu”	unit of area corresponding to approximately 666.7 sqm per mu
“NHCL”	ammonium chloride, a compound with the chemical formula NH ₄ Cl and a by-product produced during the manufacturing of NOP
“NOP”	potassium nitrate, a compound with the chemical formula KNO ₃ containing potassium, oxygen, and nitrogen, which can be used as a fertiliser
“potash”	potassium

GLOSSARY OF TECHNICAL TERMS

“SOP”	potassium sulphate, a compound with the chemical formula K_2SO_4 containing around 50% potassium oxide equivalent, which can be used as a fertiliser
“sqf”	square foot
“sqm”	square metre

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim,” “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- our capital expenditure plans;
- our operation and business prospects;
- projects under construction or planning;
- our financial condition;
- availability of bank loans and other forms of financing;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- future developments, trends and conditions in the industries and markets in which we operate or intend to have business operations;
- changes to the regulatory environment, policies, economic conditions, operating conditions and general outlook in the industries and markets in which we operate or intend to have business operations;
- general economic, political and business conditions in the PRC; and
- certain statements included in the section headed “Business” and “Financial Information” in this prospectus with respect to operations, margins, overall market trends, risk management and exchange rates.

FORWARD-LOOKING STATEMENTS

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialise or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realised. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

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You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making any investment in the Offer Shares. The Group's business, financial condition or results of operations could be affected materially and adversely by any of these risks and uncertainties. The market price of the Offer Shares could decline significantly due to any of these risks and uncertainties, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to the Group or that the Group currently deems immaterial could also harm the business, financial condition or results of operations of the Group.

RISKS RELATING TO OUR BUSINESS

We are exposed to global KCL supply uncertainty, as well as challenges in logistics and delivery; if we fail to effectively deal with these issues, our business and financial conditions could be adversely affected.

KCL is our major raw material required for the processing and manufacturing of our potash fertiliser products. The global potash reserve is concentrated in Canada, Belarus and Russia, which together account for more than 60% of the global potash reserves in 2022, according to the USGS (US Geological Survey). Accordingly, the global potash mine production is very concentrated, with Canada, Russia and Belarus representing about 60% of global production in 2022, according to the statistics of the USGS. Due to China's geologically lack of quality potash reserves, it relies on import of KCL from overseas countries, in particular Russia, Belarus and Canada.

The global supply of potash fertilisers and raw materials of potash fertilisers have been disturbed since 2021, which resulted from various factors. The sanctions targeting Belarus's potash sector since mid-2021 have put a halt on the global supply of KCL from Belarus. The Russia-Ukraine conflict starting in February 2022 and the resulting sweeping sanctions measures imposed against Russia by the Western countries have further contributed to the uncertainty of global supply of KCL. Other factors, such as repeated COVID-19 outbreaks, the supply chain interruptions, the rising costs in logistics and transportation, the high prices of oil, natural gas, coal and other energy, and global inflation, have also impacted the global supply of KCL. Supply uncertainty of KCL in turn has impacted the global food supplies and prices, threatening food security around the world.

To ensure world food security, various countries and world organisations have taken actions. For example, each of the U.S. and EU has confirmed on 14 July 2022 and 21 July 2022 respectively that Russian fertilisers (which include potash/KCL products) are not the targets of their respective sanctions measures against Russia and it specifically authorised transactions involving Russian fertilisers. Insurance services related to Russian fertilisers are permitted and banks are authorised to process transactions related to Russian fertiliser trades. As such, Russian fertilisers (including KCL products) are not targeted by nor subject to sanctions

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measures imposed by the U.S. and EU against Russia. In addition, on 22 July 2022, the UN has also signed a memorandum of understanding with Russia on the full access of Russian food and fertiliser products to global markets, reiterating that the right to adequate food is a human right.

However, it may take time to completely remove the effect of sanctions measures on fertiliser trades, for example, problems with cargo insurance and payment settlement may persist. These, together with the global supply chain interruptions brought by COVID-19, continuous war between Russia and Ukraine, rising transportation cost, high energy price, global inflation, unwillingness of certain market players to engage in any transactions related to Russia due to ethical or other considerations, and many other factors may continue to bring uncertainty to the global supply of KCL.

There is no assurance that any measures taken by us to tackle the issues of global supply of KCL would be effective and that we would be able to secure sufficient supply of KCL and other raw materials for our operations should the factors impacting the global supply prolong. Even if we are able to secure adequate source of KCL and other raw materials, there is no guarantee their shipment and transportation will not be impacted by supply chain interruptions, causing delivery in delay. Further, in anticipation of potential delays, we had to increase our inventory to maintain sufficient supply of KCL for our production and operation. If we fail to effectively deal with these issues and challenges, they may have a material adverse impact on our business, financial performance and prospects.

The sweeping sanctions imposed against Russia in March 2022 as a result of Russia's military operations against Ukraine would further reduce the supply in the market. Due to these new sanctions measures, it is reported that Russia faces delivery issues with foreign logistics companies since various countries in Europe and the United States have taken actions to suspend air/sea freight from Russia. For example, various companies are holding back vessels en route to Russia in search of restricted commodities prohibited by sanctions against Russia, container terminals are blocking Russian cargo, Russian airlines are not allowed to call at European airports; the world's three largest container shipping lines have all temporarily suspended non-essential bookings to and from Russia; and Russian ships are banned from docking in Britain.

In addition, the removal of numerous Russian banks from the SWIFT messaging system have also resulted in interruptions in transactions and settlements with Russian counterparties even though such counterparties are not on the Sanctioned Persons list, and would increase the costs of transactions with Russian counterparties.

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Some countries may adopt further sanctions against Russia if it continues its military operations in Ukraine and may include potash in their sanctions on Russia. Russia may use potash as a countermeasure and withdraw its willingness to trade. For example, to retaliate against the economic sanctions imposed by Western countries, Russia announced on 10 March 2022 that it has decided to temporarily suspend the export of fertilisers to certain Western countries. On 12 March 2022, Ukraine also announced that it has decided to temporarily ban the export of all types of fertilisers to maintain supply to the domestic market. All of these will further aggravate the global KCL supply shortage. As a result, we cannot guarantee the supply of our KCL, SOP, NOP and compound fertiliser, which may have a material adverse impact on our business, financial performance and prospects.

Further, if the market supply of potash originated from Russia is interrupted, we will need to source our potash from other countries which may negatively affect our gross profit margin. According to the data from the General Administration of Customs of the PRC, the average import price per tonne of KCL (CIF) from Canada (the largest exporter of KCL to China in 2022) was approximately 13.3% higher than that of Russia for FY2023. In the hypothetical scenario that if we had purchased all our KCL in FY2023 from Canada, it is estimated that our cost of raw materials would have increased by approximately 12.4% and our gross profit margin would have decreased from 16.3% to 5.9%, assuming no corresponding changes in our average selling price. Therefore, if the market supply of potash originated from Russia is interrupted, we may need to look for alternative sourcing location and our business, financial performance and prospects may be adversely affected.

We are exposed to fluctuation of purchase price and procurement costs of KCL, which could materially and adversely affect our business, financial performance and prospects.

KCL is our major raw material, and our purchase of KCL accounted for more than 75.0% of our total purchases for each year/period of the Track Record Period. KCL is a commodity and its price is subject to volatile fluctuation resulting from a variety of factors including without limitation international economic trends, trade sanctions, global and regional supply and demand, uninterrupted supply chain, and global and regional consumption patterns. Due to the international sanctions targeting the Belarus Producer starting in August 2021 and Russia's military operations against Ukraine in February 2022 which casted uncertainty on the global supply of potash, the international market price of KCL has reportedly risen significantly in early 2022 to a record high of US\$1,202 per tonne in April 2022 from the January 2021 price level of US\$256 per tonne. The international market price of KCL peaked in April 2022 and since that point, prices have slowly declined.

The sea import master contract price (the “**Sea Import Master Contract Price**”) is negotiated and determined by a consortium of PRC state-owned enterprises with overseas KCL producers and suppliers usually each year in an annual master contract and is primarily determined by reference to the PRC domestic demand and the international market price of KCL (which reflects the global supply and demand), both around the time of negotiation, and generally follows the trend of the international market price of KCL. The PRC benchmark import price of KCL by ground transportation (the “**Land Import Price**”) is negotiated by a

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group of licensed cross-border trading companies. The Sea Import Master Contract Price forms the basis of the Land Import Price; however, unlike the Sea Import Master Contract Price, the Land Import Price is subject to more frequent adjustments taking into account of the trend of the prevailing international market price of KCL (which reflects the global supply and demand) at the time of adjustment. Please refer to the section headed “Business – Raw Materials Procurement – KCL” in this prospectus for further details.

If the Sea Import Master Contract Price changes due to changes in negotiation mechanism, global supply shortage or any other reasons, the import price of KCL in the PRC may be affected. This may have a material adverse impact on our business, prospects, financial condition and results of operations. The Sea Import Master Contract Price per tonne of KCL increased from US\$220 in April 2020 to US\$247 in February 2021 and further increased significantly to US\$590 in February 2022 and subsequently decreased to US\$307 in June 2023. Similarly in China, the domestic market price of imported KCL has increased significantly in the first half of 2022 due to global supply uncertainty. It peaked in May and June 2022 at approximately US\$770 per tonne, and has since recorded decline until July 2023. There are, therefore, material fluctuations with the Sea Import Master Contract Price due to many factors which are outside of our control, and accordingly, we are exposed to purchase price fluctuation and rising costs of procurement of KCL.

In addition, we may need to adjust our procurement model or purchase arrangement due to various commercial reasons; as a result, we may incur additional costs such as transportation, agent handling fees and the like. For example, we have increased our proportion of purchase of KCL from domestic suppliers in FY2023 and we have also started to source domestically-origin KCL in China starting in October 2022. In general, our domestic purchase price is higher than the direct purchase price from overseas suppliers, which was the case in FY2021 and FY2023, but it was vice versa in FY2022 and 8MFY2024. As a result, our cost could fluctuate due to the change of purchase model or arrangement. Please refer to the section headed “Business – Raw Materials Procurement – KCL” in this prospectus for further details. If the purchase prices of KCL increase significantly again in the future, and we are not able to pass on such increase to our customers; or if we are not able to purchase KCL with the same quality and quantity from alternative suppliers at competitive prices, our profit margin may be reduced and our financial performance may be materially and adversely affected.

We could be adversely affected as a result of any transactions we have with countries that are, or become subject to, sanctions administered by the Relevant Sanctions Authorities and other relevant authorities administering sanctions measures.

The United States and other jurisdictions or organisations, including the EU, the UK, the UN and Canada, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

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During the Track Record Period, we primarily relied on KCL producers from Russia and Belarus for the supply of KCL. For FY2021, FY2022, FY2023 and 8MFY2024, our aggregate overseas purchases of KCL from Supplier D in Belarus and our domestic purchases of KCL originated from Belarus accounted for approximately 26.2%, 29.7%, 0.3% and nil of our total purchases of KCL, respectively; our aggregate overseas and domestic purchases of KCL originated from Russia accounted for approximately 17.1%, 23.3%, 99.5% and 99.1% of our total purchases of KCL for the same years/periods, respectively. The remaining purchases for FY2021 and FY2022 were purchased from domestic suppliers, for which while the contracts did not specify the place of origin, the majority of such purchases were from Russia based on our understanding of the potash industry in China. The remaining purchases for FY2023 were purchased from domestic suppliers where the KCL was originated from PRC and the remaining purchases for 8MFY2024 were purchased from domestic suppliers where the KCL was originated from Jordan.

Belarus and Russia are subject to various forms of international sanctions imposed by the U.S and other Western countries. In August 2021, the U.S. started to impose sanctions targeting the Belarus Producer and designated the Belarus Producer as an SDN. On 2 December 2021, the OFAC further designated Supplier D as an SDN. Since such designation, we have ceased entering into purchase contracts with Supplier D. The final shipment of our direct purchase of KCL from Supplier D was shipped on 27 December 2021 and was received in China in February 2022.

Following Russia's military aggression against Ukraine in February 2022, the Western countries have implemented sweeping sanctions targeting Russia ranging from asset freeze measures targeting Russian companies, elites and high ranking senior official to various sectoral restrictions including sweeping financial restrictions (such as the unprecedented restrictions on the Russian Central Bank and its ability to use its currency reserves on Western markets, and the removal of numerous Russian banks from the SWIFT messaging system which would disconnect those banks from the international financial system). As the war rages on, the international sanctions continue to escalate. However, out of the concern of world food security, the U.S. and EU have subsequently clarified that Russia's fertiliser sector is not the target of their sanctions and have authorised transactions relating to the production, manufacturing, sale, or transport of Russian fertilisers (which include potash/KCL products). Please refer to the section headed "Regulatory Overview – Sanctions Laws and Regulations" in this prospectus for further details.

Therefore, we can, and will, continue to purchase and source KCL from Russia. Please refer to the section headed "Business – Business Dealings with Third Parties Subject to International Sanctions – Sanctions Compliance Measures" in this prospectus for further information. However, sanctions laws and regulations are constantly evolving, and new persons and entities are added to the list of Sanctioned Persons from time to time. In addition, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. If any of our future activities with other countries from which we source KCL or other materials are determined by the Relevant Sanctions Authorities or other relevant

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authorities administering sanctions measures in any other jurisdictions to constitutes a violation of the sanctions imposed by these authorities or provides a basis for a sanctions designation of us, our business and reputation could be adversely affected and our ability to source KCL and other raw materials from certain countries may be impacted.

For details of our business dealings with third parties subject to international sanctions and our undertaking to the Hong Kong Stock Exchange, please refer to the section headed “Business – Business Dealings with Third Parties Subject to International Sanctions” in this prospectus.

Our purchase of KCL concentrates on our top five suppliers and any failure or delay in the supply may have a material adverse impact on us.

We rely on our top five suppliers for the supply of KCL. For FY2021, FY2022, FY2023 and 8MFY2024, purchases from our five largest suppliers amounted to approximately RMB1,531.7 million, RMB2,484.5 million, RMB2,491.4 million and RMB1,599.7 million, respectively, which accounted for approximately 75.9%, 67.0%, 74.4% and 72.7% of our total purchases, respectively. During the Track Record Period, majority of our purchases from our top five suppliers were for the purchase of KCL. For the same years/periods, purchases from our largest supplier accounted for approximately 22.4%, 19.1%, 29.2% and 46.6% of our total purchases, respectively. Therefore, we rely on a limited number of suppliers for the supply of KCL and have certain degree of supplier concentration. Please refer to the section headed “Business – Suppliers – Top Five Suppliers” in this prospectus for further information.

We have not entered into long-term supply contracts with all of our top five suppliers. While we may from time to time enter into long-term framework agreements with some of our suppliers, the framework agreements generally may be terminated by either party with prior written notice. We cannot guarantee that any of our top five suppliers will renew their framework agreements, if applicable, with us or continue to supply KCL to us in the amount we required. If any of our top five suppliers refuses to continue to supply KCL to us, we cannot guarantee that we can find alternative suppliers for the supply of KCL in a timely manner at acceptable price or on reasonable commercial terms, or at all. Any failure by our top five suppliers to supply KCL at the quantity required by us and at price acceptable to us may have a material adverse impact on our business, prospects and financial conditions.

We may not be able to sustain the gross profit margins at the levels recorded during the Track Record Period.

We have experienced fluctuations in gross profit margins during the Track Record Period. Our gross profit margin increased from approximately 12.0% for FY2021 to approximately 16.5% for FY2022 and slightly decreased to approximately 16.3% for FY2023. Our gross profit margin decreased from 16.9% for 8MFY2023 to 14.4% for 8MFY2024. The increase in gross profit margin from FY2021 to FY2022 was primarily due to the increase in our gross profit

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margins of our KCL and SOP, the decrease in gross profit margin from FY2022 to FY2023 was primarily due to the decrease in our gross profit margin of our SOP and the decrease in gross profit margin from 8MFY2023 to 8MFY2024 was primarily due to the decrease in our gross profit margin of our KCL.

There can be no assurance that we will be able to maintain and secure the gross profit margins at the levels recorded during the Track Record Period. For example, we recorded a significantly lower gross profit margin for FY2020 compared to our gross profit margins during the Track Record Period. Further, we also expect a decline in our gross profit margin for FY2024 compared to FY2023 primarily due to the expected decrease in average selling price of our KCL, but partially offset by (i) the expected decrease in unit cost of goods sold of our potash fertiliser products; and (ii) an expected increase in sales volume of our SOP which generally has a higher profit margin. In the future, our gross profit margin may decline if the increase in our unit cost of goods sold outpaced the increase in our average selling prices or if the decrease in our average selling prices outpaced the decrease in our unit cost of goods sold. If there is any decline in our gross profit margin in the future or if we fail to sustain the gross profit margins recorded during the Track Record Period, our profitability and financial condition may be adversely affected.

We historically generated certain portion of our gross profit from our customers in the tobacco industry and any decrease in our gross profit generated from these customers may have a material and adverse impact on us.

For FY2021, FY2022, FY2023 and 8MFY2024, our gross profit generated from customers in the tobacco industry amounted to approximately RMB36.5 million, RMB15.9 million, RMB11.7 million and RMB1.5 million, which accounted for approximately 14.6%, 2.5%, 1.5% and 0.5% of our total gross profit, respectively.

Given the stricter tobacco taxation policy imposed by the government authorities in 2017, the volume of tobacco leaf production in China represented a declining trend from around 2.24 million tonnes in 2018 to approximately 2.19 million tonnes in 2022 with a CAGR -0.6%. We cannot guarantee that the tobacco production in China will not decrease in the future given that the improvement of people's health awareness and drastic policy environment.

Given that we historically generated certain portion of our gross profit from our customers in the tobacco industry, any adverse changes or downturn in the tobacco industry in the PRC may materially and adversely affect our business, prospects, financial condition and/or results of operations.

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We are exposed to market risks from fluctuating selling price of our fertiliser products in China.

Our major fertiliser products are KCL and SOP. Prices of fertiliser products have been volatile. During 2020 to 2023, domestic market prices of KCL and SOP fluctuated in China, with domestic market price of imported KCL ranged from RMB1,968.8 per tonne to RMB4,468.0 per tonne and domestic market price of SOP ranged from RMB2,606.5 per tonne to RMB4,626.1 per tonne.

The selling price at which we sell our fertiliser products could fall or fluctuate unpredictably in the event of changes in industry supply and demand conditions. There are various factors affecting the selling prices of our fertiliser products, including but not limited to general economic conditions, cyclical trends in end-user markets, supply and demand imbalances, pricing strategy by our competitors, weather conditions, and seasonal nature of fertiliser application, and therefore the selling prices of our fertiliser products will fluctuate accordingly. Average selling prices of our major fertiliser products fluctuated during the Track Record Period. Our average selling price per tonne of KCL increased from RMB1,723.9 for FY2021 to RMB2,867.7 for FY2022 and further increased to RMB3,771.6 for FY2023 and subsequently decreased to RMB2,598.2 for 8MFY2024. Our average selling price per tonne of SOP increased from RMB2,328.4 for FY2021 to RMB3,281.5 for FY2022 and further increased to RMB3,850.3 for FY2023 and subsequently decreased to RMB3,065.8 for 8MFY2024.

There is no guarantee that the selling prices of our fertiliser products will not fluctuate in the future. In fact, for FY2024, we anticipate that our revenue will decrease compared to FY2023 primarily due to the anticipated decrease in the average selling price of our KCL and SOP in view of the significant decrease in the Sea Import Master Contract Price from US\$590 per tonne in February 2022 to US\$307 per tonne in June 2023. In the event the selling prices of our fertiliser products fluctuate in the future and we fail to manage our selling price fluctuation effectively, our business, prospects, financial condition and/or results of operations may be materially and adversely affected.

We rely on our major customers and our customer concentration may expose us to risks relating to fluctuations or decline in our revenue.

Our sales to our top five customers amounted to approximately RMB1,209.7 million, RMB2,282.5 million, RMB2,475.2 million and RMB931.6 million, respectively, which accounted for approximately 58.1%, 59.4%, 52.4% and 40.8% of our total revenue for FY2021, FY2022, FY2023 and 8MFY2024, respectively. Our top five customers in each year/period during the Track Record Period included tobacco companies, agricultural reclamation companies and agribusiness companies. Sales to our largest customer for FY2021, FY2022, FY2023 and 8MFY2024 amounted to approximately, RMB580.1 million, RMB861.0 million, RMB945.4 million and RMB220.1 million, respectively, which accounted for approximately 27.9%, 22.4%, 20.0% and 9.6% of our total revenue, respectively.

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There can be no assurance that we will be able to retain our relationships with our major customers and there can be no assurance that such customers will continue to purchase products or procure the same level of orders from us in the future. Further, although we intend to expand our customer base as part of our business strategies, we may not be successful in doing so. If there is any loss of our major customers or any negative change involving any of our major customers, including but not limited to any such customer's financial condition or desire to continue purchasing our products and if we are unable to find new customers to replace them, our business, prospects, financial condition and/or results of operations may be materially and adversely affected.

Decline in market demand for our major fertiliser products may have a material and adverse impact on us.

During the Track Record Period, most of our revenue was derived from our sales of fertiliser products in the PRC. The demand for our fertiliser products is dependent, among other things, on the conditions of the global and, in particular, the PRC economy. For instance, the demand for our fertiliser products in the PRC is significantly affected by the demand from our customers in the fertiliser and agricultural industries in the PRC.

In the PRC, general economic conditions and interest rate levels, inflation and unemployment rates, demographic trends, gross domestic product growth and consumer confidence, among other things, influence the growth of industries where our products are widely used or applied. As a result, a downturn in the relevant industries in the PRC or in the markets where our fertiliser products are used or a downturn in general economic conditions may impact our sales, resulting in pressure on the prices, volumes and margins achieved or achievable in the future. A decline in market demand for our major fertiliser products may materially and adversely affect our business, prospects, financial condition and/or results of operations.

Various permits and licences are required for our production and any loss of or failure to renew any of the necessary permits and licences may have a material and adverse impact on us.

PRC laws and regulations require us to obtain and maintain various licences and permits to operate our business and to manufacture our fertiliser products. For example, such permits include, among others, safety production permit, pollutant discharge permit, national production licence for industrial products, registration certificates of hazardous chemicals and safety production licence for hazardous chemicals. Please refer to the sections headed "Regulatory Overview" and "Business – Licences and Approvals" in this prospectus for details of the various licences and permits. No assurance can be given that we will be successful in obtaining or maintaining any or all of the various permits, licences and approvals required to operate and/or develop our businesses without modification or revocation.

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In addition, we hold various permits, licences and approvals authorising our operations and activities which are subject to periodic review and re-assessment by Chinese regulatory authorities. If renewals of new permits, licences, or approvals required in connection with our existing or new facilities or activities are not granted or are delayed, or if existing permits, licences or approvals are revoked or substantially modified, we may be adversely affected. If new standards are applied to renewals or new applications, it could prove costly for us to comply with these new standards. The failure to renew or obtain permits, licences or approvals or the imposition of conditions upon any of such permits, licences or approvals may have a material adverse effect on our business, prospects, financial condition and/or results of operations.

We may not be able to obtain new KCL automatic import licences.

In the PRC, the imports and exports of KCL are subject to control by the PRC government. The MOFCOM has implemented an automatic licensing system for imports and exports of KCL, under which the MOFCOM or its authorised agencies shall grant a licence to the consignee or consignor who applies for automatic licensing prior to completing customs clearance formalities for imports and exports subject to automatic licensing. This import method enables us to establish direct contact with overseas KCL suppliers and secure relatively stable KCL supply. During the Track Record Period and up to the Latest Practicable Date, we had obtained the relevant KCL automatic import licences for overseas directly imported KCL for each lot of shipment. Therefore, our business relies to a significant extent on our ability to continuously obtain new KCL automatic import licence. Please refer to the section headed “Business – Licences and Approvals” in this prospectus for further information on the KCL automatic import licence.

There may be new requirements for applying for the licence and we cannot guarantee we will be able to meet those new requirements. If we fail to obtain new KCL automatic import licence, we may have to procure KCL exclusively through designated agents or domestic purchase which they may or may not be able to supply all the KCL required by us or at a competitive price. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to effectively plan our production schedules and/or successfully construct new production facilities and/or utilise new production facilities as planned.

We plan and set our production schedules in order to manage and meet the market and seasonal demands for our fertiliser products. Our production planning is subject to a number of contingencies, such as correctly anticipating the demand for our fertiliser products, our labour supply, the skill set of our labour force, breakdown and maintenance of our production equipment or the occurrence of natural disasters. There is no assurance that we will be able to maintain an optimal production schedule at our production facilities in the future. If we fail to implement our production planning and effectively plan our corresponding production, our production capacity and utilisation rate may be adversely affected.

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To capture the anticipated growing demands for our fertiliser products, we plan to expand our production capacity through construction of new production facilities. For further details, please refer to the sections headed “Business – Expansion Plan” and “Future Plans and Use of Proceeds” in this prospectus. In the event we fail to increase our production capacity as planned, we may not be able to capture the expected growth in demand for our fertiliser products.

Further, we may not be able to utilise the new production facilities to the extent we planned. For example, our SOP utilisation rate was only approximately 33.3% for FY2023 and 42.6% for 8MFY2024. For the New Sichuan Production Facility, in order to reach the breakeven point within two years and the payback period in approximately 5.8 years from the commencement date of its construction with reference to the feasibility study report, we will need to, among others, reach utilisation rate of 60% for the first year of operation, 70% for the second year of operation and 80% for the third to seventh year of operation for our SOP production lines at the New Sichuan Production Facility. For further information, please refer to the section headed “Business – Expansion Plan – Construction Plan and Investment Costs” in this prospectus. We cannot guarantee that we will be able to reach our target utilisation rates for our new production facilities as planned. If we are unable to do so, our business, prospects, financial condition and/or results of operations may be materially and adversely affected.

Any operational disruption in our production facilities may result in a reduction of production and sales volumes and may have a material and adverse impact on us.

As at the Latest Practicable Date, we had five key production facilities (namely, Changchun Production Facility, Guangdong Production Facility, Daxing Production Facility, Baoqing Production Facility and Anda Production Facility) and we also had our Chengdu Production Facility which is subject to relocation. Our ability to meet the demand of our customers and grow our business depends on the efficient, proper and uninterrupted operation of our facilities. Our manufacturing operations may be subject to significant interruption if we experience closure of, interruption in, or prolonged suspension of, any of our production facilities, or any damage to or destruction of our production facilities arising from unexpected or catastrophic events (such as earthquakes, fires or floods) or other similar events. Such risks of operational breakdowns cannot be excluded even if high technical and safety standards for the construction, operation and maintenance of such production facilities are met. Further, our machineries and equipment may need to be repaired from time to time and this may lead to temporary suspension of certain production lines. If we are unable to repair the damage to our production facilities or repair our machineries and equipment and resume our production on a timely basis, our business, operation and our financial performance may be materially and adversely affected.

If deliveries to our customers are delayed or we are not otherwise able to fulfil our obligations to our customers, we may need to purchase fertiliser products from our suppliers for resale to our customers, which would adversely affect our profitability. Our failure to meet our customers’ demand may also adversely affect our ongoing relationships with them and their

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decision to purchase products from us in the future. Since we do not currently carry business interruption insurance, we would have to bear any resulting losses ourselves, which may have a material adverse effect on our business, prospects, financial condition and/or results of operations.

The land where our production facilities are located may be subject to local government zoning policy and we may be required to relocate our production facilities if there is a change of zoning policy of the land where our production facilities are located.

Due to change of zoning policy by local government to re-zone the area where our Chengdu Production Facility is located and our discussion with the local government since October 2018, we decided to relocate our Chengdu Production Facility to our New Sichuan Production Facility in Mianyang City, Sichuan Province upon completion of its construction.

We will incur cost in the relocation of our Chengdu Production Facility which may or may not be fully covered by the proceeds from the sale of the machineries and equipment at our Chengdu Production Facility. Further, we intend to sell the land where our Chengdu Production Facility is located upon the relocation of our Chengdu Production Facility. There is no guarantee that we can sell the land at our expected price or at all and this may have a material adverse impact on our financial condition. Please refer to the section headed “Business – Production Facilities and Capacities – Our Group’s Production Facilities – Production Facility Subject to Relocation – Impact of Chengdu Production Facility on our Group” in this prospectus for further details on the impact of the relocation of the Chengdu Production Facility on our Group.

If we are required to close down and relocate our production facilities due to local governments change of zoning policy, our production and sales of fertiliser products may be adversely affected. Further, we may incur additional costs in the closing and/or relocation of those production facilities and our results of operation and our financial results may be adversely affected from the closing and/or relocation.

Our expansion plan and construction-in-progress may affect our Group’s cost structure and other associated costs and may not achieve the results we expected.

Due to the planned relocation of our Chengdu Production Facility, we intend to construct our New Sichuan Production Facility in Mianyang City, Sichuan Province, which upon its construction shall be able to replace the NOP and compound fertilisers production lines in our Chengdu Production Facility. In January 2021, we have entered into a cooperation agreement with the local authorities in Mianyang City, Sichuan Province in respect of our investment in our New Sichuan Production Facility. Our New Sichuan Production Facility is expected to commence construction in the second half of 2024 and complete construction in the second half of 2025. Please refer to the section headed “Business – Expansion Plan – New Sichuan Production Facility Plan” in this prospectus for further information on our relocation and expansion plan to our New Sichuan Production Facility.

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We also intend to commence construction of a research and development centre in Chengdu City, Sichuan Province in the second half of 2024 to centralise our research and development team to enhance its efficiency. Please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds – Research and Development Centre” in this prospectus for further information. In addition, we intend to construct warehouse and buildings on a parcel of land we acquired in Anda City, Heilongjiang Province. Please refer to the section headed “Business – Land and Properties – Land” in this prospectus for further information.

We had one site under construction-in-progress as at the Latest Practicable Date, which is the construction of the Heilongjiang Warehousing and Production Centre in the Heilongjiang Province. For the Heilongjiang Warehousing and Production Centre, site formation and infrastructure works have been commenced and we expect to complete construction of the Heilongjiang Warehousing and Production Centre in the second half of 2025. For further details of the Heilongjiang Warehousing and Production Centre, please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds – Heilongjiang Warehousing and Production Centre” in this prospectus for further information.

Such expansion plan and construction-in-progress will or have included, among other things, acquisition of land, purchase of machinery and equipment, building construction and/or installation and miscellaneous costs. We therefore expect a change in our Group’s cost structure after the Track Record Period, as both of our fixed and variable costs will increase as a result of our expansion plan and construction-in-progress. The expected increase in depreciation charges and labour costs as a result of the completion of construction of, among others, our New Sichuan Production Facility, the new Sichuan research and development centre, the new warehouse in Anda City, Heilongjiang Province and the Heilongjiang Warehousing and Production Centre may adversely affect our results of operation and our financial results. Further, we cannot guarantee that the expansion plan will achieve the results we expected. If it did not achieve the results we initially expected, our results of operation and our financial results may be adversely and materially affected.

Considerable proportion of sales of processed KCL may have a material and adverse impact on us.

Our sales volume of processed KCL as a percentage to our total sales volume of KCL for FY2021, FY2022, FY2023 and 8MFY2024 was approximately 52.0%, 58.6%, 70.3% and 74.6%, respectively. While KCL processing is an essential step in our operations, it does not involve very complicated processes and can be handled by staff with certain training. As such, KCL processing can generally be performed by third party service providers and does not require high expertise and sophisticated technologies. Our considerable proportion of sales of processed KCL may expose us to risk that our customers may engage these third party service providers, instead of us, to process KCL for them, which will have an adverse and material impact on our business, prospects, financial condition and/or results of operations.

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We may not be able to generate positive net cash flow from operating activities and obtain sufficient external financing to meet our financial needs and obligations.

We have also historically recorded negative net cash flow from operating activities, which for example included significant net cash outflow from operating activities for FY2020. During the Track Record Period, we recorded negative net cash flow from operating activities of approximately RMB0.3 million and RMB125.1 million for FY2022 and 8MFY2024, respectively. For further information on our cash flow position during the Track Record Period, please refer to the section headed “Financial Information – Liquidity and Capital Resources – Cash Flow” in this prospectus. We cannot assure you that we will not experience negative net operating cash flow in the future. Negative net operating cash flow could impair our ability to make necessary capital expenditures, constrain our operational flexibility, adversely affect our ability to meet our liquidity requirements, and require us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we may be in default of our payment obligations and may not be able to implement our business strategies as planned. As a result, our business, financial condition and/or results of operations may be materially and adversely affected.

We may not be able to fulfil our obligation in respect of contract liabilities which may have a material adverse impact on our financial conditions and liquidity.

As at 31 March 2021, 2022 and 2023 and 30 November 2023, we recorded contract liabilities of RMB408.8 million, RMB612.0 million, RMB336.0 million and RMB829.0 million, respectively. Our contract liabilities primarily represent deposits received from customers as we typically receive a deposit of 30% to 100% of total consideration of the goods from certain customers when they enter into contracts with us. In the event that we are not able to fulfil our performance obligations for the sales of our products for any reasons, we would not be able to recognise the contract liabilities as revenue or we may even need to return the deposits received to the customers, which in turn, may materially and adversely affect our financial conditions and liquidity.

Our goodwill and intangible assets are subject to potential impairment, which may materially and adversely affect our financial position and results of operations.

As at 31 March 2021, 2022 and 2023 and 30 November 2023, we recorded goodwill of RMB2.6 million, RMB12.1 million, RMB12.1 million and RMB12.1 million, respectively. The goodwill arose from our acquisition of Daxing Migao during the year ended 31 March 2017 and the acquisition of Baoqing Migao on 31 March 2022. Goodwill is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is allocated to each of our Group’s cash-generating units that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment. A cash-generating unit to which goodwill has been allocated is tested for impairment annually,

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or more frequently when there is an indication that the unit may be impaired. During the Track Record Period, we did not record any impairment losses on our goodwill. However, there is no guarantee that we will not incur impairment losses in the future.

Further, as at 31 March 2021, 2022 and 2023 and 30 November 2023, we recorded intangible assets of RMB8.7 million, RMB7.1 million, RMB5.5 million and RMB4.5 million, respectively. Our intangible assets comprise of the customer relationships acquired in the acquisition of Daxing Migao, which are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. The aggregate amount of customer relationships is amortised over the period of the useful lives of the customer relationships, which is assessed as being 10 years. Any significant impairment losses to our goodwill and intangible assets may reduce our asset and materially and adversely affect our financial position and results of operation.

We may be exposed to impairment loss risks associated with our other receivables and prepayments.

As at 31 March 2021, 2022 and 2023 and 30 November 2023, we recorded other receivables and prepayments of RMB659.3 million, RMB1,145.6 million, RMB1,406.8 million and RMB2,004.0 million, respectively. Our other receivables and prepayments primarily consisted of supplier rebate receivables, inventories prepayment, deferred issue costs, value-added tax receivables and prepayments for transportation costs and other miscellaneous expenses. For further information, please refer to the section headed “Financial Information – Selected Balance Sheet Items – Trade and Other Receivables and Prepayments” in this prospectus. If we incur any material impairment losses on our other receivables and prepayments, our financial position and results of operation may be materially and adversely affected.

Our investment in joint ventures may subject us to risks associated with conducting on operations through joint ventures.

For FY2021, FY2022, FY2023 and 8MFY2024, our share of results of joint ventures amounted to a loss of RMB2.0 million, a gain of RMB28.3 million, a gain of RMB11.3 million and a loss of RMB11.1 million, respectively. Our share of results of joint ventures relates to our share of profit or loss from our joint ventures during the Track Record Period, namely, EuroChem Migao, Baoqing Migao and Anda Migao. Baoqing Migao and Anda Migao had become our subsidiaries on 31 March 2022. The carrying amount of our interests in joint ventures was RMB302.5 million, RMB111.0 million, RMB122.3 million and RMB111.2 million as at 31 March 2021, 2022 and 2023 and 30 November 2023 respectively.

Our cash flow position might be affected by the results of any joint venture we invest in, as typically there is no cash flow to us until dividends are received. In addition, investment in a joint venture is not as liquid as compared with other types of investments. Furthermore, our joint venture partners, as well as any future partners, may have interests that are different from

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ours which may result in conflicting views as to the conduct of the business of the joint venture. In the event that we have a disagreement with a joint venture partner as to the resolution of a particular issue of the joint venture, or as to the management or operations of the business of the joint venture in general, we may not be able to resolve such disagreement in our favour and such disagreement may have a material adverse effect on our interest in the joint venture or the business of the joint venture in general.

We have historically recorded lower gross profit and net profit prior to the Track Record Period.

From FY2021 to FY2023, we achieved significant growth in our revenue. Our total revenue increased from RMB2,081.6 million in FY2021 to RMB3,841.4 million in FY2022 and further to RMB4,722.7 million in FY2023 and our profit for the year increased from RMB206.5 million in FY2021 to RMB396.6 million in FY2022 and further to RMB421.5 million in FY2023. However, the level of growth from FY2021 to FY2023 may not be indicative of our historical financial performance. For example, for FY2020, we recorded a significantly lower gross profit and profit for the year than FY2021, FY2022 and FY2023. Also, we recorded significant other income for FY2020 which primarily included imputed interest income derived from the non-trade interest-free receivables due from certain related companies. As such receivables were settled in FY2020, we did not recognise any imputed interest income during the Track Record Period. If excluding the other income, we would have recorded net loss for the year for FY2020.

We cannot assure you that we can continue to record the same level of growth in our gross profit and profit for the year or will not record net loss in the future as the success of our operations and financial performance depends on various factors, many of which are beyond our control. Indeed, we expect a decline in our gross profit and profit for the year for FY2024 compared to FY2023 primarily due to the expected decrease in average selling price of our KCL. Additionally, we may encounter unforeseen expenses, operating delays, or other unknown factors that may have a negative impact on our financial performance and our business, prospects, financial condition and/or results of operations may be materially and adversely affected.

Gain on disposal of a leasehold land is non-recurring in nature. Accordingly, we are unlikely to record such gain in the future.

We recorded a one off gain on disposal of right-of-use asset in the amount of RMB94.4 million for FY2021 due to the sum received from the local PRC government for its resumption of the leasehold land held by Sichuan Migao. For details, please see Note 8 and Note 16 to the Accountants' Report included in Appendix I to this prospectus. Such disposal of leasehold land was non-recurring in nature. Therefore, we are unlikely to record such gains in the future and our financial statements for FY2021 may not be indicative of our financial performance and our profitability.

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Our business is subject to seasonality impact.

Our business operation is subject to seasonal fluctuation as the demand of fertilisers could be affected by the seasonal nature of fertiliser applications which may cause our operating results to fluctuate from period to period. Different crops are grown in different regions in the PRC at a particular season and different regions would exhibit various seasonal demands for fertiliser products. The demands for our fertiliser products as well as our revenue and results of operations are also influenced by the above sales pattern. As our business is subject to seasonality, we need to plan our production to satisfy the demand of our customers during peak season which is generally from October to March. If we fail to plan our production schedule accordingly, we may not be able to satisfy our customers' demand or we may need to purchase fertiliser products from our suppliers for resale to our customers, which would adversely affect our profitability.

In addition, during the Track Record Period, we made prepayment to some of our suppliers for the purchase of raw materials and our inventories prepayment as at 31 March 2021, 2022 and 2023 and 30 November 2023 were RMB589.3 million, RMB1,042.6 million, RMB1,308.6 million and RMB1,898.8 million, respectively. Given the seasonality nature of our business, there may be significant time gap between the time we made prepayment to suppliers for the purchase of raw materials and the time we received payments from our customers for the purchase of our fertiliser products. This may have a negative impact on our cash flow which in turn may have a material adverse impact on our business, results of operation and financial conditions.

We face risks related to force majeure events such as health epidemics, infectious diseases and other outbreak, including the COVID-19 outbreak.

An outbreak of respiratory illness caused by a strain of coronavirus started in December 2019. The COVID-19 pandemic spread globally and caused severe disease and death, and therefore has significant impact on economy across the globe. Government authorities in the PRC imposed a series of restrictions and controls to better detect the COVID-19 infections and manage the COVID-19. As a result, the economic activities in the PRC have been slowed down. Other governments have also implemented strict policies around the border crossing movement of people, goods, and services.

Our Changchun Production Facility was temporarily suspended from mid-March 2022 to end of April 2022 in accordance with the local government's guidance on COVID-19 protection measures. The operational impact of COVID-19 restrictions may lead to higher operational cost, which may have an adverse impact on our financial condition.

Since late 2022 and early 2023, China experienced a surge in COVID-19 confirmed cases. Some of our operations were temporarily affected. For example, we experienced a temporary shortage of employees at our Anda Production Facility and there were also disruptions in the transport of raw materials and products to and from our Anda Production Facility during such period. Further, the COVID-19 outbreak has led to disruption in logistics services leading to prolonged and delayed delivery in the supply of raw materials by our suppliers and sales of our products to our customers. Please refer to the section headed "Business – Impact of the COVID-19 Outbreak on our Business" in this prospectus for further information.

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Although given that the PRC government has substantially lifted its COVID-19 prevention policies as at the Latest Practicable Date, we cannot assure you that the COVID-19 situation will not worsen in the future. If so, our business, operation and financial condition may be materially and adversely affected.

On top of the COVID-19 pandemic, any potential force majeure events such as pandemics and epidemics, infectious diseases, actual or threatened war or terrorist activities, political unrest, civil strike or other geopolitical uncertainties that we cannot foresee and beyond our control may have significant adverse impact on the economy and disrupt our business operations, reduce our supply or services, incur costs to protect our employees and facilities, and would ultimately affect our business and financial condition.

We may be unable to manage our growth effectively.

Our Group, when it was first established in 2003, had only one production facility. After more than 15 years of operation, as at the Latest Practicable Date, we had five key production facilities and became one of the top five potash companies in China by sales volume in 2022. Our revenue grew from approximately RMB2,081.6 million for FY2021 to approximately RMB4,722.7 million for FY2023, representing a CAGR of approximately 50.6%.

However, there is no assurance that we will be able to manage our growth effectively as we had been historically. In the event we are unable to maintain or manage our business growth, or otherwise experience pricing pressure or loss of market presence, we may experience stagnant or negative growth, thereby materially and adversely affecting our business, prospects, financial condition and/or results of operations.

We may not be successful in the research and development of production methods.

We rely on our research and development team to develop and improve our existing production methods through incorporation of new equipment and techniques into the methods to optimise our operation efficiency and effectiveness, enhance automation level, enhance safety and environmental standards and increase product offerings.

However, development of new production methods can be time consuming and costly. We cannot assure you that any of our research projects will be completed within the anticipated time frame, or lead to any breakthroughs. If we are not successful in researching and developing new production methods as per our expectation, we might not be able to recover the research and development costs incurred and our results of operation and financial condition may be adversely affected.

Further, as some of our research and development projects are not specifically aimed to enhance any specific metric in our operational results (e.g. research and development projects to enhance safety and environmental standards), even if we are successful in such research and development projects, the benefits we receive may not be quantifiable by reference to the results of our operations or financial condition.

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Unexpected adverse weather conditions may have a material and adverse impact on us.

As our business is closely related to the agricultural industry, any natural disasters on a significant scale or adverse weather conditions for any prolonged period of time in the PRC may affect plantation activities, resulting in changes in the demands for our fertiliser products. For example, natural disasters or weather conditions such as floods, droughts, earthquakes or frost can cause crop failures that in turn affect the demand for fertilisers. As such, the occurrence of natural disasters or adverse weather condition may materially and adversely affect our business, prospects, financial condition and/or results of operations.

Our business is required to comply with environmental protection laws and regulations and changes in social trend and political policies relating to ESG may have a material adverse impact on us.

Our operations are subject to various environmental protection laws and regulations promulgated by the PRC government in relation to pollution, treatment of waste, transportation, storage and handling of hazardous substances. Failure to comply with applicable laws, regulations, and licencing requirements may result in enforcement actions thereunder. Penalties could include suspension or revocation of necessary licences or permits, civil liability or criminal liability.

Our operations are also subject to the ongoing inspections of the environmental protection department of the local governments. In the event our business operations result in environmental pollution leading to non-compliance of the applicable PRC environmental protection laws and regulations, we may be required to rectify such non-compliance and to compensate the entities or individuals who suffered from losses caused by such non-compliance. The cost of compliance, remediation or liability may materially affect our business, prospects, financial condition and/or results of operations.

Further, with the increasing public awareness on eco-friendliness, customers may shift their preferences for products that are more environmentally friendly. If we are unable to adopt our production methods to produce environmentally friendly products to meet the evolving requirements of our customers, our customers may cease to purchase potash fertiliser products from us and we may result in a loss of sales and our business, results of operations and financial conditions may be materially and adversely affected.

In addition, if we fail to comply with the relevant applicable environmental policies and laws and regulations, not only we may be involved in costly litigation or subject to penalties or other sanctions imposed by the relevant PRC judicial or governmental authorities, our reputation may also be adversely affected, resulting in a loss of business as our customers may be less inclined to purchase from an environmentally non-compliant potash fertiliser company.

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Our production and operation are subject to various safety laws and personal injury may result in personal injury claims which may have a negative impact to our business reputation or result in civil and criminal penalties.

We are required to comply with the applicable production safety standards in relation to our production. Our production facilities are subject to regular inspections by the regulatory authorities for compliance with the Production Safety Law of the PRC (《中華人民共和國安全生產法》). Furthermore, under the PRC Labour Law (《中華人民共和國勞動法》) and the PRC law on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), we must ensure that our facilities comply with PRC standards and requirements on occupational safety and health conditions for employees. Failure to meet the relevant legal requirements on production safety and labour safety could subject us to warnings from relevant governmental authorities, governmental orders to rectify such non-compliance within a specified time frame and fines. We may also be required to suspend our production temporarily or cease our operations permanently for significant non-compliance, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

Further, where there is a safety incident occurred in a production facility in the city where our production facilities are located, we may need to suspend the operation of our relevant production facility to perform safety inspection. If we are required to suspend our production facility for inspection, our business operations and results of operation may be materially adversely affected.

In addition to complying with the necessary safety requirements and standards, we bear the related risks associated with such production methods, including explosions or fires, work injury accidents and geological hazards. Such dangers may result in personal injuries and damage to property and equipment. The production and occupational safety measures we adopted in our production methods may not be sufficient. There can be no assurance that we will be able to eliminate the risks to personal injury or death of personnel during our operations. During the Track Record Period and up to the Latest Practicable Date, Guangdong Migao incurred a fine of RMB10,000 for failing to ensure special safety operation training provided to one of our employees and to ensure such employee has obtained the relevant qualifications.

Further, from time to time, we may engage third party contractors to provide construction or maintenance services to our production facilities. If any of the employees of our contractors fail to implement proper safety measures at our production facilities, property damage, personal injuries or fatal accidents may occur. During the Track Record Period and up to the Latest Practicable Date, Guangdong Migao incurred a fine of RMB5,000 for failing to coordinate and manage the work safety of our contractor. There can be no assurance that we or our contractors will not violate applicable safety laws, regulations or rules in the future. Further, if our contractors violate applicable safety laws, regulation or rules, we may also be subject to fines and may have to pay out compensations.

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In the event of a workplace injury, it may result in personal injury claims, interruption to our business operation, cessation of our business, negative impact to our business reputation or civil and criminal penalties. If we fail to protect ourselves from such potential liabilities, we may incur significant costs or damage, which may have a material and adverse effect on our business, financial condition and/or results of operations.

Failure in our information and technology systems could result in deficiencies in our business operations.

A substantial portion of our operations are controlled and managed by software and hardware systems. For example, some of our fertiliser production are operated under the automatic production control system. These systems are intended to enable us to maximise efficiencies and monitor and control all aspects of our operations and are fundamental to ensure that we maintain our competitiveness in our industry. We use information and technology systems that link our computers and communication control systems to control our production. There can be no assurance that there will not be any failure or breakdown of these systems in the future. Any failure or breakdown in these systems could interrupt our normal business operations and result in a significant slowdown in operational and management efficiency during such failure or breakdown. Any prolonged failure or breakdown may materially affect our ability to process and/or manufacture products and offer services to our customers, which may have a material adverse effect on our business, prospects, financial condition and/or results of operations.

We may not be able to protect our intellectual property rights or proprietary rights successfully which may have a material and adverse effect on our business, prospects, financial condition and/or results of operations.

Intellectual property rights, such as patents, are important in our production methods and are important to our business and competitive position. As at the Latest Practicable Date, we had registered 122 and three trademarks in the PRC and Hong Kong, respectively, ten patents and ten software copyrights in the PRC and we had 13 pending patent applications in the PRC, which are material in relation to our business. We rely on registration and contractual arrangements to protect our intellectual property rights and proprietary rights. Our competitors or other third parties may have intellectual property rights and interests which could potentially come into conflict with ours. For details regarding our material intellectual property, please refer to the sections headed “Business – Intellectual Properties” and “Appendix IV – Statutory and General Information – B. Further Information about our Business – 2. Intellectual property rights of our Group” in this prospectus.

Our contractual arrangements to protect intellectual property rights and proprietary rights may not be effective. In addition, policing unauthorised use of intellectual property may be difficult and potentially expensive, and we may need to resort to litigation to enforce or defend our intellectual property rights and to determine the enforceability, scope and validity of our

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proprietary rights. Such litigation and an adverse determination in any such litigation could result in substantial costs and diversion of resources and management attention, which may materially and adversely affect our business, prospects, financial condition and/or results of operations.

Third parties may claim that we infringe their intellectual property rights or proprietary rights, which could cause us to incur significant legal expense and prevent us from continuing using our existing production methods.

If any third party makes any intellectual property infringement claims against us and is successful we may be required to expend significant resources to redevelop our production methods so that they do not infringe third parties' intellectual rights, or we may be required to obtain relevant licences to avoid further infringements. Intellectual property litigations against us could significantly disrupt our business, divert our management's attention, or consume much of our financial resources. As a result, such intellectual property disputes may materially and adversely affect our business, prospects, financial condition and/or results of operations.

Our production facilities may be materially and adversely affected by increase in price of energy or energy shortages.

The operation of our production facilities relies heavily on energy consumption including electricity and natural gas. As we purchase energy from external power suppliers, the increase in the price of energy may also increase our production costs.

Further, in the summer of 2021, a number of provinces in the PRC imposed electricity restrictions on manufacturers due to energy shortages, for example, in Guangdong, Yunnan, Hunan, Jiangsu, and Zhejiang. Following the mid-autumn festival of 2021, three provinces in Northeastern China imposed electricity restrictions on local residents. Also, we may experience occasional and temporary energy shortages due to poor weather conditions or natural disasters, which are out of our control. These factors may lead to an adverse effect on the operation of our production facilities.

The income tax benefits currently enjoyed by us may be reduced or cancelled in the future, which may materially and adversely affect our future financial performance.

The rate of income tax chargeable on companies in the PRC varies depending on the availability of preferential tax treatment or subsidies based on the company's industry or location.

Under the current Enterprise Income Tax Law (the "EIT Law"), companies and joint ventures in the PRC are generally subject to 25% enterprise income tax rate. However, Guangdong Migao, Baoqing Migao, Changchun Migao and Anda Migao had been able to enjoy a preferential tax rate of 15% due to PRC's favourable policies towards high-tech companies and Daxing Migao had been able to enjoy a preferential tax rate of 15% up to 31 December 2022 due to PRC's favourable policies towards companies choosing to expand in the western

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region of the PRC. Guangdong Migao, Baoqing Migao, Changchun Migao and Anda Migao obtained the high-tech company certificate on 23 December 2022, 25 November 2021, 16 October 2023 and 16 October 2023, respectively, and started to enjoy the 15% enterprise income tax rate which will expire three years thereafter. From 2020 to 2022, Daxing Migao was enjoying the 15% corporate income tax rate under the development of the western region in China scheme. Further, Daxing Migao also enjoyed a waiver on certain value added tax under the preferential tax regime in relation to organic fertilisers and organic-inorganic compound fertilisers.

As a result of the above tax benefits, our income tax expenses were approximately RMB58.4 million, RMB74.5 million, RMB111.9 million and RMB34.5 million for FY2021, FY2022, FY2023 and 8MFY2024, respectively. There is no guarantee that we can continue to benefit from the existing reduced tax rate or that we will be able to renew our status under the relevant tax schemes without modification, free of restriction or at all. Any increase in the tax rate to which we are subject will reduce our net profitability. Such reduction could be material and thus our historical financial results may not be indicative of our future results.

Tax authorities could challenge our allocation of taxable income or adoption of different accounting principles which could increase our overall tax liability or penalty.

During the Track Record Period, we carried out certain intra-group transactions among our subsidiaries in the PRC and overseas and certain transactions with related parties. We have adopted transfer pricing arrangements to regulate these transactions. We have determined transfer prices that our Directors believe are comparable prices that would be charged by unrelated third parties dealing with each other on an arm's length basis. Please refer to the section headed "Business – Transfer Pricing Arrangement" in this prospectus for further details.

However, these transactions and cross border business arrangements during the ordinary course of business may introduce inherent uncertainty over our Group's profit allocation and its respective tax position across different jurisdictions or different provinces within the PRC. The tax treatments of these transactions or arrangements may be subject to the interpretation by respective tax authorities in different countries, regions or different provinces in the PRC. Our Group's tax position may be subject to review and possible challenge by the relevant tax authorities or there may be a change in the tax policy and relevant tax laws in these countries, regions or provinces in the PRC. During the Track Record Period, we have not been challenged by any tax authority in respect of the transfer pricing arrangements of our intra-group transactions and transactions with related parties. However, there can be no assurance that tax authorities reviewing such arrangements would agree that we are in compliance with transfer pricing regulations and guidance, or that such regulations and guidance will not be modified, which, as a result, may require changes to our Group's transfer pricing practices or operating procedures. The relevant tax authorities may make adjustment to the tax payable by our Group in respect of such transactions. This could result in a higher overall tax liability for us.

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In addition, two of our PRC subsidiaries have made tax re-filings with PRC tax authorities with respect to sales rebates from suppliers and consignment sales. Please refer to the section headed “Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income – Income Tax Expense – PRC Tax Re-filings” in this prospectus for further details. With respect to the PRC tax re-filings, we cannot assure you that the relevant competent PRC tax authorities would not impose penalties on us.

Any occurrence of these events may result in reputation risks to us. In addition, we may also need to incur additional expenses and direct management resources to deal with the relevant tax authorities. This may adversely affect our business, financial conditions and/or results of operations.

We may be subject to labour shortages, increased labour costs or other factors affecting labour force.

Labour shortage, increased labour costs or other factors affecting our labour force at our production facilities may significantly disrupt our business operations or delay our expansion plans. We may have difficulties in hiring or retaining employees or may be subject to additional labour costs in the future. Any failure to attract qualified employees at reasonable cost level and in a timely manner, or any increase in our labour costs or any future disputes with our employees may materially and adversely affect our business, financial condition and/or results of operations.

Our operations could be materially and adversely affected by departure of key personnel and failure to recruit and retain competent employees.

Our success is attributable to the leadership and contributions of our management team comprising our executive Directors and senior management, who are responsible for our overall corporate and business strategies as well as implementing our business plans and driving our growth, and our research and development personnel who are responsible for furthering our development processes. As such, the experience and contributions of our management team and research and development employees are crucial to our success. Competition for such personnel is intense. Any departure of the members of our management team or key members of our research and development team could materially and adversely interrupt our business if we are unable to recruit the replacement personnel with similar qualifications in a timely manner. There is no assurance that we will be able to recruit and/or retain suitable employees in the future. If we fail to recruit and/or retain suitable employees, our profitability, financial condition and/or results of operations may be adversely affected.

In addition, to retain experienced staff for our business operations, we may need to provide additional incentives to hire and retain them and such incentives could decrease our profitability, and affect our financial condition and/or results of operations.

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We may have insufficient insurance coverage in certain situations.

We have obtained insurance coverage for certain of our assets including our production facilities, machinery and equipment. However, not all risks are covered by insurance and no assurance can be given that insurance will be consistently available on an economically feasible basis or at all. Our Group may also elect not to be insured against certain liabilities due to high premium costs or for other reasons. Furthermore, there can be no assurance that our insurance policies will be sufficient to cover each and every claim or loss. In the event that we were to suffer an uninsured loss or a loss which cannot be fully covered by our insurance, our business, prospects, financial condition and/or results of operations may be materially and adversely affected.

In addition, we currently do not obtain any insurance coverage against loss of key personnel, product liability claims and business interruption. If any of such events occurs, our business, financial condition and/or results of operations may also be materially and adversely affected.

Our rights to use the properties on our production facilities may be interfered.

During the Track Record Period, we had not obtained building ownership certificates with respect to certain of the properties of our Changchun Production Facility, Guangdong Production Facility and Daxing Production Facility, primarily due to lack of construction work planning permits (建設工程規劃許可證), construction work commencement permits (建築工程施工許可證) and/or the housing completion and acceptance documents (房屋竣工驗收文件). Please refer to the section headed “Business – Land and Properties – Properties – Owned Properties – Properties with defective titles” in this prospectus for further details.

We may be subject to penalties including fine, rectification, dismantlement, confiscation of physical objects and/or illegal income. As a result, our ability to use those properties for our operations and/or financing could be adversely and materially affected, which could have a material adverse impact on our business, financial conditions and/or results of operations.

We may face fines in relation to leased properties or may not be able to continue to use certain buildings on the leased properties or use the land we leased.

Under PRC laws and regulations, property lease agreements must be filed with the local housing authorities. As at the Latest Practicable Date, we had not filed 10 lease agreements for the properties we leased in the PRC and we might be ordered to rectify this non-compliance by the competent authorities. If we fail to rectify within the prescribed period, a penalty of RMB1,000 to RMB10,000 per lease agreement may be imposed on us as a result of such non-filing.

As at the Latest Practicable Date, with respect to three of the buildings on our leased properties in the PRC, the lessors had not provided us with valid building ownership certificates and could not prove their ownership of those buildings or their right to lease those

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buildings. If the lessors of the leased buildings do not have the requisite rights to lease the buildings, our lease agreements may be deemed invalid, and we may be forced to vacate those buildings and relocate. We may incur additional expenses during the process, and our business, financial condition and results of operations may be adversely affected.

Further, we have signed a lease agreement (the “**Railway Lease Agreement**”) with a local state-owned enterprise (the “**Railway SOE**”) for lease of the land (the “**Railway Land**”) of the conjunction area of Tongjiang North Station where the Russian railway systems and the Chinese railway systems are connected. For details of the agreement, please refer to the section headed “Future Plans and Use of Proceeds – Heilongjiang Warehousing and Production Centre – Investment Steps and Terms” in this prospectus.

According to our PRC Legal Advisers, the Railway Land is an allocated land (劃撥用地). Allocated land can only be leased upon obtaining the approval by the relevant land administrative authorities. Our PRC Legal Adviser has advised us that the Railway Lease Agreement may be deemed invalid if the allocated land is leased out without complying with the relevant requirements. Please refer to the section headed “Business – Land and Properties – Land” in this prospectus for further details. Further, pursuant to the Railway Lease Agreement, the lease term for the Railway Land is only 36 months. We cannot guarantee that the Railway SOE will continue to lease out the Railway Land to us or on terms acceptable to us after the expiry of the lease.

Therefore, if we are unable to continue to use the Railway Land, it may materially and adversely affect the operations of the Heilongjiang Warehousing and Production Centre and our business and results of operations and financial conditions may in turn be materially and adversely affected.

We are subject to the Pricing Law of the PRC and we may be limited in the pricing of our fertiliser products.

According to the Pricing Law of the PRC (《中華人民共和國價格法》), the price of most commodities and services (including fertiliser products) is determined by the market. However, market participants must not carry out certain improper pricing acts, including but not limited to, (i) colluding with others to manipulate the market price, thus harming the lawful rights and interests of others; (ii) besides disposing of perishable, seasonal and overstocked commodities at reduced prices according to law, disposing commodities at prices lower than production cost in order to drive out rivals or monopolise the market, thus disrupting normal production and operational order and impairing the interests of the state or the lawful rights and interests of others; and (iii) fabricating and spreading information about price hikes and forcing up prices, thus stimulating excessive commodity price hikes. Please refer to the section headed “Regulatory Overview – Law Supervision Over the Chemical Fertiliser Industry – Regulations on the Pricing” in this prospectus for further information.

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Therefore, the pricing of our fertiliser products may be subject to the limitations stipulated in the Pricing Law of the PRC (《中華人民共和國價格法》) and if we have conducted any improper pricing acts, we may be subject to penalties. Our results of operation and our financial results may in turn be adversely affected.

We are exposed to credit risks with respect to the settlement by our customers.

We are subject to credit risks of our customers and our profitability and cash flow are dependent on the timely settlement of payments by our customers for the products we provide to them. Our average trade and bills receivables turnover days were approximately 104.4 days, 48.6 days, 35.4 days and 25.0 days for FY2021, FY2022, FY2023 and 8MFY2024, respectively. As at 31 March 2021, 2022 and 2023 and 30 November 2023, our trade and bills receivables (less allowance for credit losses) were approximately RMB431.6 million, RMB592.0 million, RMB323.9 million and RMB145.4 million, respectively. We cannot, however, assure you that we will be able to collect all or any of our trade and bills receivables within the credit period that we granted to our customers. If any of our customers face unexpected situations such as financial difficulties caused by general economic downturn or fiscal constraints, we may not be able to receive payment of uncollected debts in full, or at all from such customers and we may need to make provisions for trade and bills receivables. Further, if our customers delay in payment to us, this may have a negative impact on our cash flow and we may in turn not be able to make prepayment to our suppliers which may have an adverse impact on our business operations and financial conditions.

We are exposed to inventory risks.

We recorded an increase in our inventories from RMB164.4 million as at 31 March 2021 to RMB740.5 million as at 31 March 2022 and recorded a decrease in our inventories to RMB151.6 million as at 31 March 2023 and recorded an increase in our inventories to RMB444.1 million as at 30 November 2023. Our average inventory turnover days for FY2021, FY2022, FY2023 and 8MFY2024 were approximately 24.5 days, 51.5 days, 41.2 days and 37.1 days, respectively. The higher average inventory turnover days for FY2022 was primarily due to higher inventories balance maintained by us as at 31 March 2022 in view of the potential risk for adverse changes in import price of KCL as a result of the global supply uncertainty. We recorded a decrease in average inventory turnover days from approximately 41.2 days for FY2023 to approximately 37.1 days for 8MFY2024, due to the increase in sales volume during the peak season in late 8MFY2024. For details of our average inventory turnover days, please refer to the section headed “Financial Information – Selected Balance Sheet Items – Inventories” in this prospectus.

We manage our inventory levels generally based on the market demand and sales orders. Further, we also may stock up on our raw materials (including KCL) in anticipation of uncertainty in their supply or any significant increase in their prices. We cannot assure you that we can accurately predict these trends and maintain adequate levels of inventory at all times.

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We cannot guarantee that we will be able to fully utilise our inventories due to, among others, decrease in market demand for our products and we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower our selling prices in order to reduce inventory level, which may lead to lower gross margins or a loss. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. As such, our results of operations, financial performance and business could be materially and adversely affected.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of RMB against US\$ and other currencies is subject to changes and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. In July 2005, the PRC government adopted a more flexible floating exchange rate system to allow the value of RMB to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies.

With an increased floating range of RMB value against foreign currencies, RMB may further appreciate or depreciate significantly in value against the US\$ or other foreign currencies in the long-term. Further, with the recent volatility in the international markets, the value of RMB against US\$ has fluctuated. For example, the value of RMB against US\$ has depreciated over 10% in about 20 months from 1 April 2022 to 30 November 2023 according to the exchange rates quoted by the the State Administration of Foreign Exchange. It is difficult to predict how market force or PRC or U.S. government policy may impact the exchange rate between RMB and U.S. dollar in the future.

Most of our revenue is denominated in RMB whereas a significant portion of our purchases is denominated in US\$. As a result, any depreciation of RMB against US\$ may result in the increase in our cost of goods sold. For FY2021, FY2022, FY2023 and 8MFY2024, we recorded net foreign exchange gain of RMB11.6 million, net foreign exchange loss of RMB0.5 million, net foreign exchange loss of RMB16.4 million and net foreign exchange gain on RMB4.9 million, respectively. During the Track Record Period, we did not adopt any hedging instruments to manage risks associated with foreign exchange loss. We cannot assure you that we will be able to reduce our foreign currency risk exposure relating to our foreign currency-dominated purchases. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Accordingly, we cannot assure you that future exchange rate fluctuation between RMB and US\$ will not adversely affect our business, financial condition and/or results of operations.

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RISKS RELATING TO OUR INDUSTRY

Changes in the taxation policies of chemical fertilisers may materially and adversely affect our financial performance.

Historically, in 2015, the VAT for companies selling and importing chemical fertiliser products was 13%. The VAT was then gradually reduced and on 20 March 2019, the Announcement on Policies Concerning Deepening the Value-Added Tax Reform (關於深化增值稅改革有關政策的公告) promulgated by the MOF, the State Administration of Taxation and the General Administration of Customs further reduced the VAT rate to 9%. In addition, the State Administration of Taxation issued the Announcement on Specifying the Implementation Standards for Organic Fertilizer Products (關於明確有機肥產品執行標準的公告), which exempts organic fertilisers and organic-inorganic compound fertilisers from value-added tax.

In the future, the PRC government may further change the VAT policies applicable to the fertiliser industry in respect of any chemical fertiliser products to control their import and export. If such changes to policies occur, our business and/or result of operations may be materially and adversely affected.

The fierce competition in the fertiliser business may materially and adversely affect our financial performance.

We operate in a competitive industry and frequently encounter competition from existing competitors in the industry. We face intense competition in the potash fertiliser industry in the PRC. There were over 200 potash fertiliser producers in the PRC in 2022, which included state-owned enterprises, private-owned enterprises and foreign-invested enterprises. For further information, please refer to the section headed “Business – Competition” in this prospectus. Some of our competitors possess greater financial, technical, personnel, and other resources than us and there can be no assurance that we will have the ability to compete successfully in the future. Any failure by us to maintain our competitiveness could materially and adversely affect our financial performance. Where such competition intensifies and causes the market supply of fertilisers to exceed the respective market demand, our business performance, including our profitability, may be materially and adversely affected.

Competitors may introduce technological innovation in any of our businesses, resulting in increased competitive pressures. Our financial resources may be relatively limited when contrasted with those of some of our competitors. Although our projections assume that the industry will generate competition, there can be no assurances on how any level of competition may impact our future revenue. A small price or quality difference between our products and our competitors’ may make an enormous difference to the consumers. If our selling price or quality of our products are not as competitive as our competitors’, it may materially and adversely affect our competitiveness and our business and financial performance.

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The popularity of potash fertilisers may reduce due to increased usage of other types of fertilisers or the demand for high-end potash fertiliser products may decrease due to pricing, resulting in a material and adverse impact on us.

Increase in domestic market prices of potash fertilisers, such as KCL, SOP and NOP, may have a negative impact on the sales of our fertiliser products. If potash fertilisers face substantial competition from other types of fertilisers, the demand of potash fertilisers may decrease and thus our business, prospects, financial condition and/or results of operations may be materially and adversely affected.

RISKS RELATING TO OUR OPERATIONS IN THE PRC

We may be subject to adverse impact if we fail to contribute to social insurance and housing provident fund.

We are required to make contributions to social insurance funds, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident funds for our employees in accordance with applicable PRC laws and regulations.

According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council and became effective on 3 April 1999 and amended on 24 March 2019, we are required to set up housing provident fund accounts (住房公積金賬戶) and pay the housing provident fund on time and in full for our employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee of the National People's Congress on 28 October 2010 and became effective on 1 July 2011, and amended on 29 December 2018, a PRC enterprise is required to obtain social insurance certificates (社會保險登記證) for its employees and to pay the social insurance contributions on time and in full. There is no assurance that our historical, current and future practice with respect to the contribution of social insurance plans will be deemed in full compliance with relevant PRC laws and regulations by PRC government authorities.

In the event of any non-compliance with housing provident fund contribution, the relevant competent authorities may order us to pay the outstanding amount within a certain period of time; failing to comply with which the relevant competent authorities may apply for people's court for enforcement. In the event of any non-compliance with social insurance contribution, the relevant competent authorities may order us to pay the outstanding amount within a certain period of time and impose an overdue fee amounting to 0.05% of the outstanding amount per day, failing to comply with which the relevant competent authorities may further impose a fine amounting to no less than one time but less than three times the outstanding amount.

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It may be difficult to effect service of legal process or to enforce any judgements obtained from non-PRC courts against us or our Directors or officers who live in the PRC.

Substantially all of our major assets are located within the PRC. In addition, most of our Directors and senior management reside within the PRC. As a result, investors may encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and officers, including matters arising under applicable securities laws. Moreover, a judgement of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned* (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**2006 Arrangement**”), which was adopted in Hong Kong by the enactment of the Mainland Judgments (Reciprocal Enforcement) Ordinance (Cap. 597) on 1 August 2008, pursuant to which where any people’s court of the PRC or any court of Hong Kong has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing, any party concerned may apply under the 2006 Arrangement to a people’s court of the PRC or a court of Hong Kong for recognition and enforcement of the judgement. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Although the 2006 Arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement may still be uncertain.

On 18 January 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”) was signed between the Supreme People’s Court of the PRC and the government of Hong Kong and effective on 29 January 2024, and the 2006 Arrangement has been superseded. The 2019 Arrangement establishes a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and the PRC in civil and commercial matters under both Hong Kong and PRC law. The 2019 Arrangement sets forth, among others, the scope, specific types of matters to be covered or excluded, jurisdictional grounds for the purpose of recognition and enforcement as well as grounds for refusal of recognition and enforcement. However, the 2006 Arrangement will remain applicable to a “choice of court agreement in writing” within the meaning of 2006 Arrangement which is made before the effective date of 2019 Arrangement.

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The foreign currency conversion imposed by the PRC government is subject to PRC laws and regulations relating to foreign exchange, including dividend payments on our Shares.

Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advanced approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be filed with or approved in advance by the SAFE.

Under the existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedures. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our business, financial condition and/or results of operation may be materially and adversely affected.

We rely on dividends and other distributions from our PRC subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our subsidiaries to make payments to us could materially and adversely affect our ability to conduct our business.

As an offshore holding company, we rely in part on dividends from our PRC subsidiaries for our cash requirements, dividends payments and other distributions to our Shareholders, and to service any debt that we may incur and pay our operating expenses. The payment of dividends by entities organised in the PRC is subject to limitations. In particular, PRC regulations permit our subsidiaries to pay dividends only out of their accumulated profits, if any, as determined in accordance with Chinese accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of its annual after-tax profits (as determined under PRC accounting standards) into its statutory reserve fund upon distribution of their post-tax profits of the current year. Our PRC subsidiaries may discontinue the contribution when the aggregate sum of the statutory reserve fund is more than 50% of its registered capital. These reserves are not distributable as cash dividends.

If our PRC subsidiaries incur any debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. In addition, restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future, if any, may also restrict the ability of our PRC subsidiaries to make distributions to us. Any limitation on the ability of our subsidiaries to distribute dividends or other payments to us could materially and adversely limit our ability to grow, make investments or acquisitions, pay dividends and otherwise fund and conduct our business.

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Dividend payable by us to our foreign investors and gains on the sale of our Shares may become subject to income tax under the PRC tax laws.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides for a different income tax arrangement, a PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Similarly, any gain realised on the transfer of shares by such investors is also subject to PRC income tax, usually at a rate of 10% if such gain is regarded as income derived from sources within the PRC unless otherwise reduced or exempted by relevant tax treaties or similar arrangements. Under the Individual Income Tax Law* (個人所得稅法) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

As substantially all of our operations are in the PRC, the dividends we pay to our shareholders may be regarded as income derived from sources within the PRC, and we may be required to withhold a 10% PRC withholding tax for the dividends we pay to our investors who are non-PRC enterprise shareholders, or a 20% withholding tax for the dividends we pay to our investors who are non-PRC individual shareholders, including the holders of our Shares. In addition, our non-PRC Shareholders may be subject to PRC tax on gains realised on the sale or other disposition of our Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC Shareholders would be able to claim the benefits of any tax treaties between their tax residence and the PRC. If PRC income tax is imposed on gains realised through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

We may be deemed to be a PRC tax resident under the EIT Law, and as a result, our global income could be subject to PRC taxation.

Our Company was incorporated under the laws of the Cayman Islands and indirectly hold interests in a Hong Kong incorporated subsidiary, which in turn directly or indirectly hold interests in our PRC subsidiaries. Pursuant to the EIT Law and its implementation rules, dividends payable by a foreign invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Under an arrangement between the PRC and Hong Kong, effective in January 2007, such dividend withholding tax rate is reduced to 5.0% for

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dividends paid by a PRC company to a Hong Kong-resident enterprise if such Hong Kong entity is a “beneficial owner” and such entity directly owns at least 25% of the equity interest of the PRC company. According to the fourth protocol of the aforementioned treaty, effective from December 2015, the reduction will not apply if the main purpose of the production or distribution of the proceeds involved is to obtain the aforementioned (reduction) interest. The Announcement on Issues Concerning “Beneficial Owner” in Tax Treaties* (國家稅務總局關於稅收協定中“受益所有人”有關問題的公告), which became effective in April 2018, stipulates certain conditions under which a company may not be defined as a “beneficial owner” under the relevant tax treaty, and further requires non-resident taxpayers who wish to enjoy the treatment of “beneficial owners” under such tax treaties to submit certain report forms and materials when filing tax returns. If our Hong Kong subsidiary fails to submit required documents for enjoying such treatment, and if our corporate and shareholding structure is viewed as deliberately arranged for acquiring the reduction interest, we may not be able to enjoy a preferential withholding tax rate of 5% and as a result dividend payable by our PRC subsidiaries to our Hong Kong subsidiary will be subject to withholding tax at the rate of 10%.

The EIT Law and EIT implementation rules also provide that if an enterprise incorporated outside the PRC has its “de facto management bodies” within the PRC, such enterprise may be deemed a “PRC resident enterprise” for tax purposes and be subject to an enterprise income tax rate of 25% on its global incomes. “De facto management body” is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the SAT promulgated a circular, Circular 82, and partially amended by Circular 9 promulgated in January 2014, to clarify the certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises or PRC enterprise groups. Under Circular 82, a foreign enterprise is considered a PRC resident enterprise if all of the following apply: (1) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (2) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organisations or personnel in the PRC; (3) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in the PRC; and (4) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. Further to Circular 82, the SAT issued a bulletin, known as Bulletin 45, effective in September 2011 and amended on 1 June 2015, 1 October 2016 and 15 June 2018 to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” Bulletin 45 provides for, among other matters, procedures for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises that are registered outside the PRC and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT’s criteria for determining the tax residence of foreign enterprises in general.

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However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. However, if the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, we will be subject to the uniform 25% enterprise income tax on our global incomes. In addition, although the EIT Law provides that dividend payments between qualified PRC-resident enterprises are exempt from enterprise income tax, as the interpretation and implementation of the EIT Law are still evolving, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our shares may be materially affected.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

The SAT released the Announcement on Several Issues concerning the Corporate Income Tax on the Indirect Transfers of Properties by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the “**SAT Notice 7**”), which became effective on 3 February 2015. The SAT Notice 7 provided comprehensive guidelines relating to, and also heightened the Chinese tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise. Under the SAT Notice 7, if a non-resident enterprise indirectly transfer its property like shares in a resident enterprise without a reasonable commercial purpose in order to avoid its income tax obligations, this indirect transfer shall be redefined and be regarded as direct transfer of the aforementioned property. “Indirect transfer of Chinese taxable assets” means the transaction which produces a result identical or substantially similar to the direct transfer of Chinese taxable assets by a non-resident enterprise through transfer of equities and other similar rights and interests of an overseas enterprise that directly or indirectly holds Chinese taxable assets (excluding Chinese resident enterprises registered outside the PRC), including the circumstances under which the overseas enterprise’s shareholders change due to the restructuring of the non-resident enterprise (thereafter refers as “**indirect transaction**”). Accordingly, the transferee of indirect transaction shall be deemed as a withholding agent with the obligation to withhold and remit the enterprise income tax to the competent PRC tax authorities. Factors that may be taken into consideration when determining whether there is a “reasonable commercial purpose” include, among other factors, the economic essence of the transferred shares, the economic essence of the assets held by the overseas holding company, the taxability of the transaction in offshore jurisdictions, and economic essence and duration of the offshore structure, the relevant tax treaties or arrangements. The SAT Notice 7 also sets out safe harbours for the “reasonable commercial purpose” test.

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There is little guidance and practical experience regarding the application of the related SAT Notices. For example, while the term “indirectly transfer” is not defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with the PRC. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions.

In addition, since we may conduct acquisitions involving complex corporate structures, it is unclear whether the PRC tax authorities will apply SAT Notice 7 to such transaction. The PRC tax authorities may, at their discretion, adjust the capital gains or request that we submit additional documentation for their review in connection with any potential acquisitions, which may cause us to incur additional acquisition costs or delay our acquisition timetable and may impose us additional PRC tax reporting obligations or tax liabilities.

PRC regulations over loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by registration with relevant governmental authorities in the PRC. According to the relevant PRC regulations on foreign invested enterprises, capital contributions made by an offshore holding company to its wholly-owned subsidiary, being a foreign-invested enterprise in the PRC, require to submit investment information to the commerce administrative authorities through the Enterprise Registration System and the National Enterprise Credit Information Publicity System (企業登記系統以及國家企業信用信息公示系統) and register with the competent local counterpart of SAMR. In addition, any foreign loan procured by our PRC subsidiaries is required to be registered with the SAFE or its local branches, and our PRC subsidiaries may not procure loans exceeding the difference between its registered capital and its total investment amount as approved by or registered with the MOFCOM or its local branches. We may not be able to obtain these government approvals or complete such registrations on a timely basis, or at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to receive such approvals or complete such registration, our ability to use the proceeds of the Global Offering to fund our operations in the PRC may be negatively affected, which in turn could adversely affect our ability to finance and expand our business.

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Any failure by the Shareholders or beneficial owners of our Shares who are PRC residents to comply with certain PRC foreign exchange regulations relating to offshore investment activities by such PRC residents could restrict our ability to distribute profits, restrict our overseas and cross border investment activities and subject us to liability under PRC laws.

According to the Circular 75, which was promulgated on 21 October 2005 and amended on 29 May 2007, PRC residents must register with the SAFE before establishing or controlling any company outside of China, referred to as an offshore special purpose company, for the purpose of raising funds from overseas to acquire or exchange the assets of, or acquiring equity interests in, PRC entities held by such PRC residents and to update such registration in the event of any significant changes with respect to that offshore special purpose company. The SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investment Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the SAFE Circular 37, which replaced the SAFE Circular 75.

As confirmed by our PRC Legal Advisers, Mr. Liu, who is our beneficial owner and a PRC resident, has completed the initial SAFE registration pursuant to Circular 75. There can be no assurance that the subsequent amendment of registration can be successfully completed in a timely manner. Failure of our present or future Shareholders who are PRC residents to comply relevant requirements could subject these shareholders of our Company to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit the ability of our PRC subsidiaries to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

We may be unable to complete a business combination transaction efficiently or on favourable terms due to merger and acquisition regulations and certain other PRC regulations.

On 8 August 2006, six PRC regulatory authorities, including the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC and the SAFE, jointly issued the M&A Rules, which became effective on 8 September 2006 and was amended in June 2009. The M&A Rules, governing the approval process by which foreign investors merger with PRC business entities and/or acquire PRC assets and/or equity interests in PRC business entities, require the PRC parties to make a series of applications and supplemental applications to the government agencies, depending on the structure of the transaction. In some instances, the application process may require presentation of economic data concerning a transaction, including appraisals of the target business and evaluations of the acquirer, which are designed to allow the government to assess the transaction. Accordingly, due to the M&A Rules, our ability to engage in cross-border business combination transactions has become significantly more complicated, time-consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our Shareholders or sufficiently protect their interests in a transaction.

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The M&A Rules allow PRC government agencies to assess the economic terms of a business combination transaction. Parties to a business combination transaction may have to submit to MOFCOM and other relevant government agencies an appraisal report, an evaluation report and the acquisition agreement, all of which form part of the application for approval, depending on the structure of the transaction. The M&A Rules also prohibit a transaction at an acquisition price obviously lower than the appraised value of the PRC business or assets in order to prevent disguised transfer of capital from the PRC to foreign countries, and in certain structures, among others, in the structures where foreign investors merger with Chinese enterprises and establish foreign-invested enterprises, require that considerations must be paid within defined periods, generally not in excess of a year after the business licence of the foreign-invested enterprise has been issued. In addition, the M&A Rules also limit our ability to negotiate various terms of the acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Transaction structures involving trusts, nominees and similar entities are prohibited.

Moreover, the Anti-Monopoly Law of the People's Republic of China* (《中華人民共和國反壟斷法》), effective from 1 August 2008 and amended on 24 June 2022 (effective on 1 August 2022), and relevant implementation rules require that the MOFCOM be notified in advance of any of concentrations of undertaking if certain turnover thresholds are triggered. Besides, Notice of the General Office of the State Council on the Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知), issued on 3 February 2011 and became effective on 3 March 2011, establishes a security review system for merger and acquisition of domestic companies by foreign investors. These security review rules specify that mergers and acquisitions by foreign investors that raise “national defence and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement.

Therefore, such regulations may impede our ability to negotiate and complete a business combination transaction on legal and/or financial terms that satisfy our investors and protect our Shareholders' economic interests.

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RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and the liquidity and market price of our Shares after the Global Offering may be volatile so that an active market may not develop.

Before the Global Offering, there has been no public market for our Shares. The initial offer price range of our Shares was the result of negotiations between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. While we have applied to have our Shares listed on the Hong Kong Stock Exchange, there is no guarantee that the Global Offering will result in an active, liquid public trading market for our Shares, or the market price of our Shares will not decline below the Offer Price. The liquidity, trading volume and market price of our Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and the trading price of our Shares.

We have significant discretion as to how we will use the net proceeds of the Global Offering and you may not necessarily agree with how we use them.

We plan to use the net proceeds from the Global Offering in a number of ways. Please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds” in this prospectus for further details. However, our management will have discretion as to the actual application of our net proceeds. Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return to our Shareholders. You are entrusting your funds to our management, upon whose judgement you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

We may not be able to distribute dividends to our Shareholders.

We may distribute dividends by way of cash or by other means that we consider appropriate. The declaration and distribution of dividends is at the discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including without limitations, our business and financial performance, capital and regulatory requirements and general business conditions. We cannot assure you when and in what form dividends will be paid on our Shares after the Global Offering. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we are not able to guarantee that we will make any dividend payments on our Shares in the future. If we are able and decide to pay dividends, we may distribute dividends by way of cash or by other means that we consider appropriate. Please refer to the section headed “Financial Information – Dividend Policy” in this prospectus for further details.

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Further, we may decide to make dividend distribution in the form of distribution in specie by issuing new Shares. We may not be able to distribute the new Shares to certain of our Shareholders due to local securities laws restrictions. As a result, the shareholding percentage of those Shareholders may be reduced and they may experience dilution.

The market price and trading volume of our Shares may decline if securities or industry analysts do not publish research reports about our business, or they adversely change their recommendations regarding our Shares.

The trading market for our Shares may be affected by research reports about us or our business published by the industry or securities analysts. The market price of our Shares would possibly decline if one or more analysts downgrade our Shares or publish negative opinions about us regardless of the accuracy of the information. We may lose visibility in the financial markets if one or more of these analysts cease coverage of us or fail to regularly publish reports on us, which could cause the market price or trading volume of our Shares to decline.

Shareholders may face difficulties in protecting their interests because we are incorporated under Cayman Companies Act which may provide less protection to minority Shareholders than the laws of Hong Kong and other jurisdictions.

We are incorporated in the Cayman Islands as an exempted company and substantially all of our assets are located outside of Hong Kong. Our corporate affairs are governed by our Memorandum and Articles of Association as well as the Cayman Companies Act and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in certain respects from those in Hong Kong and other jurisdictions. Such differences may mean that our minority Shareholders may have less protection than they would otherwise have under the laws of Hong Kong or other jurisdictions.

You should read the entire prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there may be press and media coverage which contains certain information regarding the Global Offering and us that is not set out in this prospectus. We have not authorised the disclosure of such information in any press or media. We do not accept any responsibility for any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it. Accordingly, prospective investors should not rely on any such information.

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Certain facts, forecasts and statistics contained in this prospectus are derived from various publicly available official sources and may not be reliable.

Certain facts, forecasts and other statistics contained in this prospectus relating to the industry in which we operate are derived from various official government publications, market data providers, industry expert commissioned by us and other independent third-party sources. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information.

The information has not been prepared or independently verified by us, the Sole Sponsor, the Overall Coordinators, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. We make no representation as to the accuracy of the information contained in such sources, which may not be consistent with other information compiled within or outside the PRC. Accordingly, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon for your investment.

Forward-looking statements in this prospectus may prove inaccurate.

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this prospectus. By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialise or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Hong Kong Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Since the business and operation of our Group are currently located, managed and conducted in China, there is no business need to appoint any executive Director in Hong Kong. All of the executive Directors and senior management members of our Group are, and will continue to be, based in the PRC. Our Company does not, and will not contemplate in the foreseeable future that it will have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

An application for a waiver from strict compliance with the requirement to have a sufficient management presence in Hong Kong under Rule 8.12 of the Listing Rules has been made to the Hong Kong Stock Exchange and such waiver has been granted by the Hong Kong Stock Exchange subject to the following conditions:

- (a) our Company has appointed and will continue to maintain two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our Company's principal point of communication with the Hong Kong Stock Exchange. The two authorised representatives appointed are Mr. Liu Guocai (劉國才) (executive Director) and Ms. Fung Wai Sum (馮慧森) (company secretary). The authorised representatives will have the means to contact all our Directors promptly at all times as and when the Hong Kong Stock Exchange wishes to contact our Directors on any matter. They have provided their usual contact details to the Hong Kong Stock Exchange and will be readily contactable by the Hong Kong Stock Exchange if necessary to deal with enquiries from the Hong Kong Stock Exchange from time to time. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Hong Kong Stock Exchange. Our Company will inform the Hong Kong Stock Exchange promptly if there is any change in our authorised representatives or the contact details of any of them;
- (b) our Company has appointed Soochow Securities International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will act as an additional point of contact between our Company and the Hong Kong Stock Exchange for the period commencing from the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. Our Company will inform the Hong Kong Stock Exchange promptly of any change of its compliance adviser;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) our Company will appoint other professional advisers (including legal advisers and accountants) to advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong and to ensure that there will be efficient communication with the Hong Kong Stock Exchange after the Listing; and
- (d) each of our Directors has provided his/her mobile phone number, office phone number, e-mail address and fax number to the Hong Kong Stock Exchange. In the event that a Director expects to travel and be out of office, he/she shall provide to the authorised representatives the phone numbers of the place of his/her accommodations or the phone numbers where he/she can be contacted. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the Hong Kong Stock Exchange within a reasonable period.

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

Our Company has entered into certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A the Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in the section headed “Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information to the public about us. Our Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CONFIRMATION OF FILING BY THE CSRC

Where an issuer submits an application for initiate public issuance for overseas offering for listing directly or indirectly, such issuer must file with CSRC within three business days after such application is submitted. We submitted a filing to the CSRC for application of the Listing and the Global Offering on 28 April 2023 and completed the filing procedures with CSRC on 17 August 2023. As advised by our PRC Legal Advisers, our Company has obtained all necessary approvals and authorisations in the PRC pursuant to the applicable PRC laws and regulations in relation to the Global Offering and the Listing.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares”.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and the International Offering is expected to be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement, and are subject to agreement on the Offer Price to be determined between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

The Offer Price is expected to be fixed by the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. If, for whatever reason, the Offer Price is not agreed between the Overall Coordinators and our Company on or before the Price Determination Date, the Global Offering will not become unconditional and will lapse immediately.

Further information about the Underwriters and the underwriting arrangements is set out in the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to and the exercise of the Over-allotment Option) and the Capitalisation Issue.

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

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

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and Stabilisation are set out in the section headed “Structure of the Global Offering” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedure in effect from time to time.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARE REGISTER AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Global Offering will be registered on our Company's share register of members to be maintained by our Hong Kong Share Registrar in Hong Kong. Our principal register of members will be maintained by Harneys Fiduciary (Cayman) Limited in the Cayman Islands.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of us, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our/their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

EXCHANGE RATES

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates:

Renminbi into Hong Kong dollars at the rate of HK\$1.00 to RMB0.90725, Renminbi into U.S. dollars at the rate of US\$1.00 to RMB7.1020 and Hong Kong dollars into U.S. dollars at the rate of US\$1.00 to HK\$7.8278.

The above exchange rates are based on or derived from exchange rates quoted by the PBOC for foreign exchange transactions prevailing on 4 March 2024.

No representation is made that any amounts in HK\$, RMB and US\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on Thursday, 21 March 2024. The Shares will be traded in board lots of 1,000 Shares each.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, the translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Liu Guocai (劉國才)	22 Leonie Hill Road #07-02 Singapore	Chinese
Mr. Sun Pingfu (孫平福)	Qingjiang Garden No. 88 Anju Road Qingbaijiang District Chengdu China	Chinese
Mr. Dong Benzi (董本梓)	Room 801, Unit 2 Family Court, Dajingkan Judicial Bureau 11 Jiefang Road Zunyi China	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Chen Guofu (陳國福)	Room 1006, Building No. 6 District No. 6 Hepingli, Dongcheng District Beijing China	Chinese
Ms. Huang Shasha (黃莎莎)	66E, Tower 1, The Harbourside 1 Austin Road West, Kowloon Hong Kong	Chinese
Ms. Qing Meyerson	West Residence W1901 Shanghai Centre 1376 Nanjing Road West Shanghai China	American

Please refer to the section headed “Directors and Senior Management” in this prospectus for further information regarding our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

GF Capital (Hong Kong) Limited
27/F, GF Tower
81 Lockhart Road
Wanchai
Hong Kong

Overall Coordinators

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road
Wanchai
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Joint Global Coordinators

GF Securities (Hong Kong) Brokerage Limited
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Wanchai
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
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Central
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F, One Exchange Square
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Bookrunners

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CMB International Capital Limited

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Essence International Securities (Hong Kong) Limited

39/F, One Exchange Square
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China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square
8 Connaught Place
Central
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ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

China Everbright Securities (HK) Limited

33/F, Everbright Centre
108 Gloucester Road
Wanchai
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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1 Queen's Road East
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**Shenwan Hongyuan Securities (H.K.)
Limited**

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Orient Securities (Hong Kong) Limited

28th and 29th Floor
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Livermore Holdings Limited

Unit 1214A, 12/F
Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
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Joint Lead Managers**GF Securities (Hong Kong) Brokerage
Limited**

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CMB International Capital Limited

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**Essence International Securities
(Hong Kong) Limited**

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Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Shenwan Hongyuan Securities (H.K.)
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28th and 29th Floor
100 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	Livermore Holdings Limited Unit 1214A, 12/F Tower II Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon Hong Kong
Capital Market Intermediaries	GF Securities (Hong Kong) Brokerage Limited 27/F, GF Tower 81 Lockhart Road Wanchai Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road Central Hong Kong
	Essence International Securities (Hong Kong) Limited 39/F, One Exchange Square Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square 8 Connaught Place Central Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	ABCI Securities Company Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

China Everbright Securities (HK) Limited

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**Soochow Securities International
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**Shenwan Hongyuan Securities (H.K.)
Limited**

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Orient Securities (Hong Kong) Limited

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Livermore Holdings Limited

Unit 1214A, 12/F
Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Legal Advisers to Our Company

*As to Hong Kong, United States and
international sanctions laws:*

Ashurst Hong Kong

43/F Jardine House
1 Connaught Place
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Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law:

Jingtian & Gongcheng

34/F, Tower 3

China Central Place

77 Jianguo Road

Chaoyang District, Beijing

China

As to Cayman Islands law:

Harney Westwood & Riegels

3501 The Center

99 Queen's Road Central

Hong Kong

**Legal Advisers to the Sole Sponsor and
the Underwriters**

As to Hong Kong law:

Morgan, Lewis & Bockius

19th Floor

Edinburgh Tower, The Landmark

15 Queen's Road Central

Hong Kong

As to PRC law:

Commerce & Finance Law Offices

12-14 Floor, China World Office 2

No. 1 Jianguomenwai Avenue

Beijing 100004

China

Auditors and Reporting Accountants

Deloitte Touche Tohmatsu

35/F, One Pacific Place

88 Queensway

Hong Kong

Transfer Pricing Consultant

Mazars Tax Services Limited

42/F, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Industry Consultant

**Frost & Sullivan (Beijing) Inc.
Shanghai Branch Co.**
Room 2504, Wheelock Square
1717 West Nanjing Road
Shanghai
China

Receiving Bank

**Industrial & Commercial
Bank of China (Asia) Ltd.**
29/F, ICBC Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered Office in the Cayman Islands	4th Floor, Harbour Place 103 South Church Street, P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Principal Place of Business in the PRC	Qingzhou Development Zone, East Park, Cangjiang Industrial Park, Gaoming District, Foshan City China
Principal Place of Business in Hong Kong	Room 801, 8/F, COFCO Tower 262 Gloucester Road Causeway Bay Hong Kong
Company Website	<u>www.migaogroup.com</u> <i>(The information on the website does not form part of this prospectus)</i>
Company Secretary	Ms. Fung Wai Sum (馮慧森) (ACG, HKACG) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorised Representatives	Mr. Liu Guocai (劉國才) 22 Leonie Hill Road #07-02 Singapore Ms. Fung Wai Sum (馮慧森) (ACG, HKACG) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Audit Committee	Ms. Qing Meyerson (<i>Chairperson</i>) Mr. Chen Guofu (陳國福) Ms. Huang Shasha (黃莎莎)

CORPORATE INFORMATION

Remuneration Committee	Ms. Huang Shasha (黃莎莎) (<i>Chairperson</i>) Mr. Chen Guofu (陳國福) Mr. Dong Benzi (董本梓)
Nomination Committee	Mr. Liu Guocai (劉國才) (<i>Chairperson</i>) Mr. Chen Guofu (陳國福) Ms. Huang Shasha (黃莎莎)
Principal Share Registrar and Transfer Office	Harneys Fiduciary (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240, Grand Cayman KY1-1002 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Compliance Adviser	Soochow Securities International Capital Limited Level 17, Three Pacific Place 1 Queen's Road East Hong Kong
Principal Bankers	Bank of China Foshan Gaoming Sub-branch* (中國銀行佛山高明支行) 307 Cangjiang Road, Hecheng Street Gaoming District, Foshan City China

INDUSTRY OVERVIEW

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

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the Global and China potash fertiliser industry. The report prepared by Frost & Sullivan for us is referred to in the prospectus as the Frost & Sullivan Report. A total fee of RMB1,130,000 was paid to Frost & Sullivan for the preparation of the report, which we believe reflects market rates for reports of this type.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists.

RESEARCH METHODOLOGY

The Frost & Sullivan Report was prepared through both primary and secondary research obtained from various sources using intelligence collection methodologies. Primary research involved discussing the status of the industry with certain leading industry participants across the industry value chain and conducting interviews with relevant parties to obtain objective and factual data and prospective predictions. Secondary research involved information integration of data and publication from publicly available sources, including official data and announcements from government agencies, company reports, independent research reports and data based on Frost & Sullivan's own data base.

Basis and assumptions

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environment in the world and China are likely to remain stable in the forecast period; and (ii) industry key drivers are likely to drive the growth of the Global and China potash fertiliser industry in the forecast period. All statistics are based on the information available as at the date of the Frost & Sullivan Report, with the potential impact of the COVID-19 pandemic taken into account.

INDUSTRY OVERVIEW

GLOBAL AND CHINA POTASH FERTILISER INDUSTRY OVERVIEW

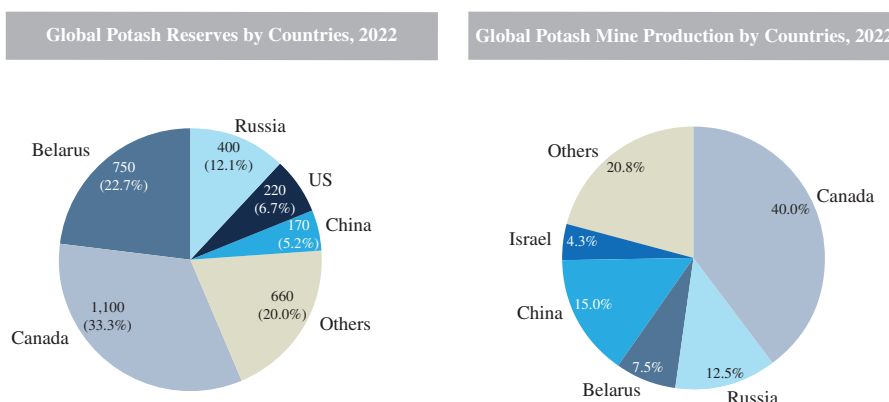
Introduction of Potash Fertiliser

Potassium is one of the three basic plant nutrients along with nitrogen and phosphorus. Potassium, also known as potash, is essential for carbohydrate and starch synthesis, and it also helps plants resist wilting. Up to 98% of potassium in the soil is unavailable to plants in its existing form, making potash fertiliser essential for crop production. Potash fertiliser is defined as a fertiliser made by chemical or physical processes with potassium as the main nutrient. There are three major types of potash fertilisers, potassium chloride (KCL), potassium sulfate (SOP) and potassium nitrate (NOP).

Overview of Global Potash Reserve

The global potash reserve is relatively unevenly distributed, and the recoverable reserves are concentrated in a few countries. Among them, Canada, Belarus and Russia are the three countries with the highest reserves in the world. According to the USGS (US Geological Survey), in 2022, the potash reserves of these three countries accounted for more than 60% of the global potash reserves. China has approximately 170 million metric tons of potash reserves (K₂O equivalent), ranking the fourth in the world. However, most of the potash reserves are low-grade potassium and hard-to-reach deep brine deposits, which is difficult to support long-term mining and the increasing downstream demands in the future.

The production volume (K₂O equivalent) of global potash fertilisers reached 50.2 million tonnes in 2022 and is expected to increase from 51.3 million tonnes in 2023 to 54.7 million tonnes in 2027. According to the USGS (US Geological Survey), in 2022, Canada accounted for 40% of the global potash mine production in 2022, followed by China (15%), Russia (13%) and Belarus (8%). Affected by the uncertainty brought about by the conflict between Russia and Ukraine as well as the international sanctions targeting the Belarus Producer, the share of Russia and Belarus' potash mine production in the world declined in 2022. In order to maintain a stable supply, the share of China's potash mine production in the world increased in 2022. However, in the long run, due to the scarcity of potash reserves, the growth of China's domestic potash mine production is limited.



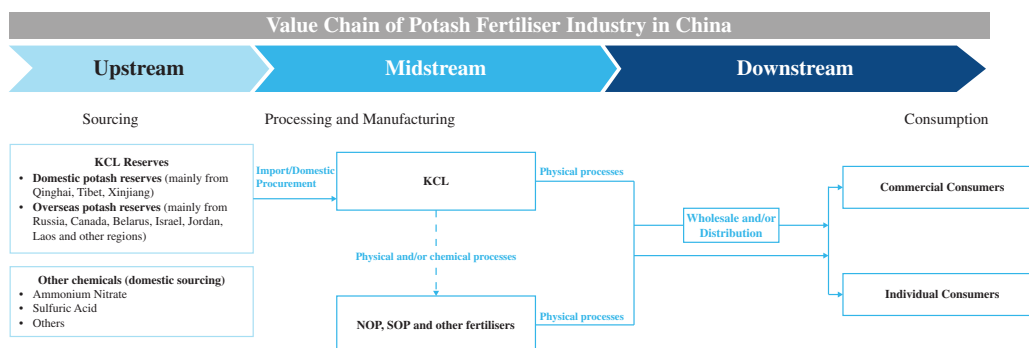
Notes: Data in million metric tons of K₂O equivalent

The data in the above pie charts may not add up to 100% due to rounding of data.

Source: USGS, Frost & Sullivan Report

INDUSTRY OVERVIEW

Value Chain Analysis in China



Source: Frost & Sullivan Report

The upstream of China potash fertiliser industry includes KCL reserves and other chemicals. KCL supplied in China is mainly extracted from international and domestic potash reserves. Most KCL is imported from Russia, Canada, Belarus, Israel, Jordan, Laos, etc. Potash reserves in China are primarily located in Qinghai, Xinjiang, Tibet and other regions.

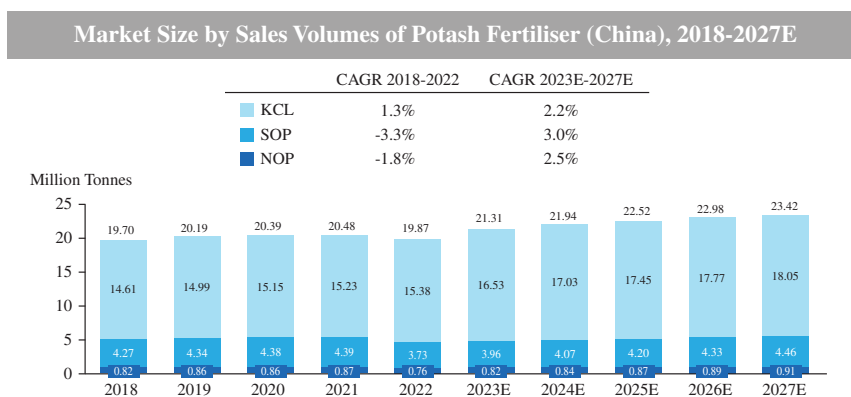
The midstream consists of the processing and manufacturing of potash fertilisers. In some cases, the imported KCL can be sold directly to end customers without further processing. In other cases, imported KCL may go through some physical processes and be sold to end customers. In addition to the direct application, KCL can be used for the manufacturing of SOP, NOP and other fertilisers such as compound fertilisers. The production of SOP, NOP and other compound fertilisers require physical and/or chemical processes under specific environments and related equipment. It is commonly seen that potash fertiliser manufacturers customise their products according to their downstream clients' particular demands such as product forms and shapes.

The downstream activities of the industry involve wholesale, distribution and end consumption. Particularly, the transportation of fertilisers containing NOP needs to strictly abide by relevant standards such as Regulation on the Safety Management of Hazardous Chemicals (危險化學品安全管理條例). Generally, potash fertilisers are transported to wholesalers, then distributed and sold to the end customers through various distribution channels. In addition, some potash fertilisers are sold directly to consumers without distribution, especially for SOE and large clients. Downstream customers are mainly classified into commercial and individual consumers. Furthermore, some companies in the industry may have overlapping customers/suppliers, for example, potash fertiliser companies may produce compound fertilisers with the raw materials (e.g., KCL) supplied by the downstream customers.

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Overview of China Potash Fertiliser Industry

The recent years saw a booming development in China's agriculture and hence an ever-growing demand for potash fertilisers. KCL (potassium chloride) is the most commonly-used potash fertiliser in China and could be used to farm a variety of crops. Due to the limited potassium resources in China, a great proportion of the annual demand for KCL is made up by overseas import. The market size by sales volume of KCL in China reached 15.38 million tonnes in 2022, accounting for 77.4% of the total potash fertiliser sales volume. The sales volume of SOP (potassium sulfate) and NOP (potassium nitrate) reached 3.73 million tonnes and 0.76 million tonnes in 2022. Looking forward, the market size by sales volume of potash fertilisers is forecasted to be further enlarged with sales volume of KCL starting from 16.53 million tonnes in 2023 to 18.05 million tonnes in 2027, showing a CAGR of 2.2%. The application of SOP demonstrates beneficial effects on soil structure, and improves crop resistance to drought, disease and insects. SOP is also a preferred potash fertiliser for chloride sensitive crops such as tobacco and fruit trees. SOP and NOP are also more water soluble which provides the option of applying either to the soil, through irrigation systems, or as a foliage spray. The sales volume of SOP and NOP is expected to reach 4.46 million tonnes and 0.91 million tonnes by 2027, representing CAGRs of 3.0% and 2.5%, from 2023 to 2027.

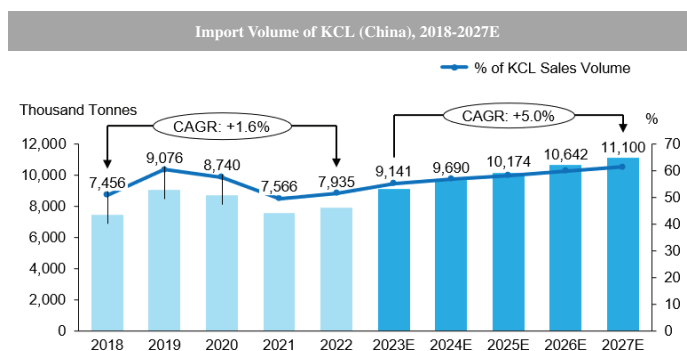


Source: Frost & Sullivan Report

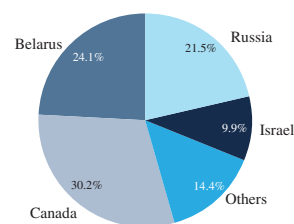
Import Analysis of KCL

The imported KCL is of significance to the potash fertiliser market in China due to the limited supply from domestic potash reserves. In 2022, approximately 50% of the total KCL sales volume in China is sourced from foreign countries. According to the data released by General Administration of Customs, PRC (中華人民共和國海關總署), the import volume of KCL increased from 7,456 thousand tonnes in 2018 to 7,935 thousand tonnes in 2022 with a few fluctuations. Canada, Belarus and Russia were the largest three countries exporting KCL to China in 2022, accounting for approximately 30.2%, 24.1% and 21.5% of the overall China KCL import volume, respectively. Negatively affected by the COVID-19 pandemic, the international trading activities were adversely impacted, causing the decreasing imports of KCL in 2020 and 2021. It is expected that the import volume of KCL in China will keep a steady increase in the coming years and reach approximately 11,100 thousand tonnes by 2027.

INDUSTRY OVERVIEW



Breakdown of Import Volume of KCL by Countries, 2022



Source: General Administration of Customs, PRC, Frost & Sullivan Report

The data in the above pie chart may not add up to 100% due to rounding of data.

Entry Barriers

(i) Manufacturing Safety and Compliance

- With the increasing attention on environmental sustainability and safety, potash fertiliser manufacturing enterprises have to comply with laws involving environmental protection and government compliance. As special raw materials such as sulfuric acid are used for potash fertiliser manufacturing, regulation requirements are relatively strict. Companies have to obtain licenses such as Safety Production Licence for Hazardous Chemicals (危險化學品安全生產許可證), Registration Certificate of Hazardous Chemicals (危險化學品登記證) and The Safety Production Permit (安全生產許可證), etc. Moreover, manufacturers have to comply with government and industrial standards governing the potash fertiliser industry. Therefore, new entrants need to spend long-term investments to implement the manufacturing safety rules and obtain relevant license.

(ii) Solid Business Networks

- Due to the decentralised sales and distribution, potash fertiliser companies are required to establish a strong distribution network to cover customers from all areas. Leading potash fertiliser companies usually have substantial expertise and logistical resources. Upstream raw material suppliers are more willing to cooperate with large companies with distribution expertise in the market. Major potash fertiliser companies have established close cooperation with upstream suppliers to speed up transaction circulation and reduce the internal friction in the supply chain. It is difficult for new entrants in the industry to establish a solid business network in a short period.

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(iii) Procurement Barrier

- Since fertiliser was listed in the “Catalogue of Automatic Import License Management Goods” (自動進口許可管理貨物目錄), importing such commodities should acquire relevant license issued by the Ministry of Commerce. Only companies that hold import license are allowed to proceed customs clearance. Therefore, potash companies that rely on procuring imported potash fertilisers need to obtain the license or maintain close relationships with companies that hold the licenses such as the state-owned enterprises and some cross-border trading companies. It is difficult for new entrants to establish stable business relationships with different types of suppliers in a short term. Furthermore, changes in diplomatic and trade relationships of different countries may have impacts on the international potash fertiliser supply. New entrants might do not have the capability of adopting timely measures to cope with changing situation.

Market Drivers and Trends

(i) Sustained food demand stimulated by population growth

The continuous growth of the global population and economic development, global and China’s cereal production and demand will continue to maintain a steady growing trend, which drives the demand for potash fertiliser. Potash fertiliser is an important component of the fertiliser industry, and its demand is closely linked to the production and demand for cereals. Cereals are the most widely grown crops globally, and they play a vital role in feeding the world’s population. Potash is an essential nutrient for plant growth and is required for the development of strong roots and stems, as well as for improving the quality and yield of crops. Global and China’s cereal production volumes have maintained steady growth over the past few years, with a gradual increase from 2,647.2 million and 610.0 million tonnes in 2018 to 2,786.5 million and 633.2 million tonnes respectively in 2022, at CAGRs of 1.3% and 0.9%, respectively, from 2018 to 2022. The steady growth in global and Chinese cereal production over the past few years has driven the demand for potash fertilisers. Meanwhile, the area of arable land worldwide has continued to decline and is expected to decrease further. Population growth and higher levels of productivity have strong effect on cereals demand, leading to a corresponding increase in demand for potash fertilisers. Furthermore, emerging countries generally have underdeveloped agricultural level and their fertiliser consumption will be much higher than that of developed countries. Therefore, the potash fertiliser industry and manufacturers must continue to innovate and invest in the production and distribution of potash fertilisers to meet the growing demand from the global agriculture sector.

(ii) Improvement in dietary structure brought by consumption upgrades

With the increase in food diversity and the promotion healthy diet concept, the dietary structure has improved. From 2018 to 2022, the global fruit and vegetable production volume have maintained CAGRs of 1.2% and 0.7%, while China has maintained relatively higher CAGRs of 5.1% and 3.3%. Fruits, vegetables and other industrial crops have higher demand

INDUSTRY OVERVIEW

for potash fertilisers compared with other agricultural products, the growing production and consumption of these products will continue to drive the demand of potash fertilisers. In addition, the increasing demand for meat products of the emerging countries has greatly promoted the consumption of feed crop as well as fertilisers. Therefore, changes in people's eating habits and improvement in dietary structure will promote the growth of agricultural products with higher demand for potash fertilisers.

(iii) Low potash application rate with large potential market

From 2018 to 2022, the ratio in terms of sales volume of nitrogen, phosphate and potash fertilisers in the world has gradually evolved from 1:0.43:0.35 to 1:0.44:0.36, and the ratio in China reached 1:0.43:0.31 in 2022. The consumption and application level of potash fertilisers in China is still lower than that of many developed countries. Comparing with nitrogen and phosphate fertilisers, potash fertiliser is less harmful to the environment and human health, and has demonstrated advantages in water retention, extreme weather resistance and improvements on crop yield quality. In addition, a series of policies have been issued to encourage the continuous development of potash fertilisers in China. For example, high-concentration potash fertilisers has been listed in the "Catalogue of Industries Encouraging Foreign Investment" 《鼓勵外商投資產業目錄》 by the National Development and Reform Commission and the Ministry of Commerce in 2020. In 2022, the "Notice on a Package of Policies and Measures to Stabilize the Economy" 《紮實穩住經濟一攬子政策措施的通知》 issued by the State Council pointed out that it is necessary to ensure food security and actively support the import of potash fertilisers. As the advantages of potash fertilisers are further recognised by the market, potash fertiliser will become one of the fastest growing and most promising types of fertilisers in China.

(iv) Supporting government policies

The Chinese government has issued strategic supports to the development of the potash fertiliser industry and actively encouraged the construction of overseas potash production base. In addition, the government established the joint negotiation mechanism for potash fertiliser imports to control the import price and promote potash consumption. Moreover, potash fertilisers have been included in the national chemical fertiliser commercial reserves since 2020, and the official notice was issued in the "National Chemical Fertiliser Commercial Reserve Management Measures" 《國家化肥商業儲備管理辦法》. The inclusion of potash fertilisers in the national chemical fertiliser commercial reserves is an important measure to ensure the stable supply of agricultural inputs and promote the sustainable development of agriculture in China. In addition, the government has listed innovative and environmental-friendly fertiliser production technologies for high-quality, high-efficiency and safe production in the "Catalogue of Supported High-tech Fields" (國家重點支持的高新技術領域目錄), According to the "Guiding Opinions on Promoting the Transformation and Development of Fertiliser Industry" (關於推進化肥行業轉型發展的指導意見), the government will promote fertiliser producers to improve their technological innovation capabilities through special funds. In September 2023, the National Development and Reform Commission promulgated the revised "Measures for the Supervision of Grain Quality and Safety" (糧食質量安全監管辦

INDUSTRY OVERVIEW

法)。This law has come into effect in October 2023. The promulgation of this law will strengthen the government's supervision of grain quality and safety, increase society's awareness of grain quality and safety, thus promoting the steady improvement of grain quality, and driving the market demand for high-quality potash fertilisers.

(v) *Advanced production technology*

In order to enhance market competitiveness, potash fertiliser producers have attached great importance on the improvement of production methods and equipment. Irregular granulation technology and round granulation technology are two major fertiliser granulation techniques used to produce potash fertiliser and can significantly improve production efficiency, which have made major breakthroughs.

The advantage of irregular granulation technology is that it can produce fertiliser particles of different particle sizes and shapes, which can meet the needs of different soils and crops. In addition, irregular particles can increase the contact surface area between the fertiliser and the soil during fertilisation, increasing the utilisation efficiency of the fertiliser and thereby improving production efficiency. The advantage of round granulation technology is that it can produce uniform-sized particles with a smooth surface that are not easily caked or layered during transportation and storage, reducing fertiliser loss and improving fertiliser utilisation and production efficiency.

The choice of which technology to use should depend on specific conditions, including soil conditions, crop requirements, fertilisation methods, etc. The related phenol granulation method has been localised, which helps to produce potash fertiliser products with high utilisation rate and absorption rate. With the improvement and progress of various related technologies, the varieties of potash fertiliser products will be more diversified. The concentration of nutrients and physical properties is also expected to gradually increase, and the production method will be more intelligent and environmental-friendly, hence driving the upgrade and development of the industry.

COMPETITIVE LANDSCAPE ANALYSIS

The top five potash fertiliser companies in terms of sales volume in China had a total share of 58.1% in 2022. Our Company, with the sales volume of 1,417.4 thousand tonnes, showed a market share of 7.1% which ranked the third. We offer various fertiliser products including KCL, SOP, NOP as well as compound fertilisers. However, as we discontinued manufacturing of NOP in 2019, all of our sales of NOP were procured from our suppliers, including our indirect joint venture. The potash fertiliser companies can be classified into resource-based companies and non reserve-based companies. Non reserve-based potash fertiliser companies are companies which do not have potash mineral resources. Our Company is the second largest non potash reserve-based potash fertiliser company in China in terms of sales volume in 2022. In terms of sales revenue, our Company, with the sales revenue of RMB5,362.0 million, showed a market share of 6.0%, which ranked the third.

INDUSTRY OVERVIEW

Top 5 Companies by Sales Volume and Sales Revenue of Potash Fertiliser (China), 2022

Ranking	Company	Sales Volume (Thousand Tonnes)	Market Share	Sales Revenue (RMB Million)	Market Share	Potash reserve-based/ Non potash reserve-based
1	Company A	4,941.1	24.9%	17,300.6	19.5%	Potash reserve-based
2	Company B	2,700.0	13.6%	7,155.0	8.1%	Non potash reserve-based
3	Our Company	1,417.4	7.1%	5,362.0	6.0%	Non potash reserve-based
4	Company E	1,350.0	6.8%	5,130.0	5.8%	Potash reserve-based
5	Company C	1,135.0	5.7%	4,027.9	4.5%	Non potash reserve-based

Note: The sales volume and sales revenue is calculated on the calendar year basis.

The market shares of sales volume are calculated based on the physical quantity of potash fertiliser (KCL)

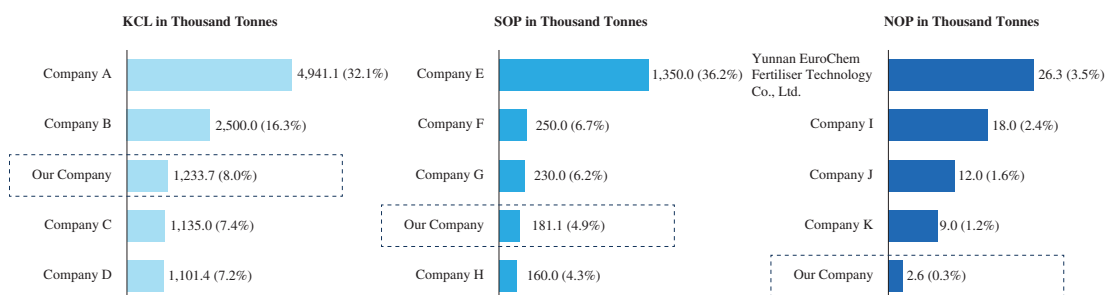
Although Company C has phosphate reserve, it is classified as a non potash reserve-based potash fertiliser company because it has no potash reserve.

Source: Frost & Sullivan Report

The top five companies of KCL in terms of sales volume had a total share of 71.0% in 2022. Our Company with the sales volume of 1,233.7 thousand tonnes showed a market share of 8.0% which ranked the third.

The top five companies of SOP in terms of sales volume had a total share of 58.2% in 2022. Our Company with the sales volume of 181.1 thousand tonnes showed a market share of 4.9%, which ranked the fourth. In 2022, the top five companies of NOP in terms of sales volume had a total share of 8.9%. Our Company with the sales volume of 2.6 thousand tonnes showed a market share of 0.3%, which ranked the fifth.

Top 5 Companies by Sales Volume of Major Potash Fertiliser Manufacturers (China), 2022



Note: The sales volume is calculated on the calendar year basis.

Source: Frost & Sullivan Report

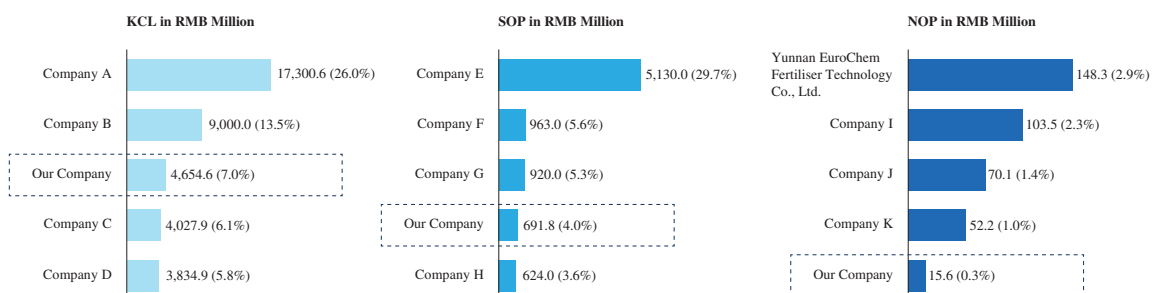
The top five companies of KCL in terms of sales revenue had a total market share of 58.4% in 2022. Our Company with the sales revenue of RMB4,654.6 million accounted for a market share of 7.0%, which ranked the third.

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The top five companies of SOP in terms of sales revenue had a total market share of 48.2% in 2022. Our Company with the sales revenue of RMB691.8 million accounted for a market share of 4.0%, which ranked the fourth.

The top five companies of NOP in terms of sales revenue had a total market share of 7.7%. Our Company with the sales revenue of RMB15.6 million accounted for a market share of 0.3%, which ranked the fifth.

Top 5 Companies by Sales Revenue of Major Potash Fertiliser Manufacturers (China), 2022



Note: The sales revenue is calculated on the calendar year basis.

Source: Frost & Sullivan Report

Competitor profiles

- (1) Enterprise A is a listed SOE company founded in 1997 and is headquartered in Qinghai. It is mainly engaged in the production and sales of KCL, lithium compounds and utilisation of salt lake resources.
- (2) Enterprise B is an unlisted SOE company founded in 2010 and is headquartered in Beijing. It is an international agricultural supplier and agribusiness provider.
- (3) Enterprise C is a listed SOE company founded in 1993 and is headquartered in Beijing. It is engaged in the production, import, export, distribution and retail of raw materials and finished products of fertilisers.
- (4) Enterprise D is a listed private company founded in 1996 and is headquartered in Qinghai. It is mainly engaged in the production and sales of KCL.
- (5) Enterprise E is an unlisted SOE company founded in 2000 and is headquartered in Xinjiang. Its business mainly covers the production and sales of SOP and NOP based on the natural potash reserves.
- (6) Enterprise F is an unlisted SOE company founded in 2003 and is headquartered in Qinghai. It is engaged in the development, production and sales of potassium, lithium, boron, magnesium, etc.

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- (7) Enterprise G is an unlisted private company founded in 1993 and is headquartered in Shandong. It is mainly engaged in the R&D, production, sales and distribution of SOP, hydrochloric acid and other products.
- (8) Enterprise H is an unlisted private company founded in 2004 and is headquartered in Qinghai. It is mainly engaged in the development, production and sales of KCL, SOP and potassium sulfate magnesium fertiliser.
- (9) Enterprise I is an unlisted private company founded in 2010 and is headquartered in Shanxi. It is mainly engaged in the production of NOP, sodium nitrate, barium chloride, calcium nitrate, lithium nitrate, etc.
- (10) Enterprise J is an unlisted private company founded in 1999 and is headquartered in Jiangxi. It is mainly engaged in the R&D, production and sales of NOP, sodium nitrate, compound fertiliser, etc.
- (11) Enterprise K is an unlisted private company founded in 2001 and is headquartered in Zhejiang. It is mainly engaged in the R&D, production and sales of NOP, compound fertiliser and other chemical products.

Key Success Factors of Potash Fertiliser Industry

Key success factors of potash fertiliser industry mainly consist of: 1) sufficient and stable sources of supply, 2) innovative, diversified and customized products, and 3) extensive sales lay-out. Firstly, maintaining business relationships with both domestic potash companies and oversea potash fertiliser suppliers are essential to ensure a stable KCL supply. Leading potash companies in China has established close business cooperation with overseas KCL suppliers as well as cross-border trading companies to obtain a stable supply of KCL. In addition, the procurement of KCL through domestic companies (e.g., the state-owned enterprises) with import qualifications is also a major channel for the sourcing of KCL, and maintaining a stable relationship with these companies is also of great importance for the industry players. Secondly, driven by the diversification of fertiliser demands and higher regulatory standards on fertiliser utilisation in China, fertiliser products should adjust ingredients proportion to satisfy the various consumption scenarios and the increasingly stringent environmental requirements. Leading companies, equipped with advanced automatic processing techniques, competitive manufacturing equipment, and experienced industry professionals, have attached great importance on the promotion of high value-added products, such as innovative compound fertiliser and water-soluble fertiliser products, to continuously enrich their product portfolios. Thirdly, establishing factories in areas based on the downstream market and setting up an extensive sales network is another effective strategy to outcompete in the market, which is conducive to saving transportation costs and avoiding transportation risks. On the other hand, building factories near customers can enable fertiliser companies to establish a tighter relationship with customers, better understand their requirements and market demands, thus providing fertiliser products suitable for the local growing conditions.

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RAW MATERIAL PRICE ANALYSIS OF MAJOR POTASH FERTILISER

The sea import master contract price (“**Sea Import Master Contract Price**”) is negotiated and determined by a consortium of PRC state-owned enterprises with overseas KCL producers and suppliers usually each year in an annual master contract which specifies the price term. The Sea Import Master Contract Price is primarily determined by reference to the PRC domestic demand and the international market price of KCL (which reflects the global supply and demand), both around the time of negotiation, and generally follows the trend of the international market price of KCL. The PRC benchmark import price of KCL imported by ground transportation (the “**Land Import Price**”) is negotiated by a group of licenced cross-border trading companies organised by China Chamber of Commerce of Metal, Minerals & Chemicals Importers & Exporters (中國五礦化工進出口商會) (“**China Importers & Exporters**”) with major KCL producers and suppliers in Russia and Belarus. The Sea Import Master Contract Price forms the basis of the Land Import Price; however, unlike the Sea Import Master Contract Price, the Land Import Price is subject to more frequent adjustments taking into account of the trend of the prevailing international market price of KCL (which reflects the global supply and demand) at the time of adjustment. As the Land Import Price is privately negotiated and not published, there is no publicly available source on historical Land Import Price. The Sea Import Master Contract Price plays an important guiding role in the determination of the overall price of imported KCL to the PRC (by sea and by land).

On 15 February 2022, the Chinese negotiation team reached an agreement on the 2022 Sea Import Master Contract Price of KCL with a Canadian potash fertiliser company, and the contract price was US\$590/tonne CFR (cost and freight), increasing significantly from US\$247/tonne CFR in 2021. On the one hand, it is attributed to the rising price of agricultural products after the recovery of the global economy, which has further driven up the demand for fertilisers. On the other hand, due to the lasting impact of COVID-19 such as shipping disruption, the recovery of each link along the supply chain is different, resulting in a relatively insufficient supply of potash fertilisers.

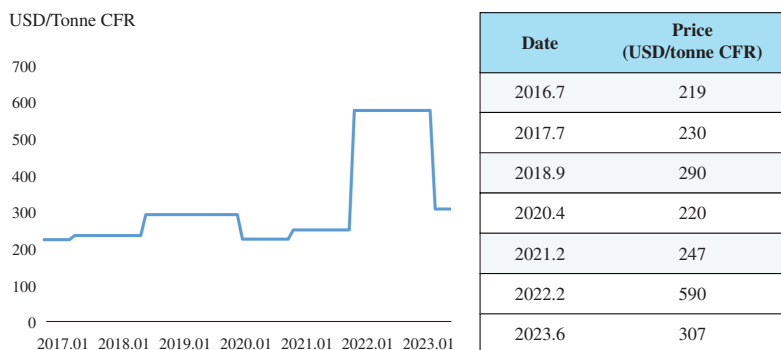
Economic sanctions as well as regional conflicts are another two factors affecting global KCL price. In 2021, US, UK and EU successively introduced sanctions against Belarus, involving some potash fertiliser export products, which might impact the global supply balance of potash fertilisers. Some companies that rely on Belarus to import KCL may shift their targets to KCL suppliers in other countries. In 2022, as tensions escalate in the Russian-Ukrainian conflict, the Ukrainian government decided to temporarily ban the export of all types of fertilisers on 12 March 2022. Meanwhile, in order to retaliate against the economic sanctions imposed by Western countries, Russia’s government has announced on 10 March 2022 to temporarily suspend the export of fertilisers to the “unfriendly” countries. It is expected that the Russian-Ukrainian conflict will still bring certain uncertainty to the global supply of KCL. Subsequently, as the the U.S. Department of Treasury has clarified on 14 July 2022 that agricultural commodities (including fertilisers) are not targets of the sanctions imposed by the U.S. on Russia and the U.S. has not imposed sanctions on the exportation of fertiliser from, to,

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transiting, or involving Russia, the uncertainties on the global supply of potash fertiliser decreased. Starting from the third quarter of 2022, due to factors such as the entry of the potash fertiliser market into the off-season, which in turn drove the price of potash fertilisers to fall from a high level.

During the first half of 2023, the price of potash fertiliser continued its downward trend. On 6 June 2023, the Chinese negotiation team reached an agreement on the 2023 Sea Import Master Contract Price of KCL with a Canadian potash company. The 2023 Sea Import Master Contract Price is USD307/tonne CFR, with a decrease of USD283/tonne from the previous year. The newly signed 2023 Sea Import Master Contract Price is valid until the end of 2023. After the Sea Import Master Contract Price expires, the potash fertiliser industry will generally continue to follow the old Sea Import Master Contract Price until the new Sea Import Master Contract Price is announced.

Sea Import Master Contract Price of KCL (China), 2017-2023



Note: The big contract negotiation of potash fertiliser was not held in 2019.

Source: Frost & Sullivan Report

Sulfuric acid, ammonium nitrate are two essential raw materials for the production of potash fertilisers. The average selling price of sulfuric acid increased from RMB261.9 per tonne in 2017 to RMB375.4 per tonne in 2018. Since 2018, the average selling price kept decreasing which was mainly caused by overcapacity and insufficient downstream demand. The average selling price has demonstrated an upward trend in 2021 recovering from 2020, increasing rapidly to approximately RMB642.0 per tonne in 2021. Affected by the decline in downstream demand, the average selling price of sulfuric acid started to decrease in the second half of 2022. The average selling price of sulfuric acid reached RMB564.2 per tonne in 2022 in China. The average selling price of ammonium nitrate has demonstrated a steady growth in the past few years. In 2020, the shrinking demand after the outbreak of COVID-19 led to the decrease of ammonium nitrate price. The average selling price of ammonium nitrate has also demonstrated an increasing trend since 2021 and reached RMB3,126.6 per tonne in 2022.

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The production and sales of different fertilisers were negatively affected after the outbreak of COVID-19 in 2020 due to the decreasing planting activities during the lockdown period. As the demand for fertilisers dropped off in the spring ploughing season, the market price of different fertilisers and their raw materials also witnessed a decrease in the first quarter of 2020. Meanwhile, the Chinese government has put forward a series of powerful measures and policies (e.g., “Notice of the Central Leading Group against COVID-19 on Printing and Distributing the Current Spring Ploughing Production Guidelines” (中央應對新型冠狀病毒感染肺炎疫情工作領導小組關於印發當前春耕生產工作指南的通知), “Notice on Effectively Supporting the Stable Production and Supply of Agricultural Products During the Prevention and Control of the New Coronary Pneumonia Epidemic” (關於切實支持做好新冠肺炎疫情防控期間農產品穩產保供工作的通知) and “Notice on Doing a Good Job in the Production, Supply and Price Stabilisation of Fertilisers for Spring Ploughing in 2021” (關於做好2021年春耕化肥生產供應和價格穩定工作的通知)) to control the spread of virus as well as to guarantee stable agricultural activities and the stable supply of agricultural products. With the gradual recovery of economy, the demand for fertilisers has gradually recovered since the second quarter of 2020. In 2021, driven by the active spring ploughing and other planting activities, the downstream demand for fertilisers has obviously increased and the price of fertilisers and their raw materials started to increase.

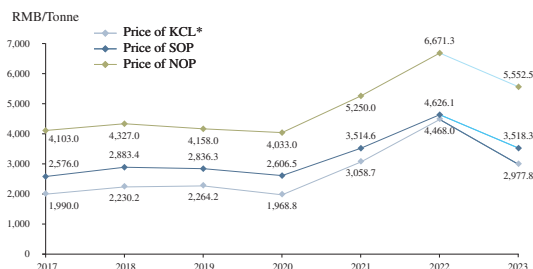
PRICE ANALYSIS OF FERTILISERS

Compared to potash fertilisers, the prices of nitrogen fertilisers, represented by urea, and phosphorus fertilisers, represented by DAP, were generally lower than that of potash fertilisers and experienced a similar trend during the past five years. In 2021, the average selling price of urea and DAP reached RMB2,502.0 per tonne and RMB3,336.2 per tonne, respectively. In 2022, the average selling price of urea and DAP reached RMB2,701.7 per tonne and RMB4,010.4 per tonne, respectively.

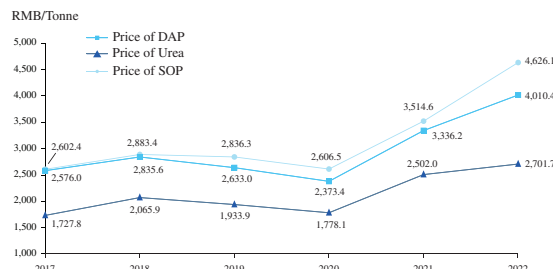
The price of KCL experienced an overall growth from 2017 to 2020 despite some fluctuations. From 2017 to 2019, the average selling price of KCL maintained at around RMB2,000 per tonnes. After the outbreak of COVID-19, the price of KCL experienced a decrease due to the shrinking fertiliser demand during the lockdown period. Since 2021, the recovering downstream demand and the tight supply has pushed the price of KCL to an unprecedented level. Similarly, the average selling price of SOP decreased to RMB2,606.5 per tonne in 2020. Affected by the rising price of KCL and other raw materials, the average selling price of SOP also surged since 2021, reaching RMB4,626.1 per tonne in 2022. The price of NOP is higher than that of KCL and SOP due to the complex manufacturing technique and higher production cost. Again, the slump of global crude oil prices and the lockdown in 2020 lowered the price of NOP, while it rebounded significantly since 2021 due to the increasing raw material prices and demands. In 2022, as the global supply shortage of potash fertilisers intensified, the average selling price of KCL, NOP and SOP in China rose significantly, peaked in the second quarter, and slowly declined, although still maintained at historical high in 2022. In 2023, the average selling price of KCL, NOP and SOP in China gradually recovered compared to 2022, but remained at a relatively high level in recent years.

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Average Price of KCL, NOP and SOP, (China) 2017-2023



Average Price of Nitrogen Fertiliser (Urea), Phosphorus Fertiliser (DAP) and Potash Fertiliser (SOP), (China), 2017-2022



*Note**: The price of KCL refers to the selling price of imported KCL in the finished goods form in China.

Source: Frost & Sullivan Report

PRICE ELASTICITY OF DEMAND FOR POTASH FERTILISERS ANALYSIS

Potash fertiliser is indispensable in agricultural applications, playing a critical role in ensuring the development of agriculture and the national food supply, and is therefore considered as a commodity with relatively low price elasticity of demand in China. Among potash fertilisers, KCL is the most widely used potash fertiliser and also serves as the key raw material for other potash fertilisers, making KCL the most representative potash fertiliser. The price elasticity of demand for KCL is calculated by dividing the percentage change in annual domestic KCL sales volume in China by the percentage change in average domestic selling prices in China and it is found that such elasticity value averaged 0.15 from 2020 to 2023, indicating that demand for KCL in China's domestic market is generally insensitive to price changes on an annual basis.

However, the price elasticity of demand for KCL can vary among different customer segments over shorter time frames. Although an increase in potash fertilisers price will generally make agricultural activities less economical, the level of impact differs by different customer segments, leading some customers to postpone purchases, control usage, or seek temporary alternatives. The key factors affecting demand responsiveness to price changes in potash fertilisers mainly include the following:

- **Crop varieties**

Different crops exhibit different requirements for potash fertilisers, leading to varied levels of price elasticity for potash fertilisers across crops types. For example, stable food crops such as wheat and corn are usually cultivated on a large scale with focus on stringent cost control, and consequently those agricultural product producers tend to be more sensitive to fluctuation in the prices of agricultural inputs including potash fertilisers. On the other hand, those agricultural product producers of high-value agricultural crops, such as vegetables, fruits, flowers and tobacco, may

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be more inclined to invest in agricultural inputs (such as potash fertilisers) to achieve superior yields and quality, which can potentially sell for higher prices. As a result, these customers show a relatively lower price elasticity of demand for potash fertilisers.

- **Planting conditions**

Planting conditions, including climate and soil composition, significantly influence the requirements for potash fertilisers of crops, thereby impacting the price elasticity for potash fertilisers. Variations in soil nutrients content across different regions necessitate the use of specific types and quantities of fertilisers tailored to the local soil's nutrient profile. Moreover, the disparity in soil types affects their capacities to absorb and retain fertilisers, leading to different utilisation rate of potash fertilisers. For instance, sandy soils, which tend to leach potash more readily, may require more frequent or increased fertiliser applications to sustain adequate potassium levels. Consequently, regions with planting conditions demanding higher potash fertilisers inputs exhibit lower price elasticity for potash fertilisers, meaning demand for potash fertilisers is less sensitive to price changes, as sufficient application of potash fertilisers is essential for ensuring optimal growth and productivity of crops in these areas.

- **Planting scale**

Since agricultural product producers with different planting scale have different procurement scales, bargaining power and cost control capabilities, they also exhibit different price elasticity for potash fertilisers. For example, customers with large planting scale usually have larger procurement scale and bargaining power, and can take more effective measures to mitigate price fluctuation, such as signing long-term contracts and developing diversified procurement channels, thereby reducing its price elasticity for potash fertilisers. In addition, customers with large planting scale usually have better cost control capabilities, thereby reducing comprehensive costs and ensuring profitability through internal adjustments and optimisation of production processes when prices of potash fertilisers rise. However, small-scale agricultural product producers lack sufficient purchasing scale, bargaining power and cost control capabilities, so they exhibit a higher price elasticity for potash fertilisers than those with large planting scale.

- **Seasonality**

Since the demand for potash fertilisers is seasonal due to natural cycle of planting activities, the timing of fluctuations in potash fertiliser prices will also affect the price elasticity for potash fertilisers. For example, when prices of potash fertilisers rise during the non-peak season, agricultural product producers often temporarily postpone their purchase plans of potash fertilisers until the prices recover or stabilise to a certain reasonable level, as they do not have urgent demand for potash

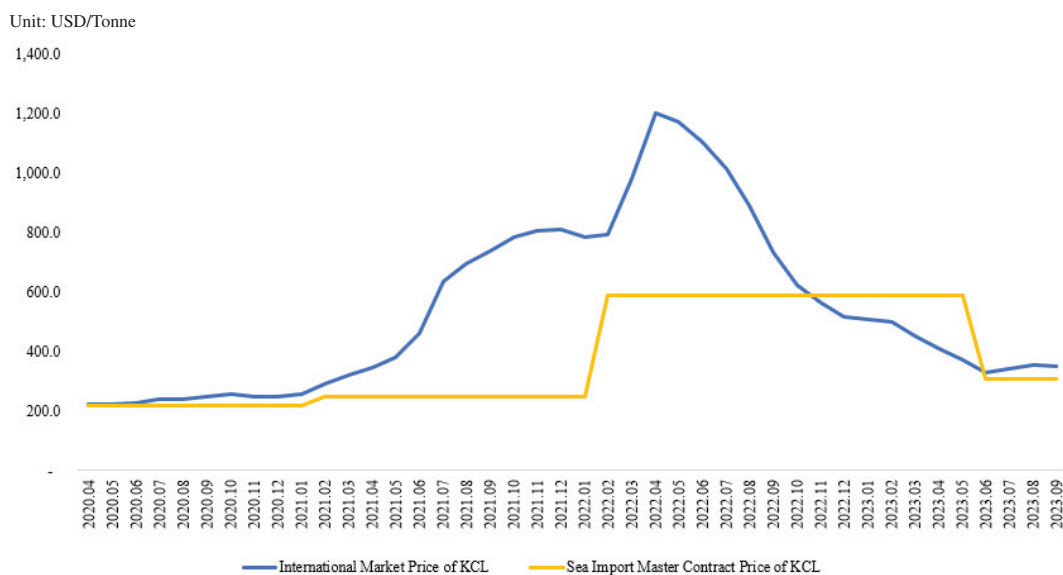
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fertilisers. On the contrary, when prices rise during the peak season, agricultural product producers that do not have enough potash fertilisers inventory have to accept higher prices to meet their planting needs and exhibit less price elasticity for potash fertilisers.

SHORT-TERM EXPECTATION OF THE SEA IMPORT MASTER CONTRACT PRICE AND MARKET DEMAND OF KCL IN THE PRC

Imported KCL is of significance to the potash fertiliser market in China due to the limited supply from domestic potash reserves. In 2022, over 50% of the total KCL sales volume in China was sourced from foreign countries. However, as the negotiation groups of China have significant bargaining power in its negotiation of the Sea Import Master Contract Price and the Land Import Price, considering China's large domestic demand and approximately 50% of its KCL consumption is sourced from overseas, the Sea Import Master Contract Price and the Land Import Price therefore generally follow the trend of, but are not necessarily the same as, the international market price of KCL at the relevant points in time. As illustrated from the chart below, the Sea Import Master Contract Price was usually lower than the prevailing international market price of KCL at the time of the relevant sea import master contract from April 2020 to September 2023. Only importers with the automatic import license have the ability to import KCL based on the Sea Import Master Contract Price. The following chart shows the Sea Import Master Contract Price and the international market price of KCL in US\$ from April 2020 to September 2023.

Sea Import Master Contract Price of KCL and International Market Price of KCL, 2020.4-2023.9



Source: World Bank, Frost & Sullivan

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Note: The international market price of KCL sets out in the above chart is published monthly by the World Bank. As there is no published information on the market price of KCL of all the countries in the world, the market price of KCL above is not an average of the market price of KCL of all the countries in the world. The data above only uses KCL price in various representative potash fertiliser markets as reference, including but not limited to the current Brazil CFR (cost and freight) price, Vancouver FOB (free on board) price, etc.

As the Sea Import Master Contract Price is renegotiated generally on an annual basis, the change in the Sea Import Master Contract Price may tend to lag behind the fluctuation in the international market price of KCL; while the international market price of KCL may change month to month in response to dynamic changes in global market demand and supply. The Sea Import Master Contract Price generally followed the trend of the international market price of KCL. The Sea Import Master Contract Price determined in June 2023 has reflected its previous time lag to the international market price of KCL and bringing it back in line with the international market price of KCL in June 2023.

Based on the factors to be discussed below, it is expected that the international market price of KCL will recover steadily in the foreseeable future, and it is not expected there will be further decrease in the Sea Import Master Contract Price in the near future as the international market price of KCL has been recovering from its low level in June 2023.

International market price of KCL will recover steadily in the foreseeable future

Demand side factors

(a) The non-renewal of the Black Sea Grain Initiative

On 17 July 2023, Russia announced the non-renewal of the Black Sea Grain Initiative, an agreement negotiated in July 2022 between Turkey, the UN and Russia as a way of ensuring that Ukraine, one of the breadbaskets of the world, could export its grain through its southern ports via the Bosphorus. The agreement expired in July 2023. With the non-renewal of the Black Sea Grain Initiative, global cereal supply suffered uncertainties and global cereal prices have begun to rise. With the increase in global cereal prices, this will stimulate agricultural planting as farmers will be able to sell their cereal at higher prices. Given that potash fertiliser is an important agricultural product necessary for cereal production, the increase in cereal prices will therefore also expect to stimulate the global potash fertiliser demand and price.

(b) Continuous growth of global population and cereal production

Cereal production continues to maintain a steady growing trend, which drives the demand for potash fertiliser as its demand is closely linked to the production and demand for cereals. Population growth and higher levels of productivity have strong effect on cereals demand, leading to a corresponding increase in demand for potash fertilisers. For further information, please refer to the section headed “Industry Overview – Global and China Potash Fertiliser Industry Overview – Market Drivers and Trends – (i) Sustained food demand stimulated by population growth” in this prospectus.

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(c) Improving dietary structure

From 2018 to 2022, the global fruit and vegetable production volume have maintained CAGRs of 1.2% and 0.7%. Fruits, vegetables and other industrial crops have higher demand for potash fertilisers compared with other agricultural products, and the growing production and consumption of these products will continue to drive the demand of potash fertilisers. For further information, please refer to the section headed “Industry Overview – Global and China Potash Fertiliser Industry Overview – Market Drivers and Trends – (ii) Improvement in dietary structure brought by consumption upgrades” in this prospectus.

Supply side factors

(a) The slowdown in global potash fertiliser production capacity expansion

On 2 August 2023, Nutrien, a Canadian company and one of the largest global potash fertiliser manufacturers, decided to indefinitely suspend its plans to increase potash fertiliser production capacity. In addition, there is no apparent large scale new production base of potash fertilisers which is expected to commence operation in the near future. Therefore, the growth of global potash fertiliser production capacity is limited, which is expected to stimulate the steady recovery of potash fertiliser prices.

(b) The continuation of sanctions against Belarus

Although there is a reduced global supply uncertainties caused by the imposition of sanctions on Belarus, which had gradually become a norm, the prolonged continuation of sanctions against Belarus will, nonetheless, negatively impact the global potash fertiliser supply and is a supporting factor on the international market price of KCL.

Market demand of KCL in the PRC in the near future

As the Sea Import Master Contract Price returned from its peak of US\$590/tonne to US\$307/tonne, the demand of KCL in the PRC previously suppressed when the price of KCL experienced an unusual increase to US\$590/tonne would be released. For example, the import volume of KCL to the PRC has increased from approximately 3.2 million tonnes during June to October 2022 to approximately 5.0 million tonnes during June to October 2023. Therefore, it is expected that there will be an overall increase in demand in 2023 compared to 2022.

Further, in view of the magnitude of the decrease in domestic market price of imported KCL during the first half of 2023 and the market’s expectation of a lower Sea Import Master Contract Price would be announced, a considerable number of customers in China took a more conservative approach in their purchases of KCL in the first half of 2023 until the announcement of the Sea Import Master Contract Price in June 2023. During the first half of 2023, many customers in China only purchased less than 40% of their total planned purchases of KCL for the year. As the Sea Import Master Contract Price has been determined in June 2023 and the further decrease in domestic market price of imported KCL has eased and the domestic market price of imported KCL has been recovering in the second half of 2023, it is expected that customers will purchase their remaining planned purchase volume in the second half of 2023 and there will be an increase in purchase of KCL domestically in the second half of 2023.

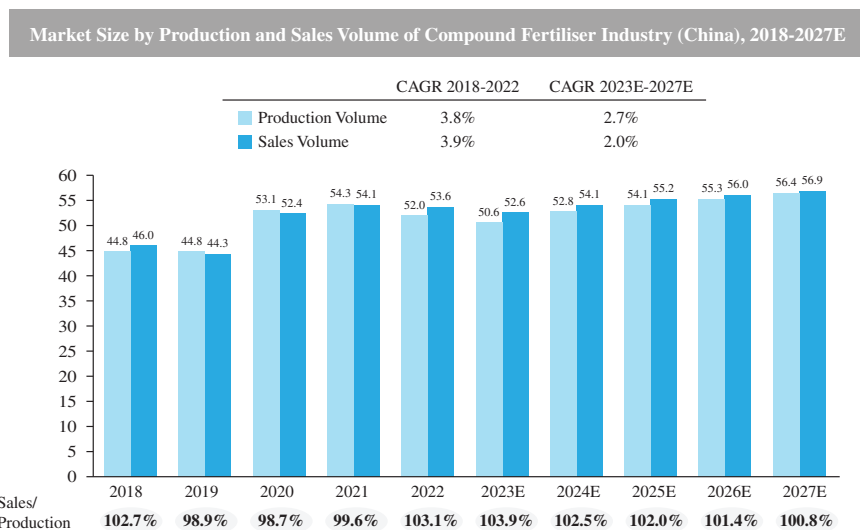
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CHINA COMPOUND FERTILISER INDUSTRY OVERVIEW

Production and Sales Volume of Compound Fertiliser

Compound fertiliser is a kind of fertiliser with three-components, providing nitrogen, phosphorus and potassium. Compound fertiliser can be used for balanced fertilisation and can increase the utilisation rate of fertilisers. They can be applied to the soil, or directly on the plant to maintain or increase fertility to produce crops with good quality. They supplement naturally available nutrients in the soil and also provide additional nutrients that are required for specific types of crops.

The production volume of compound fertilisers increased from 44.8 million tonnes in 2018 to 52.0 million tonnes in 2022, representing a CAGR of 3.8%. And the sales volume presented a similar trend, rising from 46.0 million tonnes in 2018 to 53.6 million tonnes in 2022, representing a CAGR of 3.9%. Looking forward, driven by the increasing planting area of different crops, the production volume and sales volume are expected to increase to 56.4 million tonnes and 56.9 million tonnes in 2027.



Source: Frost & Sullivan Report

REGULATORY OVERVIEW

PRC LAW AND REGULATIONS

Most of our business operations are based in the PRC and are subject to extensive supervision and regulation by the PRC Government. This section will introduce the major regulatory authorities and the main laws, rules and regulations which impact key aspects of our business.

MAJOR REGULATORY AUTHORITIES

State Council

The State Council, as the highest organ of state administration, is responsible for reviewing, approving and reforming the investment system and approval system of the PRC government and the catalogue of investment projects approved by the government.

National Development and Reform Commission

The National Development and Reform Commission (the “**NDRC**”) (國家發展和改革委員會) is responsible for formulating and implementing the major policies related to the economic and social development of the PRC; planning major construction projects and management of production capacity.

The Ministry of Emergency Management

The Ministry of Emergency Management (The “**MOEM**”, which the State Administration of Work Safety has been incorporated into.) (應急管理部) is responsible for managing and supervising production safety in the PRC and ensuring the implementation of PRC laws and regulations in relation to production safety.

Ministry of Ecology and Environment

The Ministry of Ecology and Environment (The “**MOEE**”, which the Ministry of Environmental Protection has been incorporated into.) (生態環境部) is responsible for formulating ecological environment policies, plans and standards, and for monitoring the ecological environment and law enforcement, regulating pollution control and organising inspections of central authorities on environmental protection.

Ministry of Commerce

The Ministry of Commerce (the “**MOFCOM**”) (商務部) is responsible for managing domestic and overseas trading and cooperation with international economies and approving foreign investment projects and overseas investment projects of PRC enterprises.

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The Ministry of Housing and Urban-Rural Development

The Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) is responsible for examining and approving construction projects and industry management.

FOREIGN INVESTMENT IN THE PRC

The establishment, operation and management of companies in PRC are governed by the PRC Company Law (《中華人民共和國公司法》) which was promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on 29 December 1993, came into effect on 1 July 1994 and was last revised on 29 December 2023 (while the latest amendments will be effective on 1 July 2024). Under the PRC Company Law, companies are generally classified into two categories, i.e. limited liability companies and companies limited by shares. Each a limited liability company or a company limited by shares is an enterprise legal person, and liable for its debts with all its assets. PRC Company Law is also applicable to foreign-invested companies, except otherwise set out in any other regulations. The main amendments in the PRC Company Law involve improving the company's establishment and exit system, optimising the company's organizational structure, detailing exercise of shareholder rights, perfecting the company's capital system and strengthening the responsibilities of controlling shareholders and management personnel, etc. The PRC Company Law provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises. Where laws relating to foreign investment provide otherwise, such stipulations shall apply.

Pursuant to the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "Foreign Investment Law") promulgated by the National People's Congress (the "NPC") on 15 March 2019 and came into effect on 1 January 2020, the "Foreign Investment" refers to the investment activity directly or indirectly conducted by the foreign natural person, enterprise or other organisation (hereinafter referred to as the "foreign investors"), including the following circumstances: (i) a foreign investor establishes a foreign-invested enterprise within the territory of China, independently or jointly with any other investor; (ii) a foreign investor acquires shares, equities, property shares or any other similar rights and interests of an enterprise within the territory of China; (iii) a foreign investor makes investment to initiate a new project within the territory of China, independently or jointly with any other investor; and (iv) a foreign investor makes investment in any other way stipulated by laws, administrative regulations or provisions of the State Council. The state applies the administrative system of pre-establishment national treatment plus negative list to foreign investment. Foreign Investors shall not invest in any field prohibited by the Negative List and shall meet the investment conditions stipulated for any field restricted by the Negative List, while for foreign investments outside the Negative List, national treatment will be given. The business forms, structures, and rules of activities of foreign-funded enterprises shall be governed by PRC Company Law, the Partnership Law of the People's Republic of China (《中華人民共和國合夥企業法》) and other laws. In conducting production and distribution activities, foreign-funded enterprises shall comply with the provisions of laws and administrative regulations pertaining to labour protection and social insurance, conduct

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taxation, accounting, foreign exchange, and other affairs according to laws, administrative regulations, and the relevant provisions issued by the state, and accept the supervisory inspection legally conducted by the appropriate departments.

Investments activities in China by foreign investors are principally governed by the Encouraged Industries Catalog for Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Catalog**”) which was promulgated by the MOFCOM and the NDRC on 26 October 2022 and became effective on 1 January 2023 and the Special Administrative Measures for Foreign Investment Access (Negative List 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List (2021)**”), which was promulgated by the MOFCOM and the NDRC on 27 December 2021 and became effective on 1 January 2022. The Catalog and the Negative List (2021) set forth the industries in which foreign investments are encouraged, restricted and prohibited. Industries that are not listed in any of these three categories are generally open to foreign investment unless otherwise specifically restricted by other PRC rules and regulations.

LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

On 17 February 2023, the CSRC promulgated Trial Administrative Measures of the 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 “**Overseas Listing Trial Measures**”) and relevant five guidelines, which became effective on 31 March 2023. The Overseas Listing Trial Measures comprehensively improved and reformed the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and regulated both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas offering and listing is explicitly prohibited, if any of the following: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended overseas securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

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The Overseas Listing Trial Measures also provides that if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that (1) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas securities offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas securities offering and listing; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements.

LAW SUPERVISION OVER SAFE PRODUCTION

Production Safety Law of the PRC

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the “**Production Safety Law**”) promulgated on 29 June 2002 and amended on 27 August 2009, 31 August 2014 and 10 June 2021, production and operating entities shall meet the work safety conditions required by the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Entities that do not meet such production safety conditions shall not engage in production or operating activities. Entities engaged in production, operation and storage of hazardous items shall establish a department to carry out work safety management or designate personnel solely responsible for work safety management. Production and operating entities shall provide their employees with education and training on work safety to ensure that the employees have the necessary knowledge regarding work safety.

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Regulations on Safety Production Permit

The Regulations on Safety Production Permit (《安全生產許可證條例》), which were promulgated by the State Council on 13 January 2004 and revised on 18 July 2013 and 29 July 2014, stipulates that enterprises engaged in the production of hazardous chemicals must obtain a safety production permit (“**Safety Production Permit**”) from the competent work safety authorities prior to its commencement of production. Enterprises without the Safety Production Permit are not allowed to engage in hazardous chemical production activities. The Safety Production Permit is valid for three years and may be extended within three months prior its expiration by the original issuing authority.

If an enterprise violates the provisions of the Regulations on Safety Production Permit and commences production without obtaining the Safety Production Permit or fails to renew the Safety Production Permit upon its expiration, the relevant authorities may order it to suspend production, confiscate the illegal gains and impose a fine on the enterprise. If a criminal offence is committed, the offender may be subject to criminal liabilities.

LAW SUPERVISION OVER THE CHEMICAL FERTILISER INDUSTRY

Regulations on Fertiliser Registration

The Administrative Measures for Fertiliser Registration (《肥料登記管理辦法》), which was promulgated by the Ministry of Agriculture (now known as the Ministry of Agriculture and Rural Affairs) on 23 June 2000, came into effect on the same day, and was amended on 11 October 2015, 3 February 2016, 12 January 2017 and 7 January 2022, the PRC government implements a registration system for the production, operation, use and publicity of fertiliser products in the PRC. Unregistered fertiliser products shall not be imported, produced, sold or used, and shall not be advertised or publicised.

Fertiliser producers applying for fertiliser registration shall, in accordance with the Requirements for Fertiliser Registration Materials (《肥料登記資料要求》), which was promulgated by the Ministry of Agriculture on 25 May 2001 and amended on 30 November 2017, provide information on product chemistry, fertiliser efficiency, safety, labelling and other aspects and representative fertiliser samples.

Some specific kinds of fertiliser which was long-term used in farmland and with national or industrial standard can exception from registration. The following list is every single member of those fertiliser mentioned above: Ammonium sulphate ((NH₄)₂SO₄), urea, ammonium nitrate (NH₄NO₃), calcium cyanamide (CaCN₂), ammonium phosphate (NH₄H₂PO₄, (NH₄)₂HPO₄), phosphate nitrate, superphosphate, potassium chloride (KCl), potassium sulphate (K₂SO₄), potassium nitrate (KNO₃), ammonium chloride (NH₄Cl), ammonium bicarbonate (NH₄HCO₃), calcium magnesium phosphate, potassium dihydrogen phosphate (KH₂PO₄), single trace element fertiliser, high concentration compound fertiliser.

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Regulations on the Pricing

On 29 December 1997, the Pricing Law of the PRC (《中華人民共和國價格法》) was promulgated, which stipulated that the price of most commodities and services is subject to market condition and decided by market participants. Only a small number of commodities and services, the list of which shall be stipulated by the central and provincial-level competent authority, are subject to government guided prices or government set prices.

In the meantime, market participants must not carry out certain improper pricing acts, including but not limited to, (1) colluding with others to manipulate market prices, thereby infringing on the legal rights and interests of other market participants or consumers; (2) dumping goods with lower cost in order to squeeze out competitors or monopolize the market, thereby disrupting normal production and business order and damaging the national interest or the legal rights and interests of consumers, except for fresh products, seasonal products, overstocked goods, etc., of which the prices are legally reduced; and (3) fabricating and spreading news of a price rise, driving up prices and propelling commodity prices to rise exorbitantly.

Regulations on the Value-Added Tax on Fertilisers

According to the Notice on the Policies on Resuming the VAT Levy on Fertilisers (《關於對化肥恢復徵收增值稅政策的通知》) jointly promulgated by the MOF, the General Administration of Customs and the State Administration of Taxation (the “SAT”) on 10 August 2015 which came into effect on 1 September 2015, companies selling and importing chemical fertilisers shall be subject to 13% VAT. Subsequently, the VAT rate dropped to 11% pursuant to Circular on Simplifying and Integrating Policies Related to Value-added Tax Rate (《關於簡併增值稅稅率有關政策的通知》) promulgated on 28 April 2017 and the VAT rate was again adjusted to the current 10% pursuant to Circular on Adjusting Value-added Tax Rate (《關於調整增值稅稅率的通知》) promulgated on 4 April 2018. The VAT was then gradually reduced and on 20 March 2019, the Announcement on Policies Concerning Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated by the MOF, the SAT and the General Administration of Customs further reduced the VAT rate to 9%. In addition, on 29 April 2008, the MOF and the SAT issued the Notice on the Exemption of Value-Added Tax on Organic Fertiliser Products (《關於有機肥產品免徵增值稅的通知》), which exempts organic fertilisers and organic-inorganic compound fertilisers from value-added tax.

LAW SUPERVISION OVER THE TOBACCO PRODUCTS

The Standing Committee of the National People’s Congress promulgates the Law of the People’s Republic of China on Tobacco Monopoly (2015 Revision) (《中華人民共和國煙草專賣法》) on 24 April 2015, stipulating that the State shall according to law exercise monopoly administration over the production, sale, import and export of tobacco monopoly commodities, and practice a tobacco monopoly license system. The department of tobacco monopoly administration under the State Council shall be responsible for the nation-wide tobacco monopoly. The departments of tobacco monopoly administration in the provinces, autonomous regions and municipalities directly under the Central Government shall be responsible for the

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tobacco monopoly within the areas under their respective jurisdiction, and shall be under the dual leadership of the department of tobacco monopoly administration under the State Council and the people's governments of the relevant provinces, autonomous regions and municipalities directly under the Central Government, with the leadership of the department of tobacco monopoly administration under the State Council as the main leading primary authority.

The State Council promulgates the Regulations for the Implementation of the Law of the People's Republic of China on Tobacco Monopoly (2023 Revision) (《中華人民共和國煙草專賣法實施條例》) on 20 July 2023, stipulating that tobacco monopoly refers to monopoly of the State of the administration of production, marketing and import and export of monopolized tobacco products. Application for tobacco monopoly licenses shall be required according to the provisions of the Tobacco Monopoly Law and the provisions of this set of rules for producing and handling wholesale and retail sale of tobacco products subject to monopoly and for handling imports and exports of such products and for handling purchase and marketing of foreign tobacco products.

The State Tobacco Monopoly Administration on 31 March 2021, Notice of The State Tobacco Monopoly Administration on the Promulgation of Detailed Rules for Implementation of the Administrative Measures on Tobacco Monopoly Licenses (《國家煙草專賣局關於印發煙草專賣許可證管理辦法實施細則的通知》) stipulates that the applications for the following tobacco monopoly licenses shall be accepted and examined by the tobacco monopoly administrations at the provincial level at the local places of the applicants' business venues, and approved by the State Tobacco Monopoly Administration: (i) application for tobacco monopoly license for production enterprises to engage in production and processing business of tobacco monopoly products; and (ii) application for the tobacco monopoly license for wholesale enterprises to engage in the wholesale business of tobacco products across provinces, autonomous regions and centrally-administered municipalities, or engage in operation business of other tobacco monopoly products.

LAW SUPERVISION OVER THE CHEMICAL INDUSTRY

Regulation on Safety Management of Hazardous Chemicals

According to the Regulation on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) issued by the State Council on 26 January 2002 and amended on 2 March 2011 and 7 December 2013, the PRC government implements catalogue management for chemicals listed in the catalogue of hazardous chemicals. Entities engaged in production, storage, usage, operation and transportation of hazardous chemicals are required to meet the safety conditions set out by relevant laws, administrative regulations, national standards and industrial standards and obtain relevant permits. For example, enterprises shall obtain a business licence for hazardous chemicals before engaging in operations related to hazardous chemicals. New construction, renovations and expansions of construction projects for production and storage of hazardous chemicals shall be subject to inspection of the safety conditions by production safety supervision and management authorities.

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Administrative Rules on Registration of Hazardous Chemicals

According to the Administrative Rules on Registration of Hazardous Chemicals (《危險化學品登記管理辦法》) issued by the State Economic and Trade Commission (rescinded) on 8 October 2002 and replaced by the new regulation which was issued on 1 July 2012 by the State Administration of Work Safety (now known as the Ministry of Emergency Management), the PRC government implements a registration system for hazardous chemicals. Enterprises engaged in production or import of hazardous chemicals listed in the Catalogue of Hazardous Chemicals (《危險化學品目錄》) shall conduct general inspection of their hazardous chemicals, establish records for management of hazardous chemicals, apply for registration of hazardous chemicals with the relevant registration authorities as set out in the requirements, fill in the registration information based on facts and submit the required documents, and receive an inspection from production safety supervision and management authorities as set out in the relevant laws.

Administrative Regulations on the Safety Supervision of Construction Project of Hazardous Chemical

The Administrative Regulations on the Safety Supervision of Construction Project of Hazardous Chemical (《危險化學品建設項目安全監督管理辦法》), which was promulgated by the State Administration of Work Safety on 30 January 2012 and came into effect on 1 April 2012, and revised on 27 May 2015, stipulates that projects for the construction, renovation and expansion of facilities used in the production or storage of hazardous chemicals, as well as projects which generate hazardous chemicals (including hazardous chemical long-distance pipeline construction projects), are subject to inspections, supervision and administration by competent regulatory authorities. Such projects shall not commence construction or operation without first completing the safety review and the acceptance of the completed safety facilities.

Measures for Implementation of Safety Production Permit of Hazardous Chemical Production Enterprises

The Measures for Implementation of Safety Production Permit of Hazardous Chemical Production Enterprises (《危險化學品生產企業安全生產許可證實施辦法》) was formulated according to the Regulations on Safety Production Permit, and was promulgated by the State Administration of Work Safety and became effective on 17 May 2004. Amendments were made to such measures by the State Administration of Work Safety on 5 August 2011, 27 May 2015 and 6 March 2017.

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According to the aforesaid measures, hazardous chemical production enterprises must obtain the Safety Production Permit for Hazardous Chemicals. The local work safety authorities at the provincial level are responsible for the issuance and administration of Safety Production Permit for Hazardous Chemicals for enterprises within its administrative regions except central enterprises and their directly controlled enterprise headquarters involved in the production of hazardous chemicals. If a hazardous chemical production enterprise commences production without obtaining the Safety Production Permit for Hazardous Chemicals, the relevant authorities may order it to suspend production, confiscate the illegal gains and impose a fine of no less than RMB100,000 but not exceeding RMB500,000 on the enterprise. If a criminal offence is committed, the offender may be subject to criminal liabilities.

Administrative Measures on Operation Permit of Hazardous Chemicals

According to the Administrative Measures on Operation Permit of Hazardous Chemicals (《危險化學品經營許可證管理辦法》) issued by the State Administration of Work Safety (now known as the Ministry of Emergency Management) 17 July 2012 and amended on 27 May 2015, the operational activities (including warehouse operation) of hazardous chemicals in the PRC shall be carried out under a hazardous chemical permit issued by the production safety supervision authorities. However, a hazardous chemical producer that has obtained a hazardous chemical safety production permit and sells its own products within its factory area is not required to obtain a separate hazardous chemical operation permit. To obtain an operation permit, the hazardous chemical operation enterprises should meet all the statutory requirements on business premises, staff training, regulatory system, rescue equipment and other aspects.

Regulation on Administration of Production Permit for Industrial Products

According to the Regulation on Administration of Production Permit for Industrial Products (2023 Revision) (《工業產品生產許可證管理條例》) issued by the State Council on 9 July 2005 and amended on 20 July 2023, the PRC government implements a production permit system for important industrial products and other industrial products listed in the Catalogue of Industrial Products under Production Permit System (the “**Industrial Product Catalogue**”). Enterprises engaged in production of hazardous chemicals listed in the Industrial Product Catalogue shall obtain the production permit for industrial products in accordance with the requirements of such regulation. To obtain a production permit, an enterprise should possess appropriate staffing, production conditions, inspection methods, production techniques, technical documents, effective quality management systems and accountability systems, its products should meet the relevant national standards, industrial standards and other statutory requirements, and the enterprise should comply with national industry policies by not using outdated techniques, having a high consumption of energy, polluting the environment and wasting resources which shall be eliminated and are prohibited from investment by the PRC government.

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LAW SUPERVISION OVER FOREIGN TRADE

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) was initially promulgated on 12 May 1994 and later amended on 6 April 2004, 7 November 2016 and 30 December 2022, respectively by the Standing Committee of the National People's Congress (the "SCNPC"). According to the Foreign Trade Law of the PRC, goods and technologies could be imported and exported freely, unless otherwise specified in relevant laws or administrative regulations. The MOFCOM has implemented an automatic licensing system for certain imports and exports, under which the MOFCOM or its authorised agencies shall grant a license to the consignee or consignor who applies for automatic licensing prior to completing customs clearance formalities for imports and exports subject to automatic licensing, and has published a list of such goods. Both pure and other kinds of potassium chloride have been included in the current Catalogue of Goods under Automatic Import Licensing (2023 version) (《自動進口許可管理貨物目錄(2023年)》), which came into effect on 1 January 2023. To further administer the automatic import and export of goods, several regulations have also been promulgated including the Regulations on the Import and Export of Goods of the PRC (《中華人民共和國貨物進出口管理條例》) which came into effect on 1 January 2002 and the Administrative Measures on Automatic Import Licensing (《貨物自動進口許可管理辦法》) which was latest revised on 10 October 2018 most recently.

Pursuant to the Administrative Measures on Automatic Import Licensing, the MOFCOM shall implement automatic licensing for certain imports based on import needs as monitored and announced in the catalogue at least 21 days before the implementation. The consignees (including importers and users) of goods subject to automatic import licensing shall apply to the local or relevant licence issuing authorities for an automatic import licence before completing customs declaration formalities. The licence issuing authorities shall issue an automatic import licence to successful applicants within a period of not more than 10 working days if the applications are proper and complete. Consignees applying for an automatic import licence shall submit the following documents: (i) the importer or exporter qualification certificate, filing registration document or approval certificate for foreign investment enterprise and business license of the consignee (only first-time applicants within the calendar year shall be required to submit the aforesaid certificates and documents); (ii) application form for automatic import license; (iii) import contract of the goods; (iv) the import agency agreement (original copy) shall be submitted if the import is handled by an agent; (v) proof that the usage or end user satisfies the relevant provisions if there are special provisions in laws and regulations for the usage or end user of the imports; (vi) documents provided by the catalogue to be submitted for different types of commodities; and (vii) other documents required by the MOFCOM. Consignees shall be responsible for the authenticity of the documents submitted and ensure that the related business activities comply with the provisions of State laws.

LAW SUPERVISION OVER PROJECT INVESTMENT

The State Council issued the Decision on Investment System Reform

The State Council issued the Decision on Investment System Reform (《國務院關於投資體制改革的決定》) (the “**Investment Reform Decision**”) on 16 July 2004 which came into effect on the same day. The legislation aims to reduce the direct intervention of the PRC government in business activities, to allow the market to allocate resources, to improve investment efficiency, and to facilitate the continuous, coordinated and healthy development of the Chinese economy. With the issuance of the Investment Reform Decision, the PRC government has streamlined the approval process for investment projects. There are three types of management of investment projects: ratification, approval and filing. The ratification system no longer applies to projects that do not use government investment for construction. The approval system shall be applied for major projects and restricted projects in order to protect the public interest. The filing system is applicable for other projects regardless of investment size, except for projects prohibited from investment according to national laws and regulations and special requirements of the State Council.

According to the Notice on Issue of Catalogue of Investment Projects subject to Approval by the Government (2016 version) (《關於發佈政府核准的投資項目目錄(2016年本)的通知》) issued by the State Council on 12 December 2016, investment in construction of fixed assets investment projects listed in the Catalogue of Investment Projects subject to Approval by the Government (2016 version) shall be approved by relevant project approval authorities in accordance with relevant requirements, and the investment in construction of projects not listed in the Catalogue of Investment Projects subject to Approval by the Government (2016 version) shall be filed with relevant authorities.

LAW SUPERVISION OVER ENVIRONMENTAL PROTECTION

Environmental Protection Law of the PRC

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on 26 December 1989 and effective on the same day, and amended on 24 April 2014, the construction of any project that causes pollution to the environment must comply with the regulations on environment protection relating to the construction projects. The environmental protection facilities for construction projects shall be designed, constructed and put into operation simultaneously with the main works. The PRC government implements a system for administering licences for the discharge of pollutants under the provisions of the laws. Enterprises, units and other production operators under the licencing management for pollutant discharge should only discharge pollutants which satisfy the requirements of pollutant discharge licence. Those which have not yet obtained the pollutant discharge licence may not discharge pollutants. Pollutant-discharging enterprises, units and other production operators shall pay sewage fees pursuant to the relevant provisions of the State.

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Environmental Impact Assessment of the PRC

According to the Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on 28 October 2002, amended on 2 July 2016 and 29 December 2018, construction entities shall implement the following procedures for their construction projects in accordance with Classification of Construction Project Lists for Environmental Impact Assessments (《建設項目環境影響評價分類管理名錄》) promulgated by the Ministry of Environmental Protection: (i) in case the environmental impact is significant, full assessment reports of environmental impacts shall be prepared; (ii) in case the environmental impact is mild, reports containing environmental impact analyses and specific assessments shall be prepared; and (iii) in case the environmental impact is minimal, environmental impacts registration forms shall be submitted without any assessments. The project in case construction may not proceed its environmental impact assessment documents fail to pass the review of the competent authority in accordance with the laws and regulations or which are disapproved after review.

Regulations on the Administration of Environmental Protection for Construction Project

According to the Regulations on the Administration of Environmental Protection for Construction Project (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998 and became effective on 29 November 1998, and amended on 16 July 2017 by the State Council and took effect on 1 October 2017, construction units shall assess the environmental impacts for their construction projects. Construction units shall, depending on the level of the environmental impacts, report environmental impact reports and the required environmental impact forms prepared by institutions which possess relevant qualifications to the relevant construction and protection administration and obtain approval from relevant administration before commencing. Environmental protection facilities shall be designed, constructed and put into operation simultaneously with the main construction works. Upon the completion of construction projects, construction units shall make an acceptance cheque of the matching environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council, and shall make the acceptance report publicly available in accordance with the law unless it is required to be kept confidential according to national provisions.

Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste

The Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), promulgated by the SCNPC on 30 October 1995 and latest amended on 29 April 2020, stipulates that construction projects where solid waste are generated or projects for storage, utilisation or disposal of solid waste shall be subject to environmental impact assessment. Ancillary facilities necessary for the prevention and control of environmental pollution by solid waste set out in the environmental impact reports of construction projects shall be designed, constructed and put into operation simultaneously with institutional projects. Construction projects shall not be put into operation or used until the relevant competent environmental protection department has checked and accepted the prevention and control of environmental pollution facilities.

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Law of the PRC on Prevention and Control of Water Pollution

According to the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated by the SCNPC on 11 May 1984 and latest amended on 27 June 2017, an environmental impact assessment must be conducted lawfully in respect of all projects involving the construction, alternation or expansion of water facilities which discharge pollution directly or indirectly into water. Facilities for prevention and control of water pollution of construction projects must be designed, constructed and put into use or operation simultaneously with the main facility.

Law of the PRC on Prevention and Control of Atmospheric Pollution

According to the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on 5 September 1987 and latest amended on 26 October 2018, when construction projects have an impact on atmospheric environment, enterprises and public institutions shall conduct environmental impact assessments and publish the environmental impact assessment documents according to the law; when discharging pollutants to the atmosphere, they shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

Law of the PRC on Prevention and Control of Environmental Noise Pollution

According to the Law of the PRC on Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》) promulgated by the SCNPC on 24 December 2021 and took effect on 5 June 2022, the new construction, reconstruction or expansion projects that may cause noise pollution shall be subject to the environmental impact assessment. The facilities for the prevention and control of noise pollution in a construction project shall be designed, built and put into production or use simultaneously with the main part of the project. Before a construction project is put into production or use, the construction employer shall, in accordance with the provisions of relevant laws and regulations, conduct the acceptance check of the supporting facilities for noise pollution prevention and control, work out the acceptance check report, and release it to the public. The construction project may not be put into production or use before its acceptance check is carried out or if it fails to pass its acceptance check.

Environmental Protection Tax Law of the PRC and Implementing Regulations for the Law of the PRC on Environmental Protection Tax

Pursuant to the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) promulgated by the SCNPC on 25 December 2016 and became effective on 1 January 2018, and amended on 26 October 2018 and Implementing Regulations for the Law of the PRC on Environmental Protection Tax (《中華人民共和國環境保護稅法實施條例》) promulgated by the State Council on 25 December 2017 and became effective on 1 January 2018, enterprises that discharge taxable pollutants directly to the environment within the territorial areas of the PRC and other sea areas are under the jurisdiction of the PRC. Polluters should pay environmental protection tax based on the pollutant discharged. Polluters who have paid pollutant discharge charges shall not be exempted from the liability of preventing and controlling pollution, making compensation relating to the pollution made and other liabilities under laws and administrative regulations.

REGULATORY OVERVIEW

Measures for the Administration of Pollutant Discharge Permits (For Trial Implementation)

Pursuant to Measures for the Administration of Pollutant Discharge Permits (For Trial Implementation) (《排污許可管理辦法(試行)》), which was promulgated by the Ministry of Environmental Protection of the PRC (the “MEP”, now known as the Ministry of Ecology and Environment) on 10 January 2018 and revised on 22 August 2019, MEP shall enact and publish the classified management catalogue of pollutant discharge permits for stationary pollution sources (《固定污染源排污許可分類管理名錄》) (the “**Classified Management Catalogue**”) in accordance with the law, and explicitly incorporated the scope and time limit of the pollutant discharge permit management. The specific scope of pollutant discharging entities subject to the key administration or simplified administration of pollutant discharge licensing shall be determined in accordance with the Classified Management Catalogue. According to the Classified Management Catalogue, key management of pollutant discharge permits shall be implemented for pollutant discharge units that produce and discharge pollutants or have a great impact on the environment; pollutant discharge units that produce and discharge pollutants and have a small impact on the environment shall implement simplified management of pollutant discharge permits. Pollutant discharge units that produce and discharge pollutants and have little impact on the environment shall be subject to pollutant discharge registration management. A pollutant discharge unit that implements registration management does not need to apply for a pollutant discharge permit. It shall fill in the pollutant discharge registration form on the national pollutant discharge license management information platform (全國排污許可證管理信息平台).

LAW SUPERVISION OVER PROPERTY IN CHINA

Land Administration Law of the PRC

The Land Administration Law of the PRC (《中華人民共和國土地管理法》), which was promulgated on 25 June 1986 and revised on 29 December 1988, 29 August 1998, 28 August 2004 and 26 August 2019 by the SCNPC, and relevant regulations stipulate that urban land in the PRC belongs to the state and land in rural and suburban areas (except as otherwise owned by the state), as well as farm housing land, individual land plots and mountainous land, belongs to relevant farming collectives. State-owned land and land owned by farming collectives may, according to law, be provided for use by organised work units (including enterprises) or individuals. Enterprises or individuals wishing to use State-owned land must apply for and obtain a State-Owned Land Use Rights Certificate from the competent land administration. Pursuant to relevant regulations and rules, generally speaking, state-owned land use rights are valid for a period of 70 years in respect of land for residential use, 40 years in respect of land for commerce, tourism and entertainment purposes, and 50 years in respect of land for industrial use or for comprehensive utilisation or other purposes.

REGULATORY OVERVIEW

According to the PRC Civil Code (《中華人民共和國民法典》), which was promulgated on 28 May 2020 and came into effect on 1 January 2021 by the NPC the real rights refer to a rights holder's exclusive right of direct control over a specific property in accordance with the law, and include ownership, usufruct rights and security interest. Upon legal registration, the creation, alteration, transfer or termination of the real rights of an immovable comes into effect; and it shall have no effect if it is not registered in accordance with law, unless otherwise prescribed by any law.

Pursuant to a series of construction-related laws and regulations, including but not limited to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), the Construction Law of the PRC (《中華人民共和國建築法》), Administrative measures for construction permit of Construction Engineering (《建築工程施工許可管理辦法》), Administration Regulation on the Quality Management for Construction Projects (《建設工程質量管理條例》), and the Provisions on Acceptance Inspection Upon Completion of House Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收規定》), before obtaining the property ownership certificate, the developer of a construction project is required to obtain various permits, certificates and other approvals, including land use right certificate, the construction land planning permit, the construction project planning permit and construction permit in relation to such construction project. After completion of a construction project, a construction project owner shall organise the design, construction, and project supervision contractors concerned and other relevant contractors to conduct completion-based cheque and acceptance, and submit an acceptance report to the competent construction administrative departments or other relevant departments for the record.

LAW SUPERVISION OVER INTELLECTUAL PROPERTY

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) revised by the SCNPC on 27 December 2008 and taking effect on 1 October 2009 and latest amended on 17 October 2020 (the “**Patent Law**”), when an invention or utility model patent is granted, unless otherwise stipulated in the Patent Law, without the approval of the patent owner, no entity or person shall implement the relevant patent, that is, manufacture, use, offer to sell, sell or import the patented products for business purpose, or use the patented method and use, offer to sell, sell or import the products directly obtained with the patented method. When the appearance design patent is granted, without the approval of the patent owner, no entity or person shall implement the relevant patent, that is, manufacture, use, offer to sell, sell or import the patented products incorporating the patented design. In the event that a patent is owned by two or more co-owners without an agreement regarding the distribution of revenue generated from the exploitation of any co-owner of the patent, such revenue shall be distributed among all the co-owners.

REGULATORY OVERVIEW

Implementing the patent without the approval of the patent owner constitutes the infringement of patent rights. Any dispute in connection with this shall be resolved by the relevant parties through negotiation. If the relevant parties refuse to negotiate or the negotiation fails, the patent owner or the relevant stakeholders may file a lawsuit in the people's court or turn to the patent administration authorities for handling. If the relevant patent administration authority determines that there exists infringement, it shall order the infringer to stop the infringement immediately. The party concerned that disagrees to the order may bring a lawsuit in a people's court according to the Administrative Procedure Law of the PRC (《中華人民共和國行政訴訟法》) in 15 days after receiving the handling notice. If the infringer neither raises litigation nor stops in the infringement upon the expiry of the 15-day period, the relevant patent administration authority may turn to the people's court for enforcement. The relevant patent administration authority may, upon the request of the relevant parties, conduct mediation on the compensation for the patent infringement. If the mediation fails, the parties concerned may bring a lawsuit in a people's court according to the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》).

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on 23 August 1982 and latest amended on 23 April 2019 (the “**Trademark Law**”), the registered trademark has a validity period of 10 years starting from the registration date. The trademark registrant enjoys the exclusive right to use the trademark. According to Article 57 of the Trademark Law, any of the following acts shall be an infringement of the exclusive right to use a registered trademark:

1. Using a trademark that is identical with a registered trademark in respect of the same goods without the authorisation from the trademark registrant;
2. Using a trademark that is similar to a registered trademark in respect of the same goods or using a trademark that is identical with or similar to a registered trademark in respect of the similar goods, which can cause confusion, without the authorisation from the trademark registrant;
3. Selling goods that infringe the exclusive right to use a registered trademark;
4. Counterfeiting, or making, without authorisation, representations of a registered trademark of another person, or selling such representations of a registered trademark as were counterfeited, or made without authorisation;
5. Replacing the trademark registrant's registered trademark without authorisation, and selling goods bearing such a replaced trademark;
6. Facilitating the infringement on the exclusive right of another person to use a registered trademark, or helping another person to commit the infringement on the exclusive right to use a registered trademark;
7. Causing, in other respects, prejudice to the exclusive right of another person to use a registered trademark.

REGULATORY OVERVIEW

Any dispute in connection with the activities the infringe the exclusive right to use a registered trademark set out in Article 57 of the Trademark Law shall be resolved by the relevant parties through negotiation. If the relevant parties refuse to negotiate or the negotiation fails, the trademark registrant or the relevant stakeholders may file a lawsuit in the people's court or turn to the industrial and commercial administrative department for handling.

If the industrial and commercial administrative department determines that there exists infringement, it shall order the infringer to stop the infringement, confiscate and destroy the infringing goods and the tools used to manufacture the infringing goods and counterfeiting the registered trademark, and impose a penalty of less than 5 time of the illegal business income if the illegal business income exceeds RMB50,000, or impose a penalty of less than RMB250,000 if there is no illegal business income or the illegal business income is less than RMB50,000. If the infringer commits the trademark infringement for more than twice in 5 years or there is any other severe situation, a heavier punishment shall be given. If the seller does not know the goods he sells infringe the exclusive right to use a registered trademark and proves that the goods are obtained by him legally, and discloses the goods supplier, the industrial and commercial administrative department shall order him to stop selling the relevant goods.

In case of any dispute in connection with the compensation for the infringement on the exclusive right to use a registered trademark, the relevant parties may ask for mediation by the industrial and commercial administrative department or file a lawsuit in the people's court according to the Civil Procedure Law of the PRC. If the relevant parties fail to reach agreement after the mediation by the industrial and commercial administrative department or the mediation agreement is not performed, the relevant parties may file a lawsuit in the people's court according to the Civil Procedure Law of the PRC.

LAW SUPERVISION OVER LABOUR

The Labour Law of the PRC

The Labour Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on 5 July 1994, came into effect on January 1, 1995, and was amended on 27 August 2009 and 29 December 2018, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labour safety and health systems, stringently implement national protocols and standards on labour safety and health, conduct labour safety and health education for workers, guard against labour accidents and reduce occupational hazards. Labour safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labour protection equipment that complies with labour safety and health conditions stipulated under national regulations, as well as provide regular health cheque for workers that are engaged in operations with occupational hazards. Workers engaged in special operations shall have received specialised training and obtained the pertinent qualifications. An employer must develop a vocational training system. Vocational training funds must be set aside and used in accordance with national regulations and vocational training for workers must be carried out systematically based on the actual conditions of the company.

REGULATORY OVERVIEW

The Labour Contract Law of the PRC and its implementation regulations

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on 29 June 2007, came into effect on 1 January 2008, and was amended on 28 December 2012, and came into effect on 1 July 2013, and the Implementation Regulations on Labour Contract Law (《中華人民共和國勞動合同法實施條例》) which was promulgated on 18 September 2008, and came into effect on the same day, regulate employer and the employee relations and contain specific provisions involving the terms of the labour contract. Labour contracts must be made in writing and may, after reaching agreement upon due negotiations, be for a fixed-term, an un-fixed term, or conclude upon the completion of certain work assignments. An employer may legally terminate a labour contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

The Laws and Regulations on Social Security Insurance

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010, came into effect on 1 July 2011, and amended on 29 December 2018, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Provisional Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), the Regulation of Insurance for Work Injury (《工傷保險條例》), the Regulation of Unemployment Insurance (《失業保險條例》), the Decision of the State Council on Setting up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns (《國務院關於建立城鎮職工基本醫療保險制度的決定》), enterprises are obliged to provide their employees in the PRC with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. If an enterprise fails to pay social insurance premiums in full within the time specified by the authorities, a daily fine of 0.05% on any delinquent payments may be imposed on it. If an enterprise fails to make such payments on time, it may be liable to a fine equal to one to three times the overdue amount.

The Regulations on the Administration of Housing Provident Funds

According to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which were promulgated by the State Council and came into effective on 3 April 1999 and revised on 24 March 2002 and 24 March 2019, enterprises should undertake registration at the competent managing centre of housing fund and then, upon the examination by such managing centre of housing fund, undergo the procedures of opening the account of housing fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit then housing fund in the full amount. In the event that an enterprise fails to pay housing provident fund within the time period according to the regulation, the PRC authorities may order it to pay the fund with in a time limit. If the enterprise still fails to make overdue contributions, such relevant PRC authorities may apply to court for compulsory execution. If the enterprise fails to undertake registration of housing provident fund or fail to open housing fund account for its employees, the competent PRC authorities shall order the enterprise to complete such registration procedure regarding housing provident fund within a prescribed time limit. If the enterprise fails to do so within the prescribed time limit, a penalty ranging from RMB10,000 to RMB50,000 may be imposed.

REGULATORY OVERVIEW

LAW SUPERVISION OVER TAXATION

Enterprise income tax

According to the Enterprise Income Tax Law of the PRC (the “**EIT Law**” 《中華人民共和國企業所得稅法》), which was promulgated by the National People’s Congress (the “**NPC**”) on 16 March 2007 and came into effect on 1 January 2008, and amended on 24 February 2017 and 29 December 2018, and the Implementation Regulations on the EIT Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on 6 December 2007, and came into effect on 1 January 2008, and amended on 23 April 2019, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in the PRC, except for the high-tech enterprises provided by the state, which will be subject to enterprise income tax at the reduced rate of 15%. These enterprises are classified as either resident enterprises or non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. However, if non-resident enterprises have not established institutions in the PRC, or if they have established institutions in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions set up by them, enterprise income tax is set at the rate of 10%.

Withholding tax and international tax treaties

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns a 25% or more interest in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities.

Pursuant to the Notice of the SAT on the Several Issues of the Implementation of Dividend Clauses in Tax Treaty (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the SAT and came into effect on 20 February 2009, the non-resident taxpayer or the withholding agent is required to obtain and to keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty if the main purpose of an offshore transaction or arrangement is to obtain a preferential tax treatment.

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Value-added tax

According to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) issued by the State Council on 13 December 1993 and taking effect on January 1, 1994 and amended respectively on 5 November 2008, 6 February 2016 and 19 November 2017 (“**Provisional Regulations on VAT**”), all the entities and persons engaged in sales of goods or provision of processing, repair and maintenance labour, sales of services, intangible assets or real estate or import of goods in China shall be subject to value-added tax. The taxable value shall be calculated based on the output tax and input tax. Unless otherwise specified by the Provisional Regulations on VAT, for the sales of goods, labour, tangible asset lease services or import of goods by the tax payer, the VAT rate shall be 17%; for the sales of transportation, postal, basic telecom, construction and real estate lease service, sales of real estate, transfer of land use right, sales and import of special goods listed in the Provisional Regulations on VAT by the tax payer, the VAT rate shall be 11%; for the sales of services and intangible assets by the tax payer, the VAT rate shall be 6%. Unless otherwise specified, the VAT rate for the export of goods by the tax payer shall be zero; and the VAT rate for the cross-border sales of services and intangible assets within the scope as specified in the regulations of the State Council by the domestic institutions and individuals shall be zero.

According to the Circular on Simplifying and Integrating Policies Related to Value-added Tax Rate (《關於簡併增值稅稅率有關政策的通知》) jointly issued by SAT and Ministry of Finance on 28 April 2017 and taking effect on 1 July 2017, the VAT rate structure will be simplified on 1 July 2017, and the VAT rate of 13% will be cancelled. The tax payer selling or importing the following goods shall be subject to value-added tax at the tax rate of 11%: agricultural products (including food), tap water, heating, liquefied petrochemical gas, natural gas, edible vegetable oil, air conditioning, hot water, gas, coal product for household use, edible salt, farm machinery, feedstuff, pesticide, agricultural film, fertiliser, marsh gas, dimethyl ether, books, newspaper, magazines, audio and video products and electronic publications.

On 4 April 2018, SAT and MOF jointly issued Circular on Adjusting Value-added Tax Rate (《關於調整增值稅稅率的通知》) to further adjust the VAT rate, including the change of tax rate from 17% and 11% to 16% and 10% respectively for the taxable sales or import of goods by the tax payer.

Transfer pricing

Pursuant to the EIT Law, the Implementation Rules and the transfer pricing regulations in the PRC including the Announcement of the State Administration of Taxation on Matters Relating to the Improvement of Affiliated Declaration and Contemporaneous Document Management (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》) promulgated and became effective on 29 June 2016 and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures (《國家稅務總局關於發佈特別納稅調查調整及相互協商程序管理辦法的公告》) promulgated on 17 March 2017 and became

REGULATORY OVERVIEW

effective on 1 May 2017, related party transactions should comply with the arm's length principle and if the related party transactions fail to comply with the arm's length principle resulting in the reduction of the enterprise's taxable income, the relevant tax authorities have power to make adjustments. When implementing transfer pricing investigation, the relevant tax authorities shall conduct comparability analysis and select a reasonable transfer pricing method for the analysis of the related party transactions. The transfer pricing methods include comparable uncontrolled price method, resale price method, cost-plus method, net profit method, profit split method and other methods in line with the arm's length principle. In addition, enterprise which have related party transactions meeting the reporting criteria shall prepare transfer pricing documentation per tax year and submit to the relevant tax authorities if required by the relevant tax authorities. Transfer pricing documentation includes the master file, local file and special issue file, each of which is applied to different circumstances in relation to the related party transactions of the PRC company.

SANCTIONS LAWS AND REGULATIONS

Our International Sanctions Legal Advisers have provided the following summary of the sanctions regimes imposed by the jurisdictions below. This summary does not intend to set out the laws and regulations relating to the US, the EU, the UK, the UN and Canada sanctions in their entirety.

United States

OFAC administers and enforces U.S. primary sanctions programs, and violation of primary sanctions carries monetary and criminal penalties.

Primary Sanctions

In general, U.S. primary sanctions apply to “**U.S. Persons**”, which means

- (i) Any individual who is a U.S. citizen or legal permanent resident of the United States, including dual citizens, regardless of his or her current location in the world;
- (ii) Any individual, regardless of his or her nationality, while physically located in the U.S.;
- (iii) Any corporation, partnership, association, or other organisation organised under the laws of the United States or of any state, territory, possession, or district of the United States;
- (iv) The foreign branches of any U.S. corporation, partnership, association or other organisation organised under the laws of the United States or of any state, territory, possession or district of the United States.

REGULATORY OVERVIEW

In the case of U.S. sanctions applicable to Cuba and Iran, Primary Sanctions also apply to non-U.S. subsidiaries of U.S. companies and other non-U.S. entities owned or controlled by U.S. Persons.

U.S. primary sanctions directly impose prohibitions on transactions and dealings with targeted countries, entities, and individuals. Primary sanctions principally apply to U.S. Persons, although they may be applied to non-U.S. Persons who cause U.S. Persons to violate sanctions or otherwise facilitate the violation of some sanctions programs.

When the U.S. Government imposes primary sanctions against a foreign country, entity or individual, U.S. law often prohibits U.S. Persons from engaging in any transaction with or providing almost any goods or services for the benefit of the targeted country, entity or individual. U.S. law may also require a U.S. Person to “*block*” any assets owned, controlled or held for the benefit of a sanctioned country, entity, or individual. A “*blocked*” asset means no transaction may be undertaken or effected with respect to the asset – no payments, benefits, provision of services or other dealings – except pursuant to an authorisation or license from OFAC.

In addition, primary sanctions prohibit U.S. Persons, wherever located, from approving, financing, facilitating or guaranteeing any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. Person or within the United States. This is generally known as the prohibition on “*facilitation*”.

There are two types of U.S. primary sanctions programs – “country based” programs and “list based” programs. Violations of either type can result in “*strict*” civil liability (not a negligence standard) where fines and penalties may be imposed. In addition, wilful violations may result in criminal liability, punishable by imprisonment and elevated fines.

Country based programs. U.S. sanctions programs targeting specific countries fall into two categories: programs that are comprehensive in scope and programs that are limited in scope.

- (i) Comprehensive country-based sanctions programs prohibit U.S. Persons from dealing in any manner with a sanctioned country and their governments. Currently, the U.S. maintains comprehensive sanctions against: Cuba, Iran, North Korea, Syria and the Crimea region of Ukraine, the self-proclaimed Luhansk People’s Republic, the self-proclaimed Donetsk People’s Republic and Zaporizhzhya and Kherson territories of Ukraine occupied by Russia. Generally, comprehensive country sanctions prohibit transactions with or services in, from or benefitting the targeted country. However, the comprehensive country sanctions may also be applicable to transactions outside the country.

REGULATORY OVERVIEW

- (ii) Limited country-based sanctions programs prohibit U.S. Persons from participating in certain types of transactions with the sanctioned country and their governments, such as the provision of certain services, financing, investments, exports and/or imports. Limited country-based sanctions programs are often referred to as “sectoral sanctions”. Prohibited activities vary from program to program. Currently, the U.S. government maintains limited sanctions programs relating to: Belarus, China, Russia, and Venezuela.

List based programs. In addition to country-based targets, primary U.S. sanctions include list-based sanctions that prohibit U.S. Persons from dealing with or facilitating dealings with individuals, entities and organizations that have been designated as SDNs by the OFAC.

U.S. Persons are not allowed to have any dealings whatsoever with or facilitate dealings with parties designated on the SDN List unless specifically authorised by OFAC.

Secondary Sanctions

The U.S. has also enacted secondary sanctions targeting non-U.S. Persons who are engaged in certain defined activities. Secondary sanctions grant broad discretion to the U.S. President and his delegated representatives to deny access to the U.S. economic system to non-U.S. Persons who have been determined to engage in the specified transaction. The imposition of penalties under secondary sanctions legislation is a mechanism that the U.S. employs to punish and deter non-U.S. parties from certain behaviour and transactions.

United States Sanctions Relating to Belarus

The U.S. sanctions relating to Belarus have been imposed since 2006 under a number of Executive Orders, among which, Executive Order 14038 imposes “sectoral sanctions”, which, among others, authorises OFAC to designate persons determined to “operate in, or have operated in,” the potassium chloride (i.e., potash or KCL) sector of the economy of Belarus.

On 9 August 2021, OFAC designated the Belarus Producer as an SDN, on the basis that it is owned or controlled by the Government of Belarus and for operating or having operated in the potassium chloride (potash) sector of the economy of Belarus. On the same day, OFAC issued general license 4 allowing U.S. Persons 120 days to wind down transactions with the Belarus Producer and its subsidiaries (until 8 December 2021). As a result, U.S. Persons are prohibited from engaging in transactions with the Belarus Producer since 9 August 2021, except for transactions that are ordinarily incident and necessary to the wind down of transactions with the Belarus Producer.

On 2 December 2021, OFAC designated Supplier D as an SDN, which purportedly handles the trading and exportation of potash for the Belarus Producer, for operating or having operated in the potassium chloride (potash) sector of the economy of Belarus. On the same day, OFAC issued general license 5 allowing U.S. Persons 120 days to wind down transactions with Supplier D and its subsidiaries (until 1 April 2022), including the wind down of transactions

REGULATORY OVERVIEW

in which the Belarus Producer has a property interest. The inclusion in general license 5 of transactions in which the Belarus Producer has a “property interest” captures transactions entered into with Supplier D (prior to the imposition of sanctions) in respect of potash sourced from the Belarus Producer.

Whilst Belarus general licenses 4 and 5 are limited in applicability to U.S. Persons, OFAC policy is that it will not impose sanctions on non-U.S. Persons for activities that are permitted for U.S. Persons (i.e., wind down transactions permitted by the general licenses).

In March 2022, the U.S. imposed sweeping export control restrictions on Belarus for enabling Russia invasion of Ukraine including notably a policy of denial on sensitive items that support Belarus’s defence, aerospace, and maritime industries as well as restrictions targeting the export of luxury goods.

On 3 March 2022, the U.S. Commerce Department, through the BIS, imposed stringent export controls in response to Belarus’s substantial enabling of Russia’s further invasion of Ukraine. These sanctions imposed new Commerce Control List-based license requirements for Belarus, among other things expanding the existing “military end use” and “military end user” control scope to include Belarus for all items subject to the Export Administration Regulations. On 11 March 2022, the BIS imposed restrictions on the export, reexport, and transfer (in country) of luxury goods (including certain spirits, tobacco products, clothing items, jewellery, vehicles and antique goods) to all end users in Belarus and to certain Belarusian individuals and malign actors located worldwide.

On 15 March 2022, OFAC re-designated Alyaksandr Lukashenka, the Belorussian President, and newly designated his wife, pursuant to Executive Order 13405.

On 9 August 2023, OFAC designated additional individuals, entities, and aircraft.

On 5 December 2023, OFAC imposed a new round of sanctions targeting Lukashenka regime’s revenue generators as well as the Belarusian defence sector.

United States Sanctions Relating to Russia

U.S. sanctions relating to Russia have been imposed under a number of Executive Orders. The Executive Orders issued in 2014 found that Russia’s purported annexation of Crimea continued to undermine democratic processes in Ukraine and thereby constituted an unusual and extraordinary threat to the national security and foreign policy of the U.S.

The U.S. sanctions on Russia have drastically escalated as a result of Russia’s invasion of Ukraine in February 2022. For example, Executive Order 14065 was issued on 21 February 2022, finding that Russia’s purported recognition of the so-called Donetsk People’s Republic or Luhansk People’s Republic regions of Ukraine contradicts Russia’s commitments under the Minsk agreements and further threatens the peace, stability, sovereignty, and territorial integrity of Ukraine.

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In a joint statement on 26 February 2022, the U.S. (together with EU, UK and other major economies) also agreed to remove selected Russian banks from the SWIFT messaging system and impose unprecedented restrictions on the Russian Central Bank and its ability to use its currency reserves on Western markets.

Three additional Executive Orders were issued in March and April 2022 restricting “new investment” in Russia by U.S. persons.

Many of these sanctions apply to both U.S. and non-U.S. Persons. These sanctions take several different forms:

- (a) certain Russian persons and entities have been placed on the SDN List and thus U.S. Persons and, in most cases (particularly the SDN designations implemented in 2022), non-U.S. Persons are prohibited from dealing with them and the entities that they own 50% or more (directly or indirectly, solely or in aggregate);
- (b) the Crimea, Luhansk and Donetsk regions annexed by Russia are subject to a comprehensive trade embargo for U.S. Persons and most of these restrictions will also apply to non-U.S. Persons;
- (c) “sectoral” sanctions (mainly applicable to U.S. persons) have been imposed on Russia’s energy, financial, and defence industries, among other sectors, and target specified types of investment, finance, and/or sales of U.S.-origin goods and services to these industries as well as key public financial institutions;
- (d) significant export control restrictions, including general denial policy for certain categories of goods exported to Russia (semiconductors, computers, information security), and removing Russia from the preferred trade partner status, which will impact U.S. content/origin goods and technology being transferred to Russia or Russian parties anywhere in the world;
- (e) removal of numerous Russian banks from the SWIFT messaging system, ensuring that those banks were disconnected from the international financial system;
- (f) restriction of “new investment” in Russia by U.S. Persons;
- (g) price caps on certain Russian energy resources sold internationally; and
- (h) secondary sanctions threaten the imposition of penalties on non-U.S. Persons that undertake a variety of defined activities with Russia, including significant transactions with SDNs, operating in Crimea, Luhansk and Donetsk regions, construction of energy export pipelines, sanctions evasion, corruption, and defence and intelligence-related sector transactions.

REGULATORY OVERVIEW

However, to reduce the impact on global food supplies and prices and ensure world food security, the U.S. Department of the Treasury clarified on 14 July 2022 that the U.S. has not imposed sanctions on the production, manufacturing, sale, or transport of agricultural commodities (including fertilisers), agricultural equipment, or medicine relating to Russia. On the same date, the OFAC issued General License No. 6B authorising among other things, certain transactions related to the production, manufacturing, sale, or transport of Russian agricultural commodities (including fertilisers). Specifically, it was emphasised that the U.S. has not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia. In addition, transactions involving insurance and reinsurance services related to the transportation or shipping of fertilisers from, to, transiting, or related to Russia are permitted under U.S. sanctions. Finally, U.S. financial institutions are authorised to process transactions authorised by the general license, and foreign financial institutions may engage in or facilitate transactions. The term “fertilizer” is used in a broad sense as defined in the U.S. Agricultural Trade Act of 1978 and therefore includes potash/KCL products. On 17 January 2023, the OFAC issued General License No. 6C, which replaced General License No. 6B by expanding the applicable scope to include the “provision” of agricultural commodities, as well as certain services (such as accounting, trust and corporate formation, and management consulting services) that would otherwise be prohibited under the determination pursuant to Executive Order 14071.

Further, the OFAC confirmed on 2 August 2022 EuroChem Group was not targeted by U.S. sanctions because it is not owned 50% or more by blocked persons (such as its founder, Andrey Igorevich Melnichenko, who was designated as an SDN by the OFAC on the same day).

Between February 2023 and February 2024, the OFAC continued to impose additional sanctions targeting Russia and designated Russian individuals and entities to the SDN List.

United Nations

The UN can take action to maintain or restore international peace and security under Chapter VII of the UN Charter. It does this by way of resolutions passed by the UN Security Council. UN Security Council sanctions have taken a number of different forms and have measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.

There are a number of ongoing UN sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the Security Council.

UN Security Council Resolutions are binding upon UN member states but are not enforceable against private parties. UN member states are therefore required to implement UN sanctions. The domestic laws of UN member states will determine how sanctions imposed by the UN Security Council are implemented and enforced against private parties.

REGULATORY OVERVIEW

The UN Sanctions Relating to Belarus and Russia

Belarus and Russia are not the subject of any UN sanctions.

The UN's effort to support exports of agriculture products and fertilisers

On 22 July 2022, the UN, Russia, Turkey and Ukraine agreed the Black Sea Grain Initiative, which allows exports of Ukrainian grains, other foodstuffs and fertilisers to resume through a safe maritime humanitarian corridor to the rest of the world. On the same date, the UN also signed a memorandum of understanding with Russia on the full access of Russian food and fertiliser products to global markets. As a result of these agreements and Ukrainian ability to use its ports and control its waterways, there has been a steady flow of Ukrainian agricultural exports. The agreement was expired in July 2023 and had not been renewed.

European Union

The EU has over 40 different sanctions regimes in place. The EU implements all sanctions adopted by the UN Security Council. The EU may also reinforce UN sanctions by applying measures in addition to those imposed by the UN Security Council and/or impose sanctions on its own initiative.

All EU sanctions apply: (a) within the EU (including its airspace); (b) on board any aircraft or vessel under the jurisdiction of any EU member state; (c) to any EU national, regardless of where they are resident/located; (d) to any legal person, entity or body which is incorporated/constituted under the laws of any EU member state, irrespective of their location, including unincorporated branches, but not entities incorporated outside the EU; and (e) to any legal person, entity or body in respect of any business done in the EU.

EU sanctions are implemented through EU regulations, which are directly applicable in the member states of the EU and do not require further implementing legislation on a national level. Each member state sets its own penalties for breaches of EU sanctions. This is generally done by way of national legislation. In some member states of the EU, national legislation creates criminal offences and may further elaborate on activities which will be regarded as contrary to EU regulations. The EU Commission is responsible for ensuring that EU member states implement, and the regulations imposing, the relevant sanctions, but it does not take any enforcement action for individual breaches of EU sanctions. Any enforcement action for breach of EU sanctions is taken on a national level by specifically designated member state authorities.

European Union Sanctions Relating to Belarus

The EU has had sanctions on Belarus in place since 2006, when it passed Council Regulation (EC) No 765/2006 concerning restrictive measures in respect of Belarus (the “Belarus Regulation”). This has been amended on numerous occasions. In June 2021, following the grounding of an EU flagged plane, the EU (along with others, including the UK), extended the earlier sanctions to include specific trade controls on potash products.

REGULATORY OVERVIEW

Following the Russian invasion of Ukraine with the support from Belarus, sanctions were further expanded in March 2022 and continued to be expanded thereafter. The EU targeted high ranking member of the Belarusian military and adopted significant export control restrictions. The EU also banned several Belarusian banks from SWIFT messaging system, imposed sectorial restrictions targeting mainly the financial sector (notably restrictions against the Belarus Central Bank similar to those imposed against the Russian Central Bank), and banned exports of items such as battlefield equipment, aviation parts, firearms and other goods and technology which might contribute to Belarus's military and technological enhancement to Belarus.

European Union Sanctions Relating to Russia

The EU has implemented various forms of sanctions programs against Russia.

In terms of non-sectoral sanctions, the EU has imposed certain “classic” sanctions on persons and entities associated with the Putin regime as a countermeasure to the annexation of Crimea and Sevastopol, unrest in eastern Ukraine, and the most recent Russian military invasion of Ukraine.

In terms of sectoral sanctions, in July and September 2014, the EU imposed so-called “sectoral sanctions” on the Russian economy. These sanctions were subsequently amended and extended for 6 months successively since 1 July 2016.

In broad terms, the above sanctions provide for matters such as:

- (a) a prohibition on the sale, supply, transfer or export to Russia of so-called dual-use goods and technology for military use in Russia or to Russian military end-users;
- (b) a prohibition on EU nationals and companies from buying or selling or otherwise dealing with new bonds, equity treasury deposits, transferrable securities or money-market instruments issued by certain Russian banks, defence companies, and oil companies and/or their subsidiaries or persons acting on their behalf, including making new loans or credit available to such entities, with a maturity exceeding 90 or 30 days respectively if issued after 1 August or 12 September 2014 (depending on the entity) (referred to as the “capital markets restrictions”);
- (c) restrictions on exports of certain energy-related equipment and technology to Russia but not projects concerned with the exploitation of gas (a reflection of the high dependence by EU member states on Russian gas);
- (d) gradual suspension of oil-related purchases from Russia and related restrictions (including price caps) on E.U. insurance and logistics providers;
- (e) a prohibition on the provision of specified services necessary for certain oil-related activities;

REGULATORY OVERVIEW

- (f) a prohibition on the use by several major Russian banks from use of the SWIFT messaging system;
- (g) restrictions on providing “technical assistance”, “brokering services”, financing or financial assistance in respect of the above items, or items on the EU’s Common Military List;
- (h) a prohibition on the sale, licensing, transfer or the granting of rights to access or re-use intellectual property rights or trade secrets related to certain goods and technology subject to export restrictions to individuals or entities in Russia, or for use in Russia;
- (i) a prohibition on the unauthorised transit of goods through Russia which might contribute to Russia’s military and technological enhancements, or the development of the defence and security sector, suited for use in aviation or the space industry and of jet fuel and fuel additives;
- (j) a prohibition of vessel from accessing the EU ports and locks if the competent authority has reasonable cause to suspect such vessel is in breach of the prohibitions applicable to activity relating to Russian crude oil and petroleum products;
- (k) a prohibition on the exports to Russia of luxury goods; and
- (l) a prohibition on the imports from Russia of: diamonds (include jewellery), steel, iron, pig iron, cement, asphalt, copper and aluminium wires, foil, tubes, pipes, wood, paper, synthetic rubber, plastics, seafood, spirits, cigarettes, cosmetics, gold (include jewellery) and liquified propane.

Following Russia’s military invasion of Ukraine in February 2022, the EU has introduced at least 13 separate packages of restrictive measures. The current EU sanctions in place against Russia are outlined below:

- (a) restrictions on certain designated persons, entities and bodies (also notably including some financial institutions), usually comprising asset freezes or travel bans (often referred to as non-sectoral sanctions);
- (b) prohibition of “any transaction” with certain Russian state-owned-entities;
- (c) sectoral sanctions, including restrictions on activities in the following sectors:
 - (i) defence;
 - (ii) financing and capital markets (including a SWIFT ban for numerous Russian banks as well as asset freeze measures targeting several Russian banks and unprecedented restrictions against the Russian Central Bank);

REGULATORY OVERVIEW

- (iii) energy;
 - (iv) transport;
 - (v) raw materials and other goods; and
 - (vi) services to Russia or Russian persons;
- (d) visa measures;
 - (e) suspension of broadcasting of state owned media;
 - (f) restrictions on economic relations with Crimea, Sevastopol, Donetsk, Luhansk, Zaporizhzhia and Kherson regions of Ukraine (including restrictions on the imports and exports of certain goods and technologies and supplying certain advisory and consultancy services);
 - (g) diplomatic measures; and
 - (h) measures concerning economic cooperation.

However, for the purposes of reducing the impact on global food supplies and prices and ensuring world food security, on 21 July 2022, the EU stated that it is committed to avoiding all measures which might lead to food insecurity around the globe, and it had not taken any measures targeting the trade in agricultural and food products, including wheat and fertilisers, between third countries and Russia, pursuant to the Council Regulation (EU) 2022/1269.

On 19 September 2022, the EU permitted transfer of certain fertilisers to third countries via EU operators or the EU territory and permitted the financing or financial assistance relating to such transfer.

On 9 November 2022, the EU stated that it has essentially exempted the agri-food sector and fertilisers from its restrictive measures against Russia. Moreover, they allow the transfer of potash fertilisers, originating or exported from Russia to non-EU countries, to be carried out by EU operators or via EU territory. The financing or financial assistance associated with such transfers is allowed, as is the provision of insurance. In addition, EU sanctions also contain specific provisions to ensure that transactions for Russian agricultural products, including fertilisers, are able to proceed smoothly.

On 16 December 2022, in view of EU's stance to avoid and combat food insecurity around the world, and in order to avoid disruptions in the payment channels for agricultural products, it was decided to introduce a new derogation allowing to unfreeze assets of, and to make funds and economic resources available to, certain individuals who held a significant role in international trade in agricultural and food products, including wheat and fertilisers.

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United Kingdom

The UK now operates its own sanctions regime.

UK laws in respect of sanctions, both EU sanctions and autonomous sanctions, (“**UK Sanctions**”) apply: (a) within the territory and territorial waters of the UK and to all UK Persons, wherever they are in the world; (b) to all individuals and legal entities who are within or undertake activities within the UK’s territory; and/or (c) to all UK nationals and UK legal entities established under UK law, including their non-UK branches (but not separately incorporated non-UK subsidiaries), irrespective of where their activities take place.

The Office of Financial Sanctions Implementation (“**OFSI**”), which is part of HM Treasury, maintains two lists of those subject to financial sanctions: (a) the “consolidated list” includes all designated persons subject to financial sanctions under EU and UK legislation, as well as those subject to UN sanctions which are implemented through EU regulations; and (b) a separate list of entities subject to specific capital market restrictions. OFSI also has the power to impose financial penalties on a party which breaches financial sanctions.

The UK Sanctions Relating to Belarus

The UK, when it was still a member of the EU, had in place certain sanctions in relation to Belarus. These EU sanctions were transferred into a specific standalone measure in 2019 by way of UK preparation for a “no deal Brexit”. The UK sanctions were in effect identical to the EU sanctions, relating broadly to the designation of certain persons associated with the regime of Lukashenko, except for the material differences in the lists of Designated Persons, with the UK sanctioning the Belarus Producer on 2 December 2021.

In March 2022, the UK imposed additional sanctions against Belarus over its support for Russia’s invasion of Ukraine. The UK government sanctioned several high ranking military officers and two military enterprises.

On 5 July 2022, the UK extended its Belarus sanctions regime to mirror that imposed on Russia. Subsequent sanctions were imposed in June 2023 and August 2023.

By way of summary, the UK sanctions include the following measures:

- (a) sanctions designation;
- (b) financial restrictions, including: financial dealings with transferable securities or money-market instruments issued by and extending loans and credit arrangements to Belarus, Belarus state-owned entities and banks, as well as persons connected with Belarus;
- (c) trade sanctions, including export, import and internet services restrictions;

REGULATORY OVERVIEW

- (d) immigration sanctions; and
- (e) transport sanctions.

The UK Sanctions Relating to Russia

The UK Russian sanctions came fully into force on 31 December 2020. These regulations have replaced, with substantially the same effect, relevant existing EU legislation and related UK regulations. In response to Russia's invasion of Ukraine, the UK has implemented a series of new sanctions measures against Russia.

The UK sanctions adopted against Russia take several forms:

- (a) asset freeze measures targeting Russian financial and political elites and key entities (financial institutions, defence companies);
- (b) financial sector restrictions (correspondent banking restrictions, restrictions on dealing with Russian sovereign debt, expanded capital markets/loans restrictions, central bank and public financial institution restrictions);
- (c) broad investment restrictions (including a prohibition on directly acquiring any ownership or control in an entity connected with Russia);
- (d) trust services restrictions;
- (e) financial and trade restrictions relating to Crimea, Luhansk and Donetsk regions;
- (f) airspace ban and prohibitions on port entry;
- (g) oil price cap;
- (h) internet services restrictions;
- (i) trade restrictions relating to critical industry dual use, defense and security goods and technology, oil, gas and refining-related goods and technology, aviation and maritime goods and technology, G7 dependency and Russia's vulnerable goods, luxury goods, diamonds, revenue generating goods, iron and steel, gold and metals; and
- (j) restrictions on direct and indirect provision of certain professional services to persons and entities connected with Russia.

REGULATORY OVERVIEW

Canada

Canada has multiple sanctions regimes in place, targeting governments, companies, groups, organisations, or individuals through a variety of measures, including freezing the assets and economic resources of certain designated persons or entities.

Canadian sanctions are only of primary nature as they apply: (a) within Canada; (b) to Canadian national, regardless of where they are resident/located; (c) to any legal person, entity or body which is incorporated/constituted under the laws of Canada, irrespective of their location, including unincorporated branches, but not entities incorporated outside Canada; and (d) to any legal person, entity or body in respect of any business done in Canada.

Canada Sanctions Relating to Belarus

Canada has enacted sanctions against Belarus and imposed a ban on certain potassium chloride exports from Belarus. They also imposed certain trade restrictions, including export and import bans on certain restricted goods and technology. In addition, Canada has listed several Belarusian individuals and entities (the “**Belarus Listed Persons**”) and prohibits dealings in property owned, held or controlled by or on behalf of Belarus Listed Persons as well as transactions with or for the benefit of Belarus Listed Persons. On 25 February 2022, Canada implemented new sanctions against Supplier D and the Belarus Producer due to the Belarusian government’s aiding and abetting Russia’s invasion of Ukraine.

Canada Sanctions Relating to Russia

Canada has enacted sanctions against Russia since 2014. To respond to the gravity of Russia’s violation of the sovereignty and territorial integrity of Ukraine in February 2022, Canada has enacted new sanctions measures against Russia.

Canada’s Russian sanctions come in different forms:

- (a) designating several Russian individuals and entities (the “**Russia Listed Persons**”) and imposing asset freeze and dealings prohibition on such Russia Listed Persons;
- (b) imposing restrictions on certain sectors, such as the financial and energy sectors;
- (c) prohibiting any ship that is registered in Russia or used, leased or chartered, in whole or in part, by or on behalf of or for the benefit of Russia, a person in Russia or a Russia Listed Person from docking in Canada or passing through Canadian waters;
- (d) export control on listed goods for use in offshore oil, shale oil or Arctic oil exploration and production;

REGULATORY OVERVIEW

- (e) prohibiting the import, purchase or acquisition of certain specific listed petroleum products from Russia or from any person in Russia;
- (f) prohibiting the direct import of diamond and diamond-related products originating from Russia, and the purchase, import, or acquisition of certain diamonds mined or produced in Russia that are exported, processed and/or polished in a third country;
- (g) prohibiting the provision of certain services in relation to the maritime transport of Russian crude oil and certain petroleum products purchased above the price cap;
- (h) export control on certain restricted goods and technology to any person in Russia;
- (i) export and import control on certain luxury goods;
- (j) export control on goods that could be used for the manufacturing of weapons and chemicals primed for use in electronic devices that could be used in weapons;
- (k) prohibiting the provision of all insurance, reinsurance, and underwriting services for aircraft, aviation and aerospace products owned or controlled by, or registered to, chartered by, or operated by Russian entities or individuals;
- (l) prohibiting the provision of certain services to the Russian oil, gas, chemical and manufacturing industries;
- (m) prohibiting the import, purchase, acquisition or shipping of any and all Russian arms, ammunition and other weapons;
- (n) export control on arms and related materials;
- (o) prohibiting the provision of any financial, technical or other services related to the sale, supply, transfer, manufacture, maintenance or use of arms and related material; and
- (p) any activities causing, assisting or promoting the above prohibited activities.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Our Group was founded in June 2003 by Mr. Liu, our founder, chairperson, chief executive officer, executive Director and our Controlling Shareholder with his personal funds, where he established Sichuan Migao, the first operating PRC subsidiary of our Group and commenced the business in the manufacturing of NOP. Since then, our Group has expanded to the production and offering of the following main fertiliser products: KCL, SOP and compound fertiliser. We are a national potash fertiliser company in China with sourcing and procurement, and processing and manufacturing capabilities selling various potash fertiliser products.

In May 2006, Migao Corporation (TSX), our then holding company of our operating subsidiaries, was listed on the TSX Venture Exchange by way of a reverse take-over. We subsequently transferred to and commenced trading of our shares on TSX in May 2007. In 2016, as we believed that the then valuation of Migao Corporation (TSX) did not truly reflect its operating scale and the size of its business, which was attributed to lack of understanding and interest of overseas investors in the businesses managed and conducted in the PRC, it was decided to privatise Migao Corporation (TSX). By way of a plan of arrangement under the Business Corporation Act (Ontario) and a corporate amalgamation of Migao Corporation (TSX) and Migao Corporation (Purchaser), Migao Corporation (TSX) was delisted and privatised in December 2016. Please refer to the section headed “History, Reorganisation and Corporate Structure – Prior Listing on the TSX Venture Exchange and the TSX” in this prospectus for further details of the Privatisation.

As part of our Reorganisation which is further described below, our Company was incorporated on 21 November 2017 and became the holding company of our Group. Please refer to the section headed “History, Reorganisation and Corporate Structure – The Reorganisation” in this prospectus.

HISTORY AND DEVELOPMENT

Key Business Milestones

The following is a summary of our Group’s key business development milestones:

2003	Sichuan Migao was established and began the operation of our first production line.
2004	Guangdong Migao was established and began the operation of our SOP production line.
2006	Changchun Migao was established. Migao Corporation (TSX), through a reverse take-over, was listed on TSX Venture Exchange.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- 2007 Shares of Migao Corporation (TSX) transferred to and commenced trading on TSX.
- 2010 Singapore Migao was established and began wholesale of fertilisers.
- 2014 We and EuroChem International cooperated to incorporate EuroChem Migao, a joint venture established for the investment in Yunnan EuroChem.
- 2015 We acquired a majority stake in Daxing Migao in order to strengthen our business relationship with Guizhou Tobacco Investment.
- 2016 Migao Corporation (TSX) was privatised and ceased to be listed on the TSX.
- Ranked top ten in the production of potash fertilisers by the China National Chemical Information Center (中國化工信息中心) since 2016.
- 2018 We and Heilongjiang Beidahuang established Anda Migao and Baoqing Migao in order to strengthen the business relationship with Heilongjiang Beidahuang.
- 2020 Awarded the “Meritorious Enterprise of the Potash Salt and Potash Fertiliser Industry of China” by China Inorganic Salts Industry Association.
- 2021 Ranked top 100 in the production of fertilisers by the China National Chemical Information Center (中國化工信息中心) and China Chemical Industry Information Association* (中國化工情報信息協會).
- 2022 We acquired Tongjiang Migao to support our development plan to build the Heilongjiang Warehousing and Production Centre in Tongjiang City, Heilongjiang Province with a view to enhance our product supply efficiency and capability. Also, Migao Century (Chengdu) was established to support the centralisation of our research and development and to build and operate the research and development centre in Chengdu City, Sichuan Province.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR SUBSIDIARIES

The detailed information of our subsidiaries as at the Latest Practicable Date is set out below:

Name of subsidiary	Place of establishment/ incorporation	Date of establishment/ incorporation	Principal business activities
Sichuan Migao	PRC	6 June 2003	Production and sales of fertilisers
Guangdong Migao	PRC	30 April 2004	Production and sales of fertilisers
Changchun Migao	PRC	5 December 2006	Production and sales of fertilisers
Daxing Migao	PRC	5 November 1996 ⁽¹⁾	Production and sales of fertilisers
Baoqing Migao	PRC	14 May 2018 ⁽²⁾	Production and sales of fertilisers
Anda Migao	PRC	19 June 2018 ⁽³⁾	Production and sales of fertilisers
Tongjiang Migao	PRC	27 May 2021 ⁽⁴⁾	Warehousing and processing of potash fertilisers
Migao Century (Chengdu)	PRC	11 August 2022	Research and development related activities; provision of technical and project management services; sales of fertilisers
HK Migao	Hong Kong	24 August 2005	Investment holding
Singapore Migao	Singapore	31 March 2010	Wholesale of fertilisers
Malaysia Migao International ⁽⁵⁾	Malaysia	10 July 2017	Investment holding
Malaysia Migao ⁽⁵⁾	Malaysia	24 November 2017	Investment holding

Notes:

- (1) Daxing Migao became our subsidiary on 26 August 2015.
- (2) Baoqing Migao became our subsidiary on 31 March 2022.
- (3) Anda Migao became our subsidiary on 31 March 2022.
- (4) Tongjiang Migao became our subsidiary on 26 April 2022.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (5) We set up Malaysia Migao International and Malaysia Migao in anticipation of potential expansion into the fertiliser market in Malaysia. However, as at the Latest Practicable Date, neither Malaysia Migao International and Malaysia Migao had commenced material operation in Malaysia nor held any material investment and assets in Malaysia.

For detailed information of shareholding changes of our Company and our subsidiaries, please refer to the sections headed “History, Reorganisation and Corporate Structure – The Reorganisation”, “Appendix IV – Statutory and General Information – A. Further Information about Our Group – 2. Changes in Our Share Capital” and “Appendix IV – Statutory and General Information – A. Further Information about Our Group – 5. Changes in the Share Capital of Our Subsidiaries” in the prospectus.

OUR JOINT VENTURE

EuroChem Migao and Yunnan EuroChem

We, through our wholly-owned subsidiary, HK Migao formed a 50%-50% joint venture, EuroChem Migao, in Hong Kong on 14 February 2014 with EuroChem International, an Independent Third Party. EuroChem Migao is an investment holding company and directly holds 70% equity interest in Yunnan EuroChem. The principal business activities of Yunnan EuroChem are the production and sales of fertilisers and related chemical products.

Yunnan EuroChem was established in the PRC on 12 July 2013 under its initial name of Yunnan Migao Fertiliser Co., Ltd.* (雲南米高化肥有限公司) with a registered capital of RMB60 million, of which 60% and 40% of its registered capital was contributed by Sichuan Migao and Guangdong Migao, respectively. On 28 October 2014, EuroChem Migao acquired the entire equity interest in Yunnan EuroChem from Sichuan Migao and Guangdong Migao, at a consideration of US\$18 million determined with reference to a valuation report prepared by an Independent Third Party, which was settled on 13 November 2014. Yunnan EuroChem was renamed as Yunnan EuroChem Fertiliser Technology Co., Ltd.* (雲南歐羅漢姆肥業科技有限公司) on 18 April 2016.

To strengthen our strategic relationship with Yunnan Tobacco, on 19 October 2018, EuroChem Migao transferred 30% equity interest in Yunnan EuroChem to Yunnan Huaye, a subsidiary of Yunnan Tobacco, for a consideration of RMB33.5 million, which was determined with reference to the registered capital of Yunnan EuroChem. The consideration was settled on 15 November 2018. Since the transfer, Yunnan EuroChem has become a joint venture and held as to 70% and 30% equity by EuroChem Migao and Yunnan Huaye, respectively.

As EuroChem Migao is accounted for as our joint venture and Yunnan EuroChem is accounted for as joint venture invested by EuroChem Migao, both of them are not consolidated into the consolidated financial statements of our Group or EuroChem International under the applicable accounting standards.

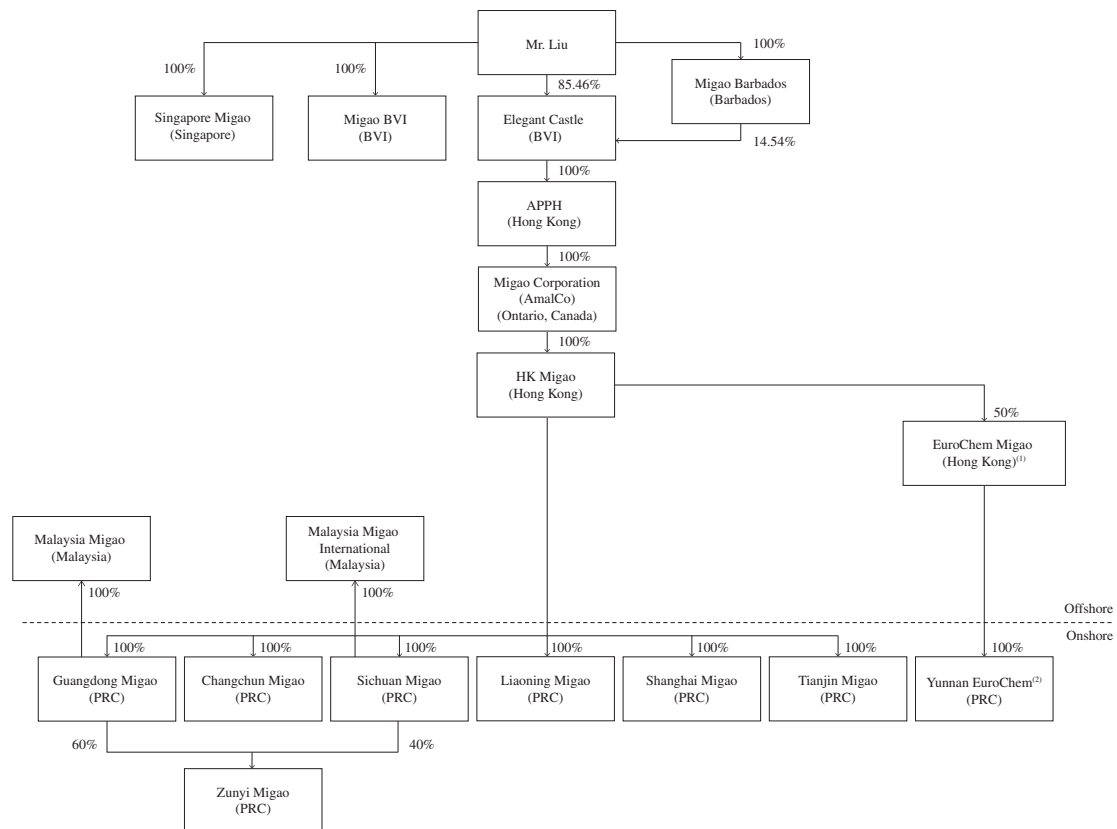
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

THE REORGANISATION

Following the completion of the Privatisation, the details of which are set out in the paragraph headed “History, Reorganisation and Corporate Structure – Prior Listing on the TSX Venture Exchange and the TSX” in this section, we underwent the Reorganisation for the purpose of the Listing.

Group Structure prior to the Reorganisation

Immediately prior to the Reorganisation, the shareholding structure of our Group was as follows:



Notes:

- (1) EuroChem Migao is a joint venture company and is not consolidated into our Group. EuroChem Migao is equally held by HK Migao and EuroChem International, an Independent Third Party.
- (2) Yunnan EuroChem was wholly owned by EuroChem Migao prior to the Reorganisation. Yunnan EuroChem is not consolidated into our Group.

The Reorganisation

Daxing Migao

On 26 August 2015, Zunyi Migao acquired 71% equity interest in Daxing Migao from Liaoning Fengyuan Tianli Agricultural Production Information Limited* (遼寧豐元天利農業生產資料有限公司), an Independent Third Party and the then equity holder of Daxing Migao at a consideration of RMB25 million which was determined at arm's length negotiation. The remaining 29% equity interest were held by Guizhou Tobacco Investment. We acquired the majority equity interest in Daxing Migao in order to strengthen our Group's business relationship with Guizhou Tobacco Investment.

On 24 November 2015, with a view to develop a long term strategic relationship with Guizhou Tobacco Investment, Zunyi Migao transferred 20% equity interest in Daxing Migao to Guizhou Tobacco Investment at nil consideration. After such transfer, 51% and 49% equity interest in Daxing Migao were held by Zunyi Migao and Guizhou Tobacco Investment, respectively.

On 28 September 2016, Daxing Migao increased its registered capital to RMB50 million, the capital contributions of which were subscribed proportionally by Zunyi Migao and Guizhou Tobacco Investment, respectively.

On 31 December 2016, Sichuan Migao acquired 51% equity interest in Daxing Migao from Zunyi Migao at a consideration of RMB16.4 million which was determined with reference to the net asset value of Daxing Migao at that time. The consideration was settled on 11 July 2018. The remaining of 49% equity interest in Daxing Migao is held by Guizhou Tobacco Investment.

On 4 January 2018, Daxing Migao changed its name to Zunyi Daxing Compound Fertiliser Co., Ltd.* (遵義大興複肥有限責任公司).

Our Company

Our Company was incorporated in the Cayman Islands on 21 November 2017 under its initial name of Migao Group Limited 米高集團有限公司 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On the date of its incorporation, its entire issued share capital of US\$10,000 has been fully paid-up and was held by Migao BVI, an investment holding company wholly-owned by Mr. Liu. On 12 June 2019, our Company changed its name to Migao Group Holdings Limited 米高集團控股有限公司.

Singapore Migao

On 22 December 2017, our Company acquired the entire issued share capital in Singapore Migao from Mr. Liu at a nominal consideration of S\$1. The consideration was settled on even date.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Malaysia Migao International

Sichuan Migao transferred the entire issued share capital of Malaysia Migao International to Malaysia Migao at a consideration of RM2, which was determined with reference to the nominal value of the shares of Malaysia Migao International. The consideration was deemed to be fully settled on 27 February 2018 and the transfer was completed on 28 March 2018.

Baoqing Migao

Baoqing Migao was established in the PRC on 14 May 2018 with a registered capital of RMB100 million at the time of its establishment, of which 40%, 37% and 23% of its equity interest was contributed by Guangdong Migao, Changchun Migao and Heilongjiang Beidahuang, respectively. We therefore held, in aggregate, 77% of equity interest in Baoqing Migao. The principal business activities of Baoqing Migao include the production and sales of fertilisers.

Despite the minority interest held by Heilongjiang Beidahuang, in order to prove our management capability and foster an amicable and trusted cooperation relationship between the parties, we agreed that decisions on certain matters should be consented by all shareholders of Baoqing Migao and included such requirement in the articles of association of Baoqing Migao. Therefore, since its establishment, we and Heilongjiang Beidahuang exercised joint control over Baoqing Migao, and accordingly, Baoqing Migao was treated as a joint venture of our Group. After years of cooperation, we believed we had demonstrated to Heilongjiang Beidahuang our ability and capability to successfully manage and operate Baoqing Migao. As such, we discussed with Heilongjiang Beidahuang of the plan to amend the articles of association of Baoqing Migao to remove the requirements for unanimous consent on certain matters so we can operate Baoqing Migao more efficiently and it was agreed by Heilongjiang Beidahuang. Following the relevant amendments to the articles of association of Baoqing Migao, we have obtained control over Baoqing Migao and it became our subsidiary from 31 March 2022.

Anda Migao

Anda Migao was established in the PRC on 19 June 2018 with a registered capital of RMB100 million at the time of its establishment, of which 31%, 34% and 35% of its equity interest was contributed by Guangdong Migao, Changchun Migao and Heilongjiang Beidahuang respectively. We therefore held, in aggregate, 65% of equity interest in Anda Migao. The principal business activities of Anda Migao include the production and sales of fertilisers.

On 26 June 2020, Anda Migao increased its registered capital from RMB100 million to RMB180 million, the capital contributions of which were subscribed proportionally by its shareholders.

On 16 February 2022, Anda Migao increased its registered capital from RMB180 million to RMB240 million, the capital contributions of which were subscribed proportionally by its shareholders.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Despite the minority interest held by Heilongjiang Beidahuang, in order to prove our management capability and foster an amicable and trusted cooperation relationship between the parties, we agreed that decisions on certain matters should be consented by all shareholders of Anda Migao and included such requirement in the articles of association of Anda Migao. Therefore, since its establishment, we and Heilongjiang Beidahuang exercised joint control over Anda Migao, and accordingly, Anda Migao was treated as a joint venture of our Group. After years of cooperation, we believed we had demonstrated to Heilongjiang Beidahuang our ability and capability to successfully manage and operate Anda Migao. As such, we discussed with Heilongjiang Beidahuang of the plan to amend the articles of association of Anda Migao to remove the requirements for unanimous consent on certain matters so we can operate Anda Migao more efficiently and it was agreed by Heilongjiang Beidahuang. Following the relevant amendments to the articles of association of Anda Migao, we have obtained control over Anda Migao and it became our subsidiary since 31 March 2022.

Malaysia Migao

Guangdong Migao transferred the entire issued share capital of Malaysia Migao to Singapore Migao at a consideration of RM2, which was determined with reference to the nominal value of the shares of Malaysia Migao. The consideration was deemed to be fully settled on 24 September 2019 and the transfer was completed on 7 October 2019.

Migao Century (Chengdu)

Migao Century (Chengdu) was established in the PRC on 11 August 2022 with a registered capital of US\$20 million contributed by HK Migao. The principal activities of Migao Century (Chengdu) include, among others, the provision of technical and project management services, sales of fertilisers, and research and development and its related activities.

Migao BVI

On 18 October 2019, Mr. Liu transferred his entire shareholding in Migao BVI to Migao Barbados for nil consideration. As a result of the above transfer, Migao BVI became wholly-owned by Migao Barbados.

Elegant Castle

On 18 October 2019, Mr. Liu transferred his entire shareholding in Elegant Castle to Migao Barbados at a consideration of US\$58,075. The settlement was completed on even date. As a result of the above transfer, Elegant Castle became wholly-owned by Migao Barbados.

HK Migao

On 30 October 2019, our Company acquired the entire issued share capital of HK Migao from Migao Corporation (AmalCo) at a nominal consideration of HK\$1. As a result of the above transfer, HK Migao became wholly-owned by our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Tongjiang Migao

On 26 April 2022, Liaoning Migao transferred the entire issued share capital of Tongjiang Migao to Changchun Migao at a consideration of RMB1, which was determined with reference to the valuation report prepared by an independent valuer. As a result of the transfer, Tongjiang Migao became our indirect wholly-owned subsidiary.

Shanghai Migao

Shanghai Migao was established in the PRC on 26 September 2006 with a registered capital of C\$9 million contributed by HK Migao. Its principal business activities were the production of fertilisers and related chemical products. However, due to the plans regarding zoning and environment policies contemplated by the local government, it ceased production in March 2016.

As such, on 1 January 2017, we disposed the entire equity interest in Shanghai Migao to APPH in order to streamline the business of our Group. The consideration of approximately RMB4.4 million was determined based on arm's length negotiation and was settled by way of deemed distribution on 31 March 2020. For details, please refer to the section headed "Financial Information – Selected Balance Sheet Items – Related Party Transactions – (e) Deemed Distribution to Mr. Liu" in this prospectus.

On 7 December 2021, the business scope of Shanghai Migao has been changed to the provision of technical services in the field of chemical technology and non-residential real estate leasing. On 8 May 2023, the name of Shanghai Migao was changed to Huantaiyang Chemical Industry (Shanghai) Co., Ltd.* (寰太洋化工(上海)有限公司). As at the Latest Practicable Date, it no longer engaged in the production and sales of fertiliser products.

For each of the years ended 31 December 2019, 2020 and 2021, based on its management accounts prepared in accordance with PRC GAAP, Shanghai Migao recorded net loss for the year primarily due to the maintenance costs incurred to maintain its production facilities and the depreciation charges of the production facilities and equipment.

Liaoning Migao

Liaoning Migao was established in the PRC on 18 January 2005 with a registered capital of US\$3 million. Its principal business activities included the production of fertilisers and related chemical products as well as wholesale and import/export business of KCL.

Taking into account the uncertainty of the proposed zoning policy of the local government to re-zone the area where Liaoning Migao is located to non-chemical industrial zone and to further streamline the business of our Group, on 1 January 2017, we disposed the entire equity interest in Liaoning Migao to APPH. The consideration of approximately RMB92.7 million was determined based on arm's length negotiation and was settled by way of deemed distribution on 31 March 2020. For details, please refer to the section headed "Financial Information – Selected Balance Sheet Items – Related Party Transactions – (e) Deemed Distribution to Mr. Liu" in this prospectus.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 15 June 2022, APPH transferred its entire equity interest in Liaoning Migao to an Independent Third Party at a consideration of US\$16,400,000. Such consideration was determined after arm's length negotiation with reference to the valuation report prepared by an independent valuer and was fully settled on 28 June 2022. Subsequent to the disposal, Mr. Liu ceased to hold any interest in Liaoning Migao and Liaoning Migao ceased to be a related party of our Company.

Having considered that (i) there were no material administrative penalties recorded on Liaoning Migao during the Track Record Period and up to the date of the above disposal based on searches on the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統), the State Administration of Taxation of Major Tax Violations and Untrustworthy Cases Information Announcement (國家稅務總局重大稅收違法失信案件信息公佈欄), the Yingkou City Emergency Management Bureau (營口市應急管理局), the Yingkou City Ecological Environment Bureau (營口市生態環境局), the Yingkou Health Commission (營口市衛生健康委員會), the Yingkou Housing Provident Fund Management Center (營口市住房公積金管理中心), the Yingkou Human Resources and Social Security Bureau (營口市人力資源與社會保障局), the Yingkou Commerce Bureau (營口市商務局) and the SAFE websites; (ii) Liaoning Migao having obtained the necessary licenses for its business operations during the Track Record Period and up to the date of the above disposal (including but not limited to the National Production Licence for Industrial Products (全國工業產品生產許可證), Safety Production Permit (安全生產許可證), Hazardous Chemicals Business License (危險化學品經營許可證), Production Record Certificate of Non-drug Chemicals (非藥品類易製毒化學品生產備案證明) and Pollutant Discharge Permit (排污許可證)); and (iii) the confirmation by the directors of Liaoning Migao that Liaoning Migao was not subject to any material administrative penalties during the Track Record Period and up to the date of the above disposal, our PRC Legal Advisers are of the view that Liaoning Migao did not have any material non-compliance during the Track Record Period and up to the date of the above disposal.

Based on its management accounts prepared in accordance with PRC GAAP, for each of the years ended 31 December 2019 and 2020, Liaoning Migao recorded net loss for the year primarily due to the relatively lower selling prices of its fertiliser products as it mainly sold to smaller retail customers. For the year ended 31 December 2021, Liaoning Migao recorded net profit for the year primarily due to the increase in its sales volume of fertiliser products and the increase in domestic market price of potash fertiliser products.

Zunyi Migao

Zunyi Migao was established in the PRC on 21 February 2011 with a registered capital of RMB60 million contributed by Guangdong Migao. Its principal business activities were the production and sales of fertilisers and related chemical products.

On 8 August 2011, Guangdong Migao transferred 40% equity interest in Zunyi Migao to Sichuan Migao for nil consideration. As a result, Zunyi Migao was held as to 60% and 40% equity interest by Guangdong Migao and Sichuan Migao, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 1 January 2017, with a view to streamline the business of our Group, Guangdong Migao and Sichuan Migao disposed their entire equity interest in Zunyi Migao at a total consideration of approximately RMB78.67 million to APPH. The consideration was determined with reference to then registered capital of Zunyi Migao and was settled by way of deemed distribution on 31 March 2020. For details, please refer to the section headed “Financial Information – Selected Balance Sheet Items – Related Party Transactions – (e) Deemed Distribution to Mr. Liu” in this prospectus. Since March 2017, Zunyi Migao ceased production as the production was taken over by Daxing Migao as many of the orders were from customers in the vicinity of the Daxing Production Facility.

On 22 November 2021, the name of Zunyi Migao was changed to Migao (Zunyi) Real Estate Leasing Co., Ltd.* (米高(遵義)房地產租賃有限公司) and the business scope has been changed to non-residential real estate leasing. On 5 May 2023, its name is further changed to Huantaiyang (Zunyi) Real Estate Leasing Co., Ltd.* (寰太洋(遵義)房地產租賃有限公司). As at the Latest Practicable Date, its primary business is the leasing of properties and it does not engage in the production and sales of fertiliser products.

For each of the years ended 31 December 2019, 2020 and 2021, based on its management accounts prepared in accordance with PRC GAAP, Zunyi Migao recorded net loss for the year primarily due to the depreciation charges of properties it held which mainly consisted of warehouses.

Tianjin Migao

Tianjin Migao was established in the PRC on 12 December 2007 with a registered capital of C\$12.6 million contributed by HK Migao. Its principal business activities were the production of fertilisers and related chemical products.

On 30 September 2017, we disposed the entire equity interest in Tianjin Migao to APPH in order to streamline the business of our Group, as the primary business of Tianjin Migao at the time of disposal was leasing of properties. The consideration of approximately RMB53.7 million was determined based on arm’s length negotiation and was settled on 31 March 2020.

On 18 November 2021, the business scope of Tianjin Migao has been changed to the sales of chemical products and non-residential real estate leasing. On 9 May 2023, its name is changed to Huantaiyang Chemical (Tianjin) Co., Ltd.* (寰太洋化工(天津)有限公司). On 12 January 2024, the name was further changed to Huantaiyang (Tianjin) Property Leasing Co., Ltd.* (寰太洋(天津)房屋租賃有限公司) and the business scope was changed to non-residential real estate leasing. As at the Latest Practicable Date, its primary business was the leasing of warehouse nearby the Tianjin port and it did not engage in the production and sales of fertiliser products.

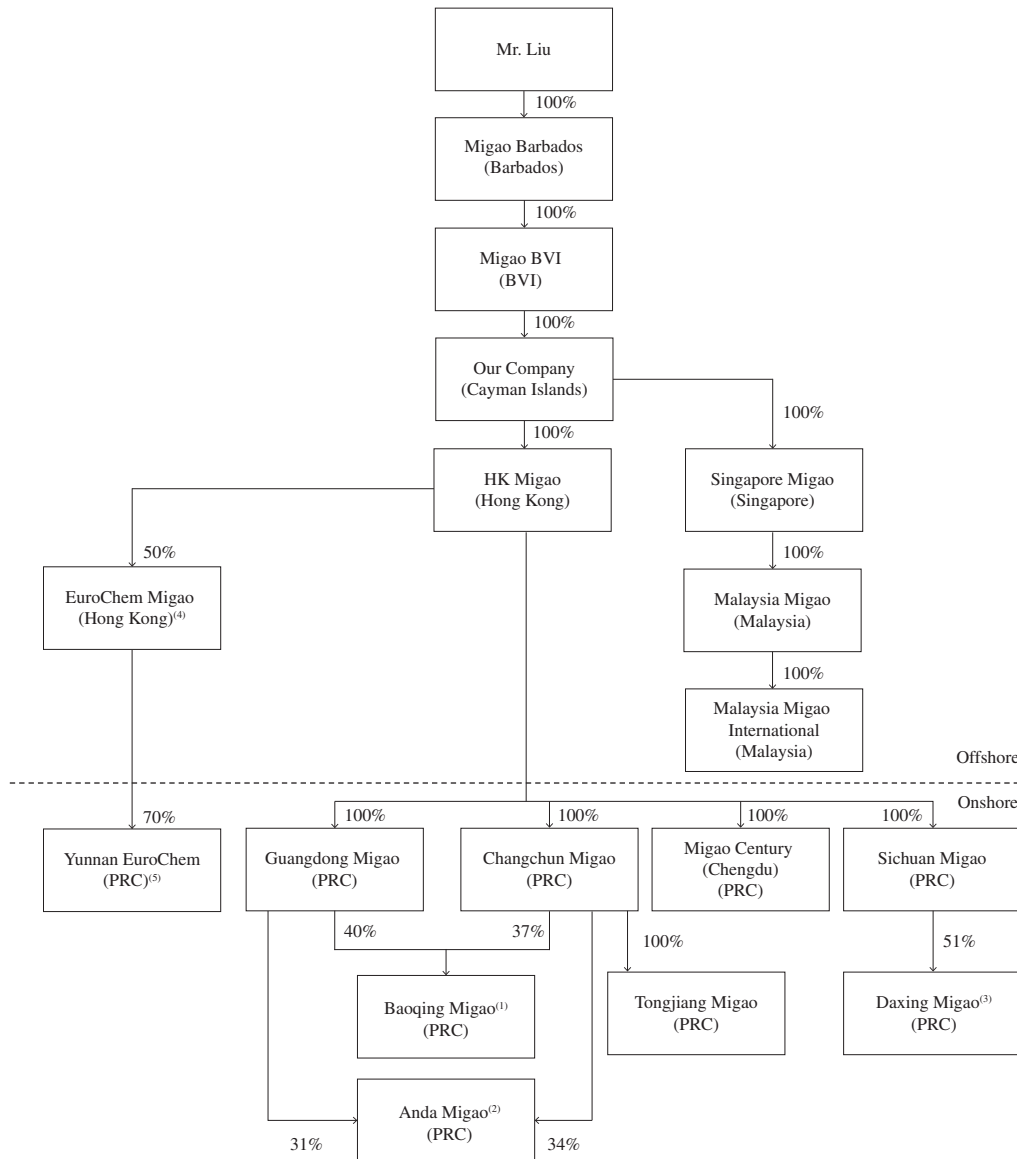
For each of the years ended 31 December 2019, 2020 and 2021, based on its management accounts prepared in accordance with PRC GAAP, Tianjin Migao recorded net loss for the year primarily due to the depreciation charges of properties it held which mainly consisted of warehouses.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

GROUP STRUCTURE

Group Structure after the Reorganisation and before the Global Offering

Set out below is the shareholding structure of our Group immediately after the completion of the Reorganisation and prior to the Capitalisation Issue and the Global Offering:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

- (1) The remaining 23% of Baoqing Migao is held by Heilongjiang Beidahuang, a substantial shareholder of Baoqing Migao and Anda Migao, and is therefore a connected person of our Company.
- (2) The remaining 35% of Anda Migao is held by Heilongjiang Beidahuang, a substantial shareholder of Baoqing Migao and Anda Migao, and is therefore a connected person of our Company.
- (3) The remaining 49% of Daxing Migao is held by Guizhou Tobacco Investment, an Independent Third Party (other than being a substantial shareholder of Daxing Migao).
- (4) EuroChem Migao is a joint venture company and is not consolidated into our Group. EuroChem Migao is equally held by HK Migao and EuroChem International, an Independent Third Party.
- (5) Yunnan EuroChem is the joint venture invested by our direct joint venture, EuroChem Migao and is not consolidated into our Group. Yunnan EuroChem is held as to 70% and 30% equity interest by EuroChem Migao (our direct joint venture) and Yunnan Huaye (an Independent Third Party).

Subdivision and Increase of our Authorised Share Capital

On 28 February 2024, the authorised share capital of our Company was subdivided from US\$50,000 divided into 50,000 Shares of US\$1 each to 5,000,000 Shares of US\$0.01 each. On 28 February 2024, our authorised share capital was increased from 5,000,000 Shares of US\$0.01 each to 10,000,000,000 Shares of US\$0.01 each. Our Company remained wholly-owned by Migao BVI after the above changes in our authorised share capital.

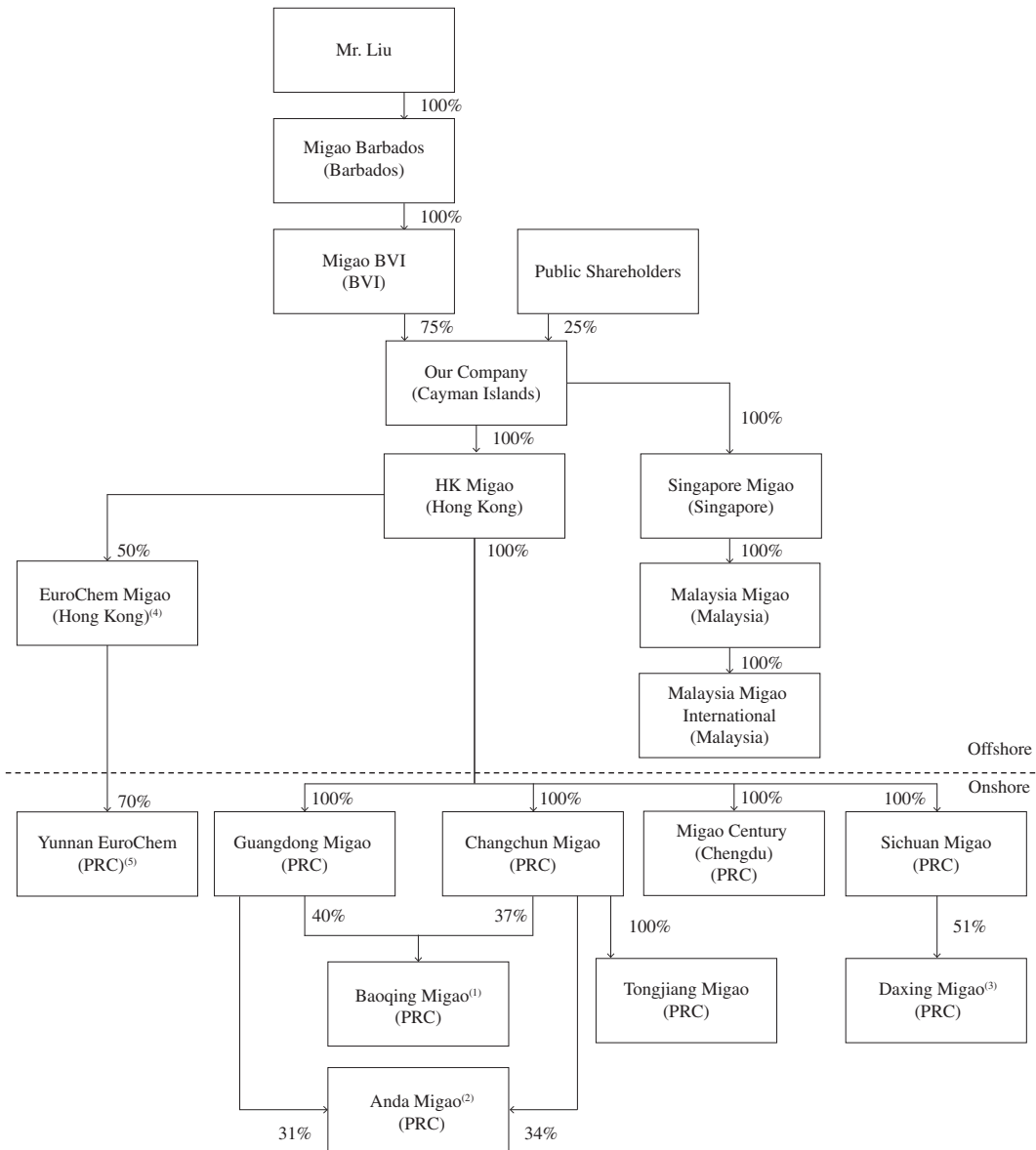
Capitalisation Issue

Pursuant to the written resolutions of our Shareholder passed on 28 February 2024, conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorised to capitalise an amount of US\$6,740,000 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 674,000,000 Shares for allotment and issue to the person(s) of Shares whose name(s) appear on the register of members of our Company, on a pro rate basis at the close of business on the date preceding the Listing Date (or as they may direct).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Group Structure Immediately after the Global Offering

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option has not been exercised), the shareholding structure of our Group will be as follows:



Notes:

- (1) The remaining 23% of Baoqing Migao is held by Heilongjiang Beidahuang, a substantial shareholder of Baoqing Migao and Anda Migao, and is therefore a connected person of our Company.
- (2) The remaining 35% of Anda Migao is held by Heilongjiang Beidahuang, a substantial shareholder of Baoqing Migao and Anda Migao, and is therefore a connected person of our Company.
- (3) The remaining 49% of Daxing Migao is held by Guizhou Tobacco Investment, an Independent Third Party (other than being a substantial shareholder of Daxing Migao).
- (4) EuroChem Migao is a joint venture company and is not consolidated into our Group. EuroChem Migao is equally held by HK Migao and EuroChem International, an Independent Third Party.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (5) Yunnan EuroChem is the joint venture invested by our direct joint venture, EuroChem Migao and is not consolidated into our Group. Yunnan EuroChem is held as to 70% and 30% equity interest by EuroChem Migao (our direct joint venture) and Yunnan Huaye (an Independent Third Party).

PRIOR LISTING ON THE TSX VENTURE EXCHANGE AND THE TSX

Listing on TSX Venture Exchange and the TSX

Migao Corporation (TSX), the then holding company of our operating subsidiaries, was listed on the TSX Venture Exchange by way of a reverse take-over of Fox Mountain Explorations Ltd. (“**Fox Mountain**”) by HK Migao on 18 May 2006. Fox Mountain was renamed as “Migao Corporation” upon completion of the reverse take-over. Shares of Migao Corporation (TSX) subsequently ceased to trade on the TSX Venture Exchange on 9 May 2007 and commenced to trade on TSX on 10 May 2007 following the approval of its application for the listing of its shares.

The Privatisation

On 7 June 2016, Migao Corporation (TSX) entered into an arrangement agreement with Mr. Liu and Migao Corporation (Purchaser) pursuant to which Migao Corporation (Purchaser) shall acquire 34,614,548 shares, representing approximately 66% of the issued share capital of Migao Corporation (TSX), at C\$0.75 per share for a total cash consideration of C\$25,960,911.00 (the “**Acquisition**”) by way of a plan of arrangement under the Business Corporations Act (Ontario) (the “**Plan of Arrangement**”). Prior to the Acquisition, the remaining shares of Migao Corporation (TSX), being 17,746,612 shares and 135,000 shares were held by Migao Corporation (Purchaser)’s affiliates, namely, Migao International and Mr. Liu.

The cash consideration of C\$0.75 per share represented a 97.37% premium over the closing price of the shares of Migao Corporation (TSX) on the TSX on 6 June 2016, the last trading day before announcement of the Plan of Arrangement, and a premium of approximately 93.4% over the 20 trading-day volume-weighted average price of the shares on TSX ended 6 June 2016.

The Plan of Arrangement was approved by the shareholders of Migao Corporation (TSX) at the special general meeting held on 27 July 2016 and by the Ontario Superior Court of Justice (Commercial List) on 29 July 2016.

On 6 September 2016, the Acquisition was completed and all shares of Migao Corporation (TSX) were held by Migao Corporation (Purchaser) and its affiliates. The shares of Migao Corporation (TSX) was delisted from TSX on 9 September 2016.

On 21 December 2016, Migao Corporation (TSX) and Migao Corporation (Purchaser) completed a corporate amalgamation. The entity after the amalgamation was also named Migao Corporation.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Funding of the Privatisation

The total consideration of the Acquisition was financed through internal resources of Migao Corporation (Purchaser).

Reasons for the Privatisation and Delisting

We believed that the then valuation of Migao Corporation (TSX) did not truly reflect its operating scale and the size of business, which were attributed to lack of understanding and interest of overseas investors in the businesses managed and conducted in the PRC.

Compliance record during the listing on TSX Venture Exchange and TSX

To the best of our Directors' knowledge, there was no material non-compliance incident during the period in which Migao Corporation (TSX) was listed on TSX Venture Exchange and TSX and there is no matter that should be brought to the investors' attention in relation to the compliance record of Migao Corporation (TSX) during its listing on the TSX Venture Exchange and the TSX.

Based on the due diligence conducted by the Sole Sponsor, the Sole Sponsor was not aware of any material findings which cast doubt on our Directors' view that there was no material non-compliance incident during the period in which Migao Corporation (TSX) was listed on TSX Venture Exchange and TSX and there is no matter that should be brought to the investors' attention in relation to the compliance record of Migao Corporation (TSX) during its listing on the TSX Venture Exchange and the TSX.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We consider Hong Kong a suitable venue for listing as our businesses and operations principally located, managed and conducted in the PRC, and a listing in Hong Kong will not only contribute to opportunities for future fund-raising, but also allow more Hong Kong, PRC and other Asian-based investors to have a better understanding and appreciation of our Group's business. This will also provide better synergy for us to enhance our corporate profile, brand awareness, corporate governance and shareholder base. The Directors consider a listing in Hong Kong will benefit our Company and its Shareholders as a whole.

PRE-IPO SHARE OPTION SCHEME

We had conditionally adopted the Pre-IPO Share Option Scheme on 23 March 2022 to enable us to grant options to selected participants as incentives or rewards for their contribution to our Group. No option had been granted or agreed to be granted by our Company pursuant to the Pre-IPO Share Option Scheme since its adoption. In view of our business operation and development need, the Pre-IPO Share Option Scheme was subsequently terminated pursuant to the written resolution of our Directors on 18 April 2023.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

PRC LEGAL COMPLIANCE

Our PRC Legal Advisers have confirmed that the Reorganisation, equity transfers and increase in registered capital of our subsidiaries incorporated in the PRC as described in this section were legal and valid and all material approvals and permits have been obtained and are valid, in all material respects, in compliance with all applicable PRC laws and regulations.

SAFE REGISTRATION

Pursuant to the Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2005] No. 75, hereinafter referred to as the “Circular No. 75”) issued by SAFE on 21 October 2005, and the Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and in Return Investment via Special Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2014] No. 37) issued on 4 July 2014 to replace Circular No. 75, domestic residents shall, before establishing or controlling an overseas special purpose company, apply to the local branch or department of foreign exchange administration for going through the procedures for foreign exchange registration of overseas investments.

Our PRC Legal Advisers have confirmed that Mr. Liu has duly registered in respect of his investment in our Group in accordance with SAFE Circular No. 75.

M&A RULES

The M&A Rules, a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors, which were jointly promulgated by six PRC regulatory agencies, came into effect on 8 August 2006 and was amended on 22 June 2009. Under the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into a foreign invested enterprise, or subscribes for new equity via an increase in registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign invested enterprise. Where a domestic enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic enterprise which is related to or connected with it/him/her, approval from the MOFCOM is required. The M&A Rules also provide that an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading securities of such offshore special purpose vehicle on an overseas stock exchange.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Given that Guangdong Migao and Sichuan Migao were wholly owned by HK Migao before the promulgation of the M&A Rules and Changchun Migao was directly established as foreign-invested enterprise, our PRC Legal Advisers are of the opinion that we are not subject to the M&A Rules and hence it is not necessary for us to obtain approval from the MOFCOM and CSRC for the Listing under the M&A Rules.

OVERVIEW

We are a national potash fertiliser company in China with sourcing and procurement, and processing and manufacturing capabilities selling various potash fertiliser products, including KCL, SOP, NOP and compound fertilisers. We ranked the third among potash fertiliser companies in China in terms of sales volume of potash fertilisers in 2022 and we ranked the second among fertiliser companies without its own potash mineral resources (non reserve-based potash fertiliser companies) in China in 2022 by the same measure. We accounted for approximately 7.1% of the total sales volume of potash fertilisers in China for 2022. In terms of sales revenue of KCL, SOP and NOP in 2022, we ranked the third, the fourth and the fifth among potash fertiliser companies in China, respectively, and accounted for approximately 7.0%, 4.0% and 0.3% of the total sales revenue of KCL, SOP and NOP, respectively, in China for the same year. In 2020, we were granted the “Meritorious Enterprise of the Potash Salt and Potash Fertiliser Industry of China” by the potash salt and potash fertilisers branch of the China National Inorganic Salts Industry Association. We have been appraised as the “Top Ten Potash Fertilisers of China” and the “Top 100 Chemical Fertiliser Enterprises of China” of the year consecutively since 2016 by China National Chemical Information Center and China Chemical Industry Information Association.

Potash fertilisers are the major type of fertilisers for high value-added crops. There has been a rapid increase in consumption of potash fertilisers in the PRC as spending and dietary structure of the Chinese population have been upgraded and improved in recent years. In addition, the PRC government has made a number of strategic supports to the development of the potash fertiliser industry. It is expected that potash fertilisers will become one of the fertiliser types with the fastest development and the greatest potential in the chemical fertiliser industry in China. We have maintained long-term and stable business relationships with certain important customers, including several large-scale agricultural reclamation companies, state-owned tobacco companies and agribusiness companies.

KCL can be used for agricultural plantation directly as fertiliser, and also as a major raw material for the manufacturing of SOP, NOP and compound fertilisers. Given that potassium resources is relatively scarce in China, there is a relatively high dependence on import of potash fertilisers. Leveraged on our comprehensive procurement channels for KCL, we believe we can effectively secure a steady supply of the major raw material for producing potash fertilisers, enabling us to better manage the cost of our raw materials and satisfy our customers’ needs. For FY2021, FY2022, FY2023 and 8MFY2024, we purchased approximately 927,000 tonnes, 1,310,000 tonnes, 1,010,000 tonnes and 943,000 tonnes of KCL respectively, and the total purchase of KCL amounted to approximately RMB1,568.4 million, RMB3,208.5 million, RMB3,025.8 million and RMB2,029.1 million, respectively.

BUSINESS

As at the Latest Practicable Date, we operated a total of five key production facilities in Heilongjiang Province, Jilin Province, Guizhou Province and Guangdong Province in the PRC, among which, Baoqing Production Facility and Anda Production Facility in Heilongjiang Province are owned by Baoqing Migao and Anda Migao respectively, which have become our subsidiaries since 31 March 2022. Our indirect joint venture, namely Yunnan EuroChem, also operates one production facility in Yunnan Province, China. All of them are located in prime geographic areas, which are in the vicinity of our key customers with easy access to transportation network, thereby not only facilitating timely delivery of products to customers in a cost advantageous manner, but also allowing us to quickly respond to customers' need for differentiated product formulae and services. We manufacture SOP and compound fertilisers and granulate KCL in these facilities. Our Chengdu Production Facility located in Sichuan Province used to be our only facility to manufacture NOP before it discontinued production due to the change of zoning policy by the local government. Due to its discontinuation of production, we did not manufacture any NOP and only sold NOP to our customers by resale during the Track Record Period. We are currently planning to build our New Sichuan Production Facility in Mianyang City, Sichuan Province to enable us to resume the manufacturing of NOP and the Heilongjiang Warehousing and Production Centre in Tongjiang City, Heilongjiang Province to enhance our product supply capability and operational efficiency.

From FY2021 to FY2023, our total revenue increased from RMB2,081.6 million in FY2021 to RMB3,841.4 million in FY2022 and further to RMB4,722.7 million for FY2023 and our profit for the year increased from RMB206.5 million in FY2021 to RMB396.6 million in FY2022 and further to RMB421.5 million for FY2023. From FY2021 to FY2023, we achieved significant growth in our revenue. However, the level of growth from FY2021 to FY2023 is not be indicative of our financial performance before the Track Record Period or may not be indicative of our future financial performance. For example, for FY2020, we recorded a significantly lower gross profit and profit for the year than FY2021, FY2022 and FY2023. We cannot assure you that we can continue to record the same level of growth or will not record net loss in the future. Please refer to the section headed "Risk Factors – Risks Relating to Our Business – We have historically recorded lower gross profit and net profit prior to the Track Record Period" for further information.

Our revenue and profit for the period decreased from RMB2,727.2 million and RMB236.8 million, respectively, for 8MFY2023 to RMB2,283.7 million and RMB162.1 million, respectively, for 8MFY2024 primarily due to the decrease in average selling price of our KCL and SOP. Although we expect our revenue and gross profit for FY2024 will decrease compared to FY2023 given the expected lower average selling prices of our fertiliser products attributable to lower domestic market prices of potash fertilisers in FY2024, we expect the demand for our products will nonetheless increase. Please refer to the section headed "Business – Expected Demand for FY2024" for further information.

COMPETITIVE STRENGTHS

We believe the following competitive strengths enable us to maintain a leading position in the industry:

We are a national potash fertiliser company in China offering quality and diversified potash fertiliser products

We are a national potash fertiliser company in China with sourcing and procurement, and processing and manufacturing capabilities selling various potash fertiliser products, including KCL, SOP, NOP and compound fertilisers. We ranked the third among potash fertiliser companies in China in terms of sales volume of potash fertilisers in 2022 and we ranked the second among non reserve-based potash fertiliser companies in China by the same measure. We accounted for approximately 7.1% of the total sales volume of potash fertilisers in China for the same year. We are able to develop and provide tailor-made potash fertiliser products for customers according to their planting environment to satisfy their diverse and specific needs. We are also capable of providing KCL, SOP, NOP with various specifications and specialty compound fertilisers applicable to various types of crops such as tobaccos, chilis, fruits, tea leaves and vegetables. At the same time, we can also provide customised compound fertiliser according to our customers' respective needs. As we discontinued manufacturing of NOP in 2019, all of our sales of NOP were procured from our suppliers, including our indirect joint venture.

Our main products are widely used in agricultural areas, in particular on crops, for increasing outputs and improving quality of crops. The sales volume of potash fertiliser products in China is expected to maintain steady growth from 2023 to 2027. Furthermore, with the implementation of nationwide policies and the effort in supporting the chemical fertiliser industry, the PRC government has promoted chemical fertiliser production enterprises to enhance their technological innovations and has prompted the steady and rapid development of the industry. For example, the government has included new fertiliser technologies for high-quality, high-efficiency and safe production in the Catalogue of Supported High-tech Fields* (國家重點支持的高新技術領域目錄). According to the Guiding Opinions on Promoting the Transformation and Development of Fertiliser Industry* (關於推進化肥行業轉型發展的指導意見), the PRC government will support the transformation and development of the chemical fertiliser industry through various special funding programs.

Our potash fertiliser products are well-recognised by customers and the industry. We believe our “Migao” brand is a renowned brand in the potash fertiliser market in China. Our potash fertiliser products have been granted various awards from government authorities and industry associations for their high quality, including, among others, a number of awards of municipal, provincial and national levels. In 2020, we were granted the “Meritorious Enterprise of the Potash Salt and Potash Fertiliser Industry of China” by the potash salt and potash fertilisers branch of the China National Inorganic Salts Industry Association. We have been

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appraised as the “Top Ten Potash Fertilisers of China” and the “Top 100 Chemical Fertiliser Enterprises of China” of the year consecutively since 2016 by China National Chemical Information Center and China Chemical Industry Information Association.

Facing the steady growth in the demand for potash products in the PRC market, we believe that our ability to consistently provide a stable supply of a diversified portfolio of high quality potash fertiliser products has enabled us to compete with other potash fertiliser suppliers in China. We will capitalise on the growing demand for potash fertilisers in the PRC market and further solidify our market position as a leading quality potash fertiliser products supplier in China.

We have established a long-term and stable relationship with large-scale enterprise customers and deployed our customer service network strategically

Our major customers include large-scale agricultural reclamation companies, state-owned tobacco companies and agribusiness companies. We supply potash fertiliser products to them directly without having to rely on third party distributors. Given the operation scale of these customers, they usually place bulk purchase orders for our potash fertiliser products. Our top five customers during the Track Record Period included Customer A and Hulunbuir Agricultural Reclamation Group Co., Ltd.* (呼倫貝爾農墾物資石油集團有限公司) (“**Hulunbuir Agricultural**”), both being large-scale state-owned agricultural reclamation companies; Guizhou Tobacco Investment, being state-owned tobacco company; and Company B and Anhui Huilong, both being large-scale state-owned agribusiness companies. Revenue generated from these five major customers in aggregate accounted for approximately 50.7%, 54.2% and 46.7% of our total revenue for FY2021, FY2022 and FY2023, respectively. As at the Latest Practicable Date, our business relationship with the said customers was on average over 10 years.

We have developed strategic relationships and cooperations with our major customers. In 2018, (i) one of our key tobacco company customers invested in Yunnan EuroChem and acquired 30% equity interests of Yunnan EuroChem from EuroChem Migao, our joint venture; and (ii) we established two joint ventures, Baoqing Migao and Anda Migao, with an important agricultural reclamation customer, Customer A, and we further consolidated the two joint venture as our subsidiaries on 31 March 2022. In 2016, we acquired 51% of Daxing Migao from Zunyi Migao, with the remaining 49% owned by Guizhou Tobacco Investment, another key tobacco company customer of us. We believe that by involving these customers in our Group companies, we can benefit from their industry expertise. Further, we believe such strategic relationships and cooperations would benefit our customers and us mutually, as our customers are able to secure stable supply of quality fertiliser products while we are able to secure stable demand for our fertiliser products. Additionally, such strategic cooperation arrangement with our customers enables us to better understand the needs of our customers and provide them with tailor-made fertiliser products. We also believe that the cooperation arrangement demonstrates our customers’ willingness of maintaining long-term relationships with us.

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Moreover, we deploy customer service network strategically in addressing market demand. All of our production facilities are well situated at main plantation zones in China at (i) the Northeast Soybean, Spring Wheat, Maize and Beet Area, (ii) the Northern Plateau Small Grains and Beet Area, (iii) the Sichuan and Shaanxi Basin Rice, Maize, Potato, Citrus and Mulberry Area, (iv) the Yunnan-Guizhou Plateau Rice, Maize, Tobacco Area and (v) the South China Double Cropping of Rice, Tropical Crops and Sugarcane Area. Approximately 95.3%, 76.1%, 70.8% and 69.6% of our revenue were derived from customers located in these plantation zones for FY2021, FY2022, FY2023 and 8MFY2024, respectively. In addition, the strategic site selection of our physical presence and well-developed transportation networks enjoyed by these sites enable us to provide potash fertiliser products to our customers in a timely and cost-effective manner and to promptly provide after-sales services (such as responding to any queries and following up on feedback from our customers on our fertiliser products). We do not additionally charge our customers for our after-sales services.

Given that our competitive strengths in customer service network and our track record performance, we believe that we can further expand our customer base and enter the wider market.

We have multiple channels for comprehensive procurement of raw materials for potash fertilisers to secure steady supply

KCL is the major raw material for potash fertilisers production. Reserve of global potash resource is unevenly distributed. Global availability of potash and the recoverable reserves are concentrated in Canada, Belarus and Russia. In 2022, the potash reserves of these three countries accounted for more than 60% of the global potash reserves. It is therefore common in the industry for potash fertiliser producers and suppliers in the PRC to rely heavily on a few overseas KCL producers for the supply of KCL due to the market dominance of these overseas KCL producers and China's lack of local quality potash reserves.

We have been operating in the potash fertiliser business in China for more than 20 years and have established comprehensive procurement channels for KCL, which enable us to obtain stable supply of KCL from major overseas potash fertilisers producers at competitive prices. We have the relevant import qualification and during the Track Record Period, we have applied for and been issued with the automatic import licenses for each lot of shipment of KCL, which entitles us to directly import KCL from overseas suppliers. Also, we cooperate with other enterprises with relevant import qualification, to procure KCL from overseas indirectly. We maintained long-term business relationships with major overseas potash fertilisers producers, including top five potash companies in the world.

We believe that, benefitted from our well-established import channels for KCL, we can obtain a steady supply of our major raw material, KCL, at competitive prices, thus delivering more value to our customers and enhancing our brand and reputation.

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We have a well-established research and development team to provide technological supports for the continuous development of our Group

We have research and development employees in Heilongjiang Province, Jilin Province, Sichuan Province, Guizhou Province and Guangdong Province. As at the Latest Practicable Date, we had 72 employees in our research and development team. Mr. Sun Pingfu, our chief research and development officer, has over 30 years of experience in technology development, production management and project management in the chemical industry and is one of the drafters of GB/T 20784-2018, the state standard for NOP. Mr. Sun Pingfu was appraised as a “Meritorious Person of Potash Salt and Potash Fertiliser Industry of China” by the China National Inorganic Salts Industry Association in 2020.

Since the establishment of our Group, we have identified research and development as an important part of our strategy. Our research and development team initiated over 140 research and development projects, aiming at (i) improving production methods and promoting automatic production procedures, (ii) enhancing compliance with environmental standards for production, (iii) reducing energy consumption and enhancing production efficiency, (iv) developing specific compound fertilisers and new types of fertilisers, and (v) improving product quality and stability. For FY2021, FY2022, FY2023 and 8MFY2024, our research and development costs and expenses were RMB24.5 million, RMB38.9 million, RMB31.0 million and RMB26.3 million, respectively. As at the Latest Practicable Date, we had 109 registered patents in China, including 19 invention patents and 90 utility model patents, and were in the process of applying for 15 invention patents.

We believe that our commitment in research and development has continuously improved our technology level and is also our key to success.

Our management team possess strong experience and most of them have been working with us for over ten years

Our management is key to our success. We have a strong and motivated management team who are dedicated to our success. Our Group was established in 2003. Under the leadership and management of our management team and with over 20 years of experience and commitment, we are a national potash fertiliser company in China.

Our executive Directors and senior management team have extensive experience in the potash fertiliser industry. Mr. Liu, an executive Director and our chairperson, is the founder of our Group and has over 20 years of industry experience in the operation and management of the potash fertiliser companies. Besides, our senior management has extensive experience in the potash fertiliser industry and an average of over 15 years of experience in the management and operation of the potash fertiliser production business. Our management team has a deep understanding and keen insight into the trend of China’s potash fertiliser industry, the trend of upstream supply chain and the needs of the downstream customers. Please refer to the section headed “Directors and Senior Management” in this prospectus for the biographical information of our management.

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Our management team works closely to formulate business and growth strategies. Most of our executive Directors and members of our senior management have been with us for more than ten years, which, in our opinion, indicates that we have a stable and harmonious working environment. It has fostered a corporate culture of cooperation and cohesion, which we believe contributes to our continued success. We consider that our stable management team and their extensive experience will enable us to travel through industry cycles and continue to capture future market opportunities and achieve our goals.

BUSINESS STRATEGIES

We intend to continue to strengthen and develop our existing market and industry position by adopting the following strategies while striving to enhance shareholder value and pursue growth strategies:

Strengthening our cooperation with major customers and expansion of our customer base

We have focused on building a strong customer network with key customers including large agricultural reclamation companies, state-owned tobacco companies, and agribusiness companies. Generally, those customers are companies of larger scale with good credit and strong financial position, which form our solid customer base. To enhance cooperation with existing major customers and further expand our customer base, we intend to (i) enhance the production and supply capacity of SOP and NOP, (ii) expand strategic cooperation network with customers, and (iii) enrich offerings of compound fertiliser to address the demand for customised high-end potash fertilisers for crops.

To enhance our production capabilities for SOP, phase II of our Anda Production Facility in Heilongjiang, which contains an additional four SOP production lines, commenced trial production in the second half of 2022 and received the construction completion approval in December 2023. As at the Latest Practicable Date, our total estimated production capacity of SOP of our Group had reached 363,000 tonnes, which are strategically located close to our major customers. Moreover, to resume our production capacities for NOP and further enhance our production capacities for SOP and compound fertilisers, we have entered into cooperation agreement with local governments of China, pursuant to which we planned to construct our New Sichuan Production Facility in Mianyang City, Sichuan Province. Construction of such facility is expected to be completed by the second half of 2025 with estimated production capacity of SOP, NOP and compound fertilisers of 80,000 tonnes, 60,000 tonnes and 200,000 tonnes respectively. Please refer to the section headed “Business – Expansion Plan” in this prospectus for further information. Meanwhile, we are in active discussions with suppliers to expand the scale of procurement to be commensurate with the increase in production capacity.

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To expand our strategic cooperation network with customers, we intend to continue, as and when appropriate, to establish partnerships or joint ventures with selected existing and potential customers to expand. We have strategically established production facilities in close proximity to our customers, allowing us to supply fertiliser products at lower cost and in shorter time, which we believe has placed us in a better position to establish long-term relationships with them.

To enrich our offerings of compound fertiliser, we intend to further address our customer demand for customised high-end potash fertilisers through the development and improvement of new compound fertiliser formulae. During the Track Record Period, we worked with our tobacco company customers to ensure that our fertiliser products are tailored to our customers' needs and are suitable for different planting stages of tobacco crops as well as the climatic and soil conditions of the region in which they are planted. In addition, we have developed specific compound fertilisers for crops such as chilis, fruits, tea leaves and vegetables. We plan to expand the existing product offerings by taking advantage of this experience and tap into the market of other high-end crops, such as mushrooms and flowers. We believe that we are able to capture the demands from these markets through our extensive experiences in the potash fertiliser industry, and advanced production technologies and facilities, thereby enhancing our customer base.

Expansion of procurement scale and diversification of procurement channels

It is expected that consumption of potash fertilisers in China will maintain steady growth to 2027. In order to meet the market demand for potash fertiliser products in China and to pursue our capacity expansion strategies, we intend to expand our procurement scale of KCL by increasing purchase through active negotiation with existing major suppliers, while exploring cooperation opportunities with other major potash suppliers in areas with rich premium potassium mineral.

For FY2021, FY2022, FY2023 and 8MFY2024, our total purchase volume of KCL amounted to approximately 927,000 tonnes, 1,310,000 tonnes, 1,010,000 tonnes and 943,000 tonnes, respectively. For FY2021 and FY2022, Supplier A, Supplier B, Supplier C and Supplier D were our top five suppliers, and Supplier B and Supplier C remained as our top five suppliers in FY2023 and 8MFY2024. Our purchase volume of KCL from them amounted to approximately 799,000 tonnes, 625,000 tonnes, 627,500 tonnes and 579,100 tonnes, respectively, which accounted for approximately 86.2%, 47.7%, 62.1% and 61.4% of our total KCL purchase volume for the same years/periods, respectively. We ceased entering into new purchase contracts with Supplier D subsequent to December 2021. On 25 January 2022, we entered into a memorandum of cooperation (as further supplemented on 16 May 2022 and 5 December 2022 and further renewed on 15 January 2024) with Supplier A, agreeing on a supply of 500,000 tonnes of imported KCL to us from 2022 to December 2024. In addition, we actively expanded our supply channels and entered into a memorandum of understanding with a large SOE in the PRC, China National Chemical Construction Corporation ("CNCCC"), agreeing on a supply of 500,000 tonnes of imported KCL to us from January 2024 to December 2024. Further, we also expanded our domestic sourcing of KCL and entered into a

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memorandum of understanding with Sichuan Southwest Salt Lake Trading Company Limited* (四川西南鹽湖貿易有限公司) (“**Southwest Salt Lake**”), an associate company of the largest domestic potash producer group in the PRC, agreeing on a supply of 300,000 tonnes of premium grade potash to us from September 2022 to August 2023. In spite of the express term of the memorandum of understanding which was only for one year from September 2022 to August 2023, our PRC Legal Advisers have confirmed that pursuant to the Southwest Salt Lake’s subsequent confirmation the memorandum of understanding shall remain effective until the 300,000 tonnes of potash under the memorandum of understanding have been purchased. We have also planned to explore cooperation opportunities with other suppliers with sources of KCL from other areas. Through these efforts, we believe we can secure a safe, steady and reliable system of a diversified supply chain, thereby further consolidating our market position in the industry.

Continuous investment in research and development to maintain industrial position, and enhancing product competitiveness

In order to maintain our leading position in the industry, we will continue to keep track on the latest technological developments in the market, regularly evaluate our production methods and production facilities in areas to be improved, and make improvement as necessary, so as to enhance efficiency and maintain growth and our position in the industry. We intend to continuously improve the production methods (i) to enhance the performance stability of our equipment to enhance product quality and production efficiency; (ii) to enhance automation level to reduce labour costs and human errors, improve safety and reduce environmental incidents; and (iii) to increase product offerings to diversify our customer base.

In addition, with the introduction of a number of policies and measures by the PRC government, we plan to apply various new technologies to our production with an aim to improve our equipment and upgrade our production facilities to ensure our compliance with environmental regulations and to reduce labour cost and emissions.

We invested substantially in our research and development in the past, and we intend to continue to support our internal research and development team, as well as to cooperate with external research institutions and enterprises to research and develop new production methods in order to maintain our competitiveness in the industry.

Further, we intend to invest in the establishment of a research and development centre in Chengdu City, Sichuan Province to centralise our research and development team to enhance its efficiency. Please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds – Research and Development Centre” in this prospectus for further information.

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Establishment of sales network in Southeast Asia for further expansion of overseas markets

We have been operating in China for more than 20 years. Although our revenue was derived substantially from China during the Track Record Period, we intend to tap into certain overseas markets to further expand our customer base and implement our strategies for global development given that the huge potential of the overseas potash fertiliser market. During the Track Record Period, we exported potash fertiliser products produced in China to overseas markets through Singapore Migao, one of our subsidiaries established in 2010. For FY2021, FY2022, FY2023 and 8MFY2024, our sales to areas outside of China amounted to RMB22.5 million, RMB15.6 million, RMB86.7 million and RMB44.2 million, respectively. Leveraging the strategic location of Singapore as a regional hub in Southeast Asia and our long established presence in Singapore, we believe we are well positioned to further expand our business in the Southeast Asia, a region with active plantation activities and strong agricultural industry traditionally.

According to the Frost & Sullivan Report, demand for potash fertilisers in Southeast Asia is expected to keep growing due to the advantage they deliver to crops. Consumption of potash fertilisers in Southeast Asia is expected to maintain its growth trend in the future. The market size of Southeast Asia by sale volume of potash fertilisers is expected to be increased from 3.5 million tonnes in 2023 to 4.0 million tonnes in 2027.

To build a sales network in Southeast Asia and to further expand to other overseas markets where opportunity arises, our preliminary plan is to (i) promote our potash fertiliser products by increasing cooperation with and through local large scale fertiliser merchants and producers; and (ii) step up in deployment of local sales network and offices to further expand our customer base and implement our development strategies overseas.

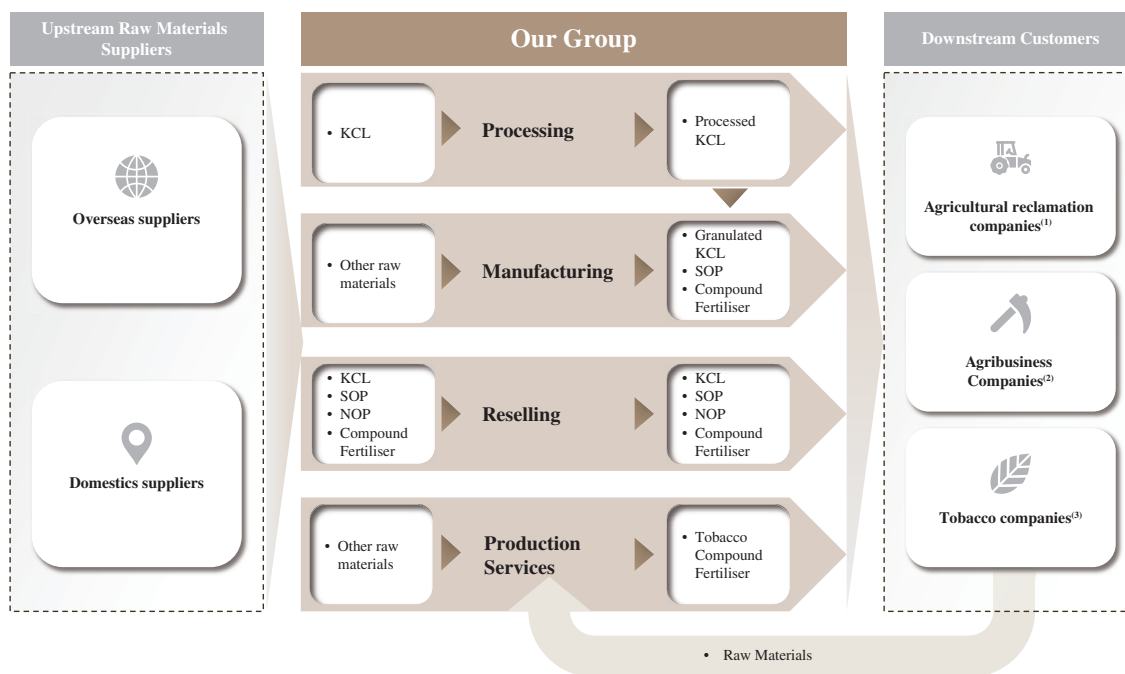
BUSINESS MODEL

We are a national potash fertiliser company in China with sourcing and procurement, and processing and manufacturing capabilities selling various potash fertiliser products, including KCL, SOP, NOP and compound fertilisers. During the Track Record Period, our major products were KCL and SOP. Sales of KCL contributed to approximately 60.1%, 82.8%, 85.2% and 85.3% of our total revenue for FY2021, FY2022, FY2023 and 8MFY2024, respectively, and sales of SOP contributed to approximately 25.1%, 13.9%, 10.1% and 11.0% of our total revenue during the same year/period, respectively. The remaining revenues were primarily generated from the sales of NOP, compound fertilisers, and by-products and others, which primarily consist of (i) HCL as a by-product from the manufacturing of SOP, and (ii) fertiliser additive.

KCL is also our major raw material for other potash related products, and our purchase of KCL accounted for more than 75.0% of our total purchases during each year/period of the Track Record Period. We purchase KCL from both overseas and domestic suppliers. Our customers are primarily agricultural reclamation companies, tobacco companies, and agribusiness companies in China.

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The following diagram illustrates our business model in the context of the potash fertiliser manufacturing industry:



Notes:

- (1) Our Group's agricultural reclamation company customers include, among others, companies engaged in the plantation of agricultural products and several of them are large state owned enterprises such as Hulunbuir Agricultural.
- (2) Our Group's agribusiness company customers include, among others, companies engaged in the production, processing and sales of agricultural related supplies.
- (3) Our Group's tobacco company customers include, among others, companies engaged in the plantation of tobacco and production and sales of tobacco products and several of them are large state owned enterprises such as Guizhou Tobacco Investment.

Our major raw material for most of our products is KCL in powder form. Typically upon receipt of KCL from our suppliers, we process such KCL (either by ourselves or through third parties under our supervision) for sales to our customers or use as raw materials in the manufacturing of SOP and compound fertiliser.

In relation to the sales of KCL, we typically either (i) sell the KCL directly to our customers after processing (i.e. processed KCL), or (ii) granulate the KCL into KCL granules before delivery upon our customers' request (i.e. granulated KCL). For FY2021, FY2022, FY2023 and 8MFY2024, we sold approximately 377,000 tonnes, 650,000 tonnes, 750,000 tonnes and 560,000 tonnes of processed KCL, respectively, and our revenue generated from sales of processed KCL amounted to RMB637.1 million, RMB1,809.4 million, RMB2,812.8 million and RMB1,452.7 million respectively, representing approximately 30.6%, 47.1%, 59.6% and 63.6% of our total revenue respectively; while we sold approximately 348,000 tonnes, 458,000 tonnes, 315,000 tonnes and 190,000 tonnes of granulated KCL, respectively,

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and our revenue generated from sales of granulated KCL amounted to RMB613.4 million, RMB1,369.4 million, RMB1,201.8 million and RMB495.7 million respectively, representing approximately 29.5%, 35.6%, 25.4% and 21.7% of our total revenue respectively.

We also manufacture and sell SOP and compound fertilisers to our customers. Our SOP and compound fertiliser are manufactured in accordance with our customers' specifications at our production facilities. We also sell HCL, the by-products derived from the manufacturing of SOP, to certain customers.

Further, we also resell a small portion of our potash fertiliser products to our customers without further processing, granulation or manufacturing. Such resale during the Track Record Period was primarily due to the rush orders from our customers, and the then availability of our inventory and production schedule were unable to meet such demand. Furthermore, as our Chengdu Production Facility discontinued manufacturing, our Group resold all NOP to our customers during the Track Record Period and resold compound fertiliser to our customers during FY2021 and FY2022.

Since the fourth quarter of 2021, we have been engaged in providing fertiliser production services for certain tobacco compound fertiliser to Guizhou Tobacco Investment, one of our five largest customers in FY2021. Under this business model, Guizhou Tobacco Investment provides us with the principal raw materials and we manufacture them into the relevant tobacco compound fertiliser in accordance with the stipulated product specifications. We charge a production fee for such services. For further information, please refer to the sections headed "Business – Products – Compound Fertilisers" and "Business – Overlapping Customers and Suppliers" in this prospectus.

PRODUCTS

KCL and SOP are our major products. We also provide NOP, compound fertilisers, and by-products and others, which primarily consist of (i) HCL as by-product during our manufacturing of SOP, and (ii) fertiliser additive.

The key ingredient of our major products is potassium. Potassium, also known as potash, is the principal chemical in our fertiliser products and is one of the three basic plant nutrients along with nitrogen and phosphorus. Potassium is essential for carbohydrate and starch synthesis, and it also helps plants resist wilting. Up to 98% of potassium in the soil is unavailable to plants in its existing form, making potash fertilisers essential for crop production. Potassium salts in the form of sulphates (SOP), chlorides (KCL) and nitrates (NOP) are the forms of potash used in fertilisers. With the help of potash fertilisers, the quality of food being grown and crop yields are improved.

Potash fertilisers offer a wide range of benefits including (i) increase water retention; (ii) resistance to extreme weather; (iii) improve disease and pest resistance; (iv) low harmful effect on the environment and human health; and (v) improve crop yield and quality. Potash fertiliser is the major fertiliser type for high value-added agricultural crops, but its sales volume is usually lower than the sales volume of the other two major fertilisers (i.e., nitrogen and

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phosphorus) in the world as its average price is more expensive than nitrogen and phosphorus fertilisers. However, with the fast development of China's agricultural industry and upgrading of dietary structure, the demand for high value-added agricultural crops has increased, which generates rapidly growing sales for potash fertilisers.

Driven by the growing demand, the sales of our potash fertiliser products had experienced a significant growth during the Track Record Period. We expect to continue to benefit from the growing demand for potash fertiliser products in China. The following table sets forth the breakdown of our revenue by product type during the Track Record Period:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
KCL	1,250,489	60.1	3,180,575	82.8	4,024,088	85.2	2,377,891	87.2	1,948,412	85.3
SOP	522,039	25.1	533,569	13.9	476,058	10.1	213,759	7.8	250,386	11.0
NOP	49,068	2.4	8,933	0.2	15,366	0.3	12,391	0.5	2,347	0.1
Compound fertilisers										
– Sale ⁽¹⁾	193,629	9.3	24,992	0.7	47,747	1.0	9,812	0.3	8,363	0.4
– Production fees ⁽²⁾	–	–	20,804	0.5	30,041	0.6	9,975	0.4	5,424	0.2
By-products and others ⁽³⁾	66,354	3.1	72,527	1.9	129,449	2.8	103,395	3.8	68,815	3.0
Total	<u>2,081,579</u>	<u>100.0</u>	<u>3,841,400</u>	<u>100.0</u>	<u>4,722,749</u>	<u>100.0</u>	<u>2,727,223</u>	<u>100.0</u>	<u>2,283,747</u>	<u>100.0</u>

Notes:

- (1) It represents sale of compound fertiliser to our customers.
- (2) It presents the production fees for the provision of production services to Guizhou Tobacco Investment, one of our major customers, for the manufacturing of certain tobacco compound fertiliser for it, a new business arrangement we started to adopt in the fourth quarter of 2021.
- (3) By-products and others which mainly consist of HCL and fertiliser additive.

Our average selling prices per tonne of our KCL, SOP, NOP and compound fertiliser (excluding production fees) ranged from approximately RMB1,723.9 to RMB3,771.6, RMB2,328.4 to RMB3,850.3, RMB3,726.6 to RMB6,097.7 and RMB2,275.7 to RMB3,068.6 during the Track Record Period, respectively. For information regarding the sales volume and average selling price of our products by types, please refer to the section headed “Financial Information – Key Factors Affecting our Results of Operations” in this prospectus.

KCL

Potassium chloride, also known as KCL or MOP, is a compound with the chemical formula KCl and contain around 60% potassium oxide (K_2O) equivalent. It is characterised by a colourless, crystalline appearance and an odourless smell. KCL in its solid form can be easily dissolved in water. It is the most commonly used potash fertiliser and could be used to farm a variety of food, like wheat and celery. It can quickly be absorbed by plants and used directly by plants. KCL can also be used as a major raw material for other potash based fertilisers such as SOP, NOP and compound fertilisers. KCL is usually a less expensive source of potash given that it does not require further chemical processing.

Below are photos of our KCL in its powder form, granulated form and our KCL package:



SOP

Potassium sulphate, also known as SOP, is a compound with the chemical formula K_2SO_4 and contains around 50% potassium oxide equivalent and 17.6% sulphur. Normally, SOP appears as a white to faint yellow crystalline powder or crystals. Its hygroscopicity, the capacity of a product to react to the moisture content of the air by absorbing or releasing water vapour, is less than KCL which makes it more resistant to caking. In terms of effect on soil acidity and alkalinity, SOP is neutral and similar to KCL. SOP provides crops with sulphur, making it a useful fertiliser for crops requiring greater sulphur nutrition. Examples of crops which benefit from higher sulphur nutrition are crops in the cabbage, onions and mustard families as well as all oilseed crops and most tropical and temperate fruit crops. Further, SOP not only can supplement potassium for soil like KCL but also supplement zinc, boron, and other elements for the soil and also adjust the chemical structure of the soil and enhance soil fertility.

Below are photos of SOP and our SOP package:



NOP

Potassium nitrate, also known as NOP, is a compound with the chemical formula KNO_3 . It contains potassium, oxygen, and nitrogen. It is an alkali metal nitrate white or grey in colour. Agricultural NOP contains around 46% potassium oxide equivalent and nitrogen in the nitrate form; hence, it supplies two primary nutrients to the crops. Since the nutrients are supplied together and potassium improves plant utilisation of nitrate by effecting uptake and translocation, crop quality is more easily achieved when NOP is used. An abundant supply of nitrogen is essential for all high-yielding crops. For crops that prefer nitrate source to an ammonium source of nitrogen, this type of potash fertiliser is a good option and it is moderate in price. It is a suitable fertiliser for special use cropping situations (i.e., tobacco, fruit, vegetables, and flowers) given that NOP is chlorine-free, has high water solubility, and its active ingredients nitrogen and potassium can be quickly absorbed by crops.

We did not manufacture NOP during the Track Record Period since we discontinued manufacturing of NOP in 2019 when we decided to relocate our Chengdu Production Facility, our only production facility that manufactured NOP, due to re-zoning policy of the local government. All our sales of NOP were procured from Yunnan EuroChem, our indirect joint venture, which manufactures NOP at the Yunnan Production Facility, as well as from other domestic suppliers.

Below are photos of NOP and our NOP package:



Compound Fertilisers

Compound fertiliser is a multi-component fertiliser providing different composition of nitrogen, phosphorus and potassium components. Compound fertilisers have different composition and ratio in their components for different crops and therefore there is a wide range of prices. It can be used for balanced fertilisation and increase the utilisation rate of fertilisers. It has comprehensive nutrition that promotes crop yield and income, restores soil life, balances fertilisation and degradation of agricultural residues.

During the Track Record Period, a significant amount of the compound fertilisers we manufactured were for tobacco planting purposes and were sold to tobacco companies in China. For the tobacco compound fertiliser we manufactured for Guizhou Tobacco Investment, one of our major customers, we generally procure the principal raw materials as specified and

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supplied by it as it had stringent requirements on the tobacco compound fertiliser. For our other customers where they do not specify any requirements as to the source of raw materials, we would source and procure the raw materials through our own procurement process.

Starting from the fourth quarter of 2021, we were no longer required to procure the principal raw materials from Guizhou Tobacco Investment for certain tobacco compound fertiliser we manufactured for it. Instead, Guizhou Tobacco Investment provides the principal raw materials to us for manufacturing into tobacco compound fertiliser. Under this new arrangement, the ownership to the raw materials remains with Guizhou Tobacco Investment. We charge a production fee for the provision of production services. Since the adoption of this new business arrangement in the fourth quarter of 2021, we generated production fees of RMB20.8 million, RMB30.0 million and RMB5.4 million in FY2022, FY2023 and 8MFY2024, respectively, representing approximately 0.5%, 0.6% and 0.2% of our total revenue for FY2022, FY2023 and 8MFY2024, respectively. Please refer to the section headed “Business – Overlapping Customers and Suppliers” in this prospectus for further information. We also sell our compound fertilisers to other types of companies such as agricultural reclamation companies.

Below are photos of compound fertiliser and our compound fertiliser package:



By-Product

HCL is an aqueous solution of hydrogen chloride, belonging to one-component inorganic strong acid. HCL is a dangerous chemical with characteristics of colorlessness, irritating odour, high corrosiveness, and volatility. It is an important part of the chlor-alkali industry and can be widely used in medicine, food, metallurgy, printing and dyeing, leather and other industrial fields. HCL is generated as a by-product during the manufacturing of SOP, which we can sell to our customers for additional income apart from the sales of our main products.

PROCESSING AND MANUFACTURING

KCL Processing and Granulating

Upon receipt of KCL from our suppliers, we generally process them either by ourselves or through engaging third parties so that they, after being processed, can be properly stored, transported, sold or used for manufacturing of other fertiliser products, as the imported KCL

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may not be supplied to us in physical form and packaging that are suitable for these purposes. For example, during transportation it could expose the imported KCL to humidity, which may cause lumps and significantly affect the physical granularity of the KCL, or it could result in package damage.

For KCL processing, it generally requires (i) mixing various additives such as anti-caking agents and desiccants to the KCL; (ii) quality inspection; and (iii) packaging. If needed, we will grind the KCL using grinding machines before mixing with the additives. While KCL processing is an essential step in our operations and are not complicated, it can be handled by our employees with certain training or by third party service providers under our supervision.

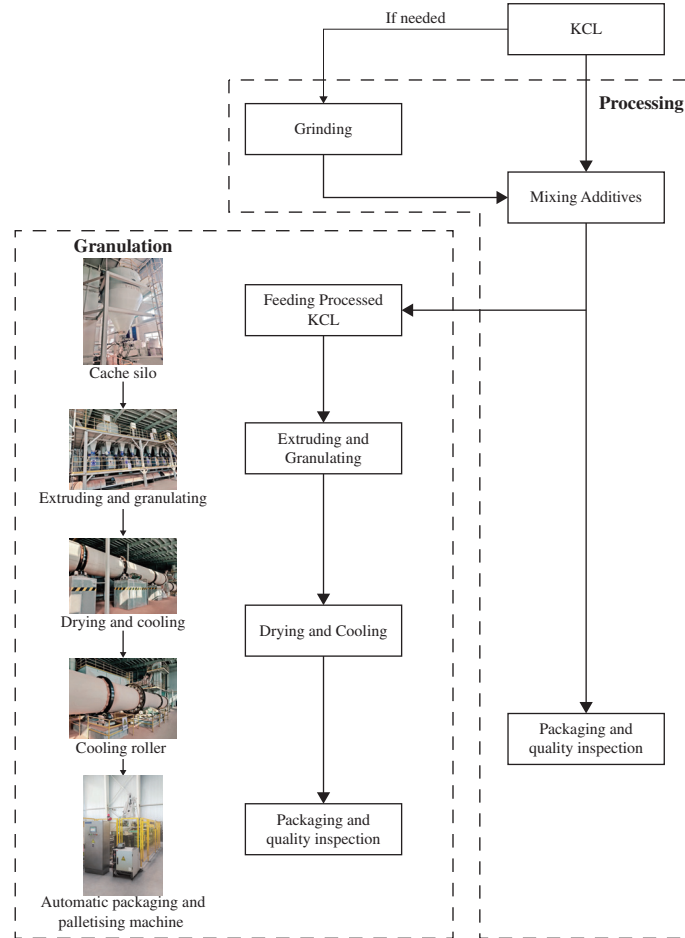
After processing, we will take a portion of the processed KCL to further granulate into KCL granules as specified by our customers. As at the Latest Practicable Date, we had a total of three KCL granulating lines, one of which was located at our Changchun Production Facility and the other two were located at our Anda Production Facility. During the Track Record Period, we occasionally utilised the granulating equipment of other fertiliser production lines for granulation of KCL in order to meet our customers' specific demand.

Our KCL granulating involves the following major steps.

- Step one: The anti-dosing system sends processed KCL to the silo, which then enter into the cache silo through the bucket elevator. After water is injected and mixed well, the mixture are delivered to the materials separation belt through the bucket elevator again for separation.
- Step two: After separation, the mixture will enter into the granulator for extrusion, and extruded particles enter into the semi-finished product roller screen, and unqualified particles enter into the bucket elevator by way of screening to re-enter into the granulator for re-extrusion.
- Step three: Screened semi-finished particles enter into the drying roller before they enter into the cooling roller after being dried. The particles after cooling enter into the finished product roller screen for screening again, while unqualified particles re-enter into the extruding granulator for re-extrusion.
- Step four: Finished KCL granules after screening in step three will enter into the finished product silo and are packaged and weighed by the automatic packer for random inspection. The qualified KCL granules are sent to the finished product warehouse.

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The diagram below illustrates the main procedures to process and granulate KCL:



SOP Manufacturing

The major raw materials used for our SOP manufacturing process include KCL and sulphuric acid. SOP is manufactured by the Mannheim Method, and HCL is the by-product during the manufacturing of SOP. We manufacture SOP and we can customise the products to meet our customers' specifications if requested by our customers. We also purchase SOP for further manufacturing into our SOP in accordance with the specifications and requirements as set out by our customers if our customers have tight timeline or additional orders as further manufacturing usually requires less lead time.

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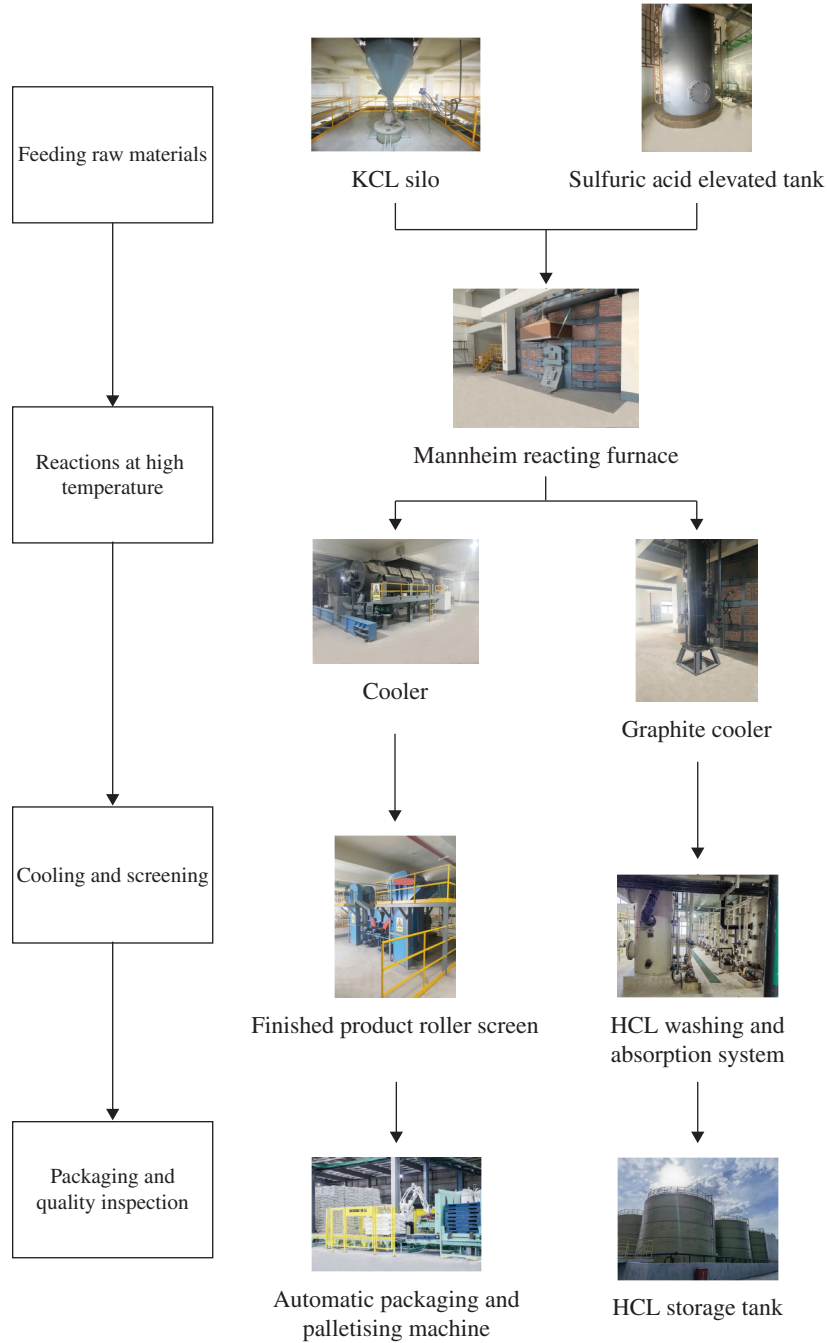
As at the Latest Practicable Date, we had a total of 40 SOP production lines, of which 16 were located at our Guangdong Production Facility, and eight were located at each of our Changchun Production Facility, Anda Production Facility and Baoqing Production Facility with a total of 24.

Our SOP manufacturing process involves the following major steps:

- Step one: KCL is transmitted to the silo through the hoist and sulfuric acid in the sulfuric acid storage tank is transmitted to the sulfuric acid elevated tank through the sulfuric acid pump.
- Step two: Sulfuric acid and KCL are put into the Mannheim reacting furnace. Under chemical reactions at high temperature, the stirrer in the furnace fully stirs KCL and sulfuric acid to generate SOP and HCL gas.
- Step three: SOP generated by the Mannheim Method is transmitted to the cooler and enters into the scrapper after cooling and is then sent to the crusher for crushing. Purchased SOP, if any, will also be added subsequently through the scraper. Crushed SOP is transmitted to the finished product roller screen for screening and unqualified SOP powder is returned to the crusher for re-crushing. HCL produced during the manufacturing of SOP is transmitted to the cooler for cooling and then is transmitted to HCL washing and absorption system.
- Step four: Finished SOP after screening in step three enters into the finished product silo for automatic packaging and granulating and a manual sampling inspection is conducted. Qualified SOP are sent to the finished product warehouse. Meanwhile, HCL is absorbed in the multi-layer absorber through the high-efficiency graphite cooler and then loaded into the HCL storage tank.

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The diagram below illustrates the main steps of the manufacturing process of our SOP:



Compound Fertiliser Manufacturing

We primarily use KCL, SOP, NOP, ammonium nitrate phosphate, ammonium dihydrogen phosphate and/or other raw materials to manufacture compound fertilisers. We may purchase compound fertilisers with standardised formulae to further manufacture into our compound fertilisers with tailored formulae based on the final use of the compound fertiliser of our customers, by adding new components and/or other raw materials to the purchased compound fertilisers.

During the Track Record Period, a significant portion of our compound fertilisers were manufactured for tobacco planting applications. We also manufacture a small portion of our compound fertilisers for tea, chili, fruits and vegetables planting applications. As at the Latest Practicable Date, we had three compound fertiliser production lines at our Daxing Production Facility.

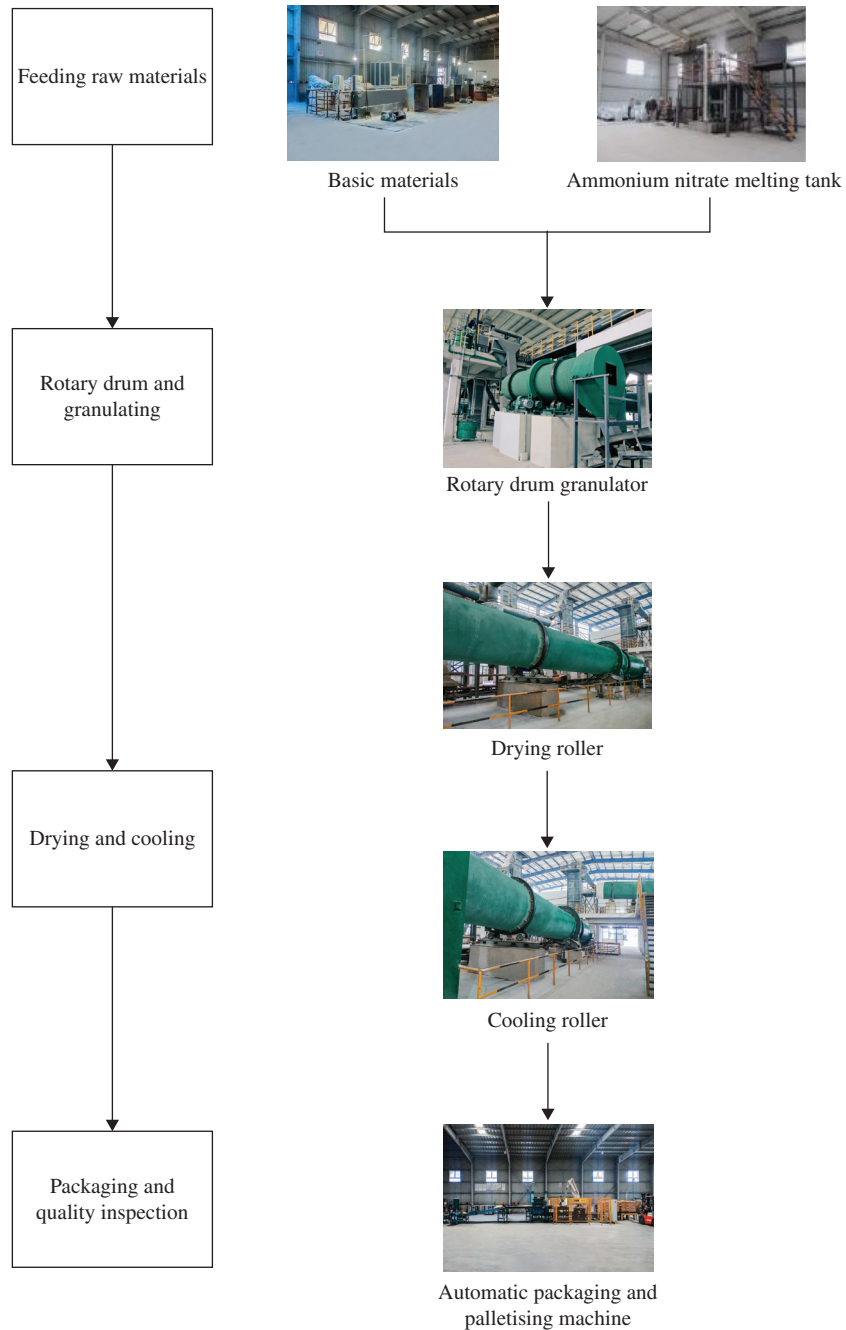
For our tobacco compound fertiliser manufacturing process, the raw materials are blended through certain procedures to manufacture tobacco compound fertilisers based on the fertiliser formulae as set out by our tobacco company customers. We also collaborate with our tobacco company customers to research and develop new formulae for compound fertiliser which are well tailored to their needs and are suitable for growth in the regions which they are located.

Compound fertiliser manufacturing process involves the following major steps:

- Step one: Based on the specified formulae, KCL, SOP, NOP and other basic materials and porcelain earth (adhesives) are added to raw material silos, then transmitted to granulator by raw material belt after measuring; if ammonium nitrate phosphate needs to be added according to the specific formulae, ammonium nitrate phosphate would be transmitted to ammonium nitrate melting tank to become ammonium nitrate phosphate solvent and transmitted to the granulator.
- Step two: Steams are added to the granulator, and the above materials are fully stirred to form particles by rotary drum and rolling-over.
- Step three: The semi-finished particles enter into the drying roller before they enter into the cooling roller after being dried. The particles after cooling enter into the finished product roller screen (No. 1, No. 2, No. 3 and No. 4 sieving machine) for four times of sieving, the unqualified particles are returned to granulator for re-granulating.
- Step four: The finished compound fertiliser after cooling treatment enter into the automatic packaging line for weighing and manual sampling, and the qualified compound fertiliser are stored in the finished product warehouse.

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The diagram below illustrates the main steps of the manufacturing process of our compound fertilisers:



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NOP Manufacturing

Historically, we manufactured NOP at our Chengdu Production Facility. Due to change of zoning policy by local government, our Chengdu Production Facility discontinued the manufacturing of NOP since January 2019. As such, we did not manufacture NOP during the Track Record Period.

EQUIPMENT

Our production facilities are configured with equipment and utilise technologies that we believe are advanced in the potash fertiliser manufacturing industry. We utilise machinery and equipment in our production methods that are designed to create efficiencies by enhancing the quantity and quality of our products while reducing costs.

We use different major manufacturing equipment for our manufacturing. Some of the major equipment include Mannheim reacting furnace, potassium nitrate crystalliser, granulator, ammonium chloride crystalliser and cooler. The replacement cycle of our major equipment generally ranged from approximately two to 20 years. As at 30 November 2023, the estimated remaining useful life of our major equipment generally ranged from approximately one to 18 years. In addition to performing regular maintenance on our equipment to maximise their useful life, we also plan to upgrade or replace some major equipment using some of the proceeds from the Global Offering. For further information of the use of proceeds from the Global Offering on the upgrading and replacement of equipment in our production facilities, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

We repair and maintain our equipment and facilities on a regular basis. In addition, we carry out our major equipment repairing, inspection and/or maintenance during non-peak season every year in order to avoid material disruption to our production. For FY2021, FY2022, FY2023 and 8MFY2024, our expenses in repairing and maintaining our equipment and facilities, including the expenses of purchasing replaceable parts, amounted to RMB8.6 million, RMB14.2 million, RMB3.1 million and RMB1.5 million, respectively. We recorded relatively higher expenses in repairing and maintaining our equipment and facilities for FY2022 primarily because of (i) the repair of the fire hydrant water supply system and the maintenance of the inner walls of our production rooms of our Guangdong Production Facility; and (ii) the maintenance of some of our Mannheim reacting furnaces at our Changchun Production Facility. We have not experienced any material or prolonged operational interruption due to equipment or facilities failure during the Track Record Period.

RESEARCH AND DEVELOPMENT

Our research and development activities are primarily for initiatives and technologies that aim to (i) improve production methods and promote automatic production procedures, (ii) reduce energy consumption and enhance production efficiency, (iii) develop specific compound fertilisers and new types of fertilisers, (iv) enhance compliance with environmental standards for production, and (v) improve product quality and stability.

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For FY2021, FY2022, FY2023 and 8MFY2024, our research and development expenses were RMB24.5 million, RMB38.9 million, RMB31.0 million and RMB26.3 million, respectively. A major undertaking in our research and development efforts during the Track Record Period is the Continuous Production of Potassium Sulfate by Metathesis Technology* (複分解法連續生產硫酸鉀技術), which aims to improve the production method and technique of SOP. Currently, a widely used method to manufacture SOP is the Mannheim Method. One of the limitations of the Mannheim Method is the generation of HCL, which is a highly corrosive and toxic substance, as a by-product and, HCL requires storage in closed tanks that meet certain technical requirements. As such, SOP production capacity is oftentimes limited by the HCL storage capacity.

The Continuous Production of Potassium Sulfate by Metathesis Technology aims to address such limitation of the Mannheim Method as this technology might allow certain chemical compound, instead of HCL, to be manufactured as a by-product. Such chemical compound generally does not have any specific or technical storage requirements unlike HCL. As such, the SOP production capacity would not be hindered by the availability of the HCL storage capacity. During the Track Record Period, we incurred, in aggregate, approximately 90.7% of our research and development expenses for this undertaking, which primarily consisted of the costs of raw materials, and research and development staff costs.

Apart from the new SOP production method as mentioned above, the remaining research and development expenses during the Track Record Period were primarily used in the development of (i) the SOP and KCL Granulation Technology* (硫酸鉀和氯化鉀造粒技術), (ii) specific new compound fertilisers and new types of fertilisers, and (iii) the Pulse Dust Collector Technology* (脈衝除塵器技術). We have applied these developments and technologies to our production. The SOP and KCL Granulation Technology are being applied in our existing granulation equipment to enhance the granulation procedures to allow for the production of more evenly sized granules, which in turn can increase production efficiency and reduce energy consumptions. We have also developed new specific fertilisers which are tailored for specific crops (such as tea and chili) for our customers. The Pulse Dust Collector Technology are being applied to the existing production equipment in all of our production facilities to enhance the efficiency on the collection of airborne dust and particles during our granulation and manufacturing procedures, which helps to reduce air pollution and harms to human health. Further, we have also developed various new devices to enhance our machinery and equipment for use at our production facilities. For example, we have obtained a utility patent for a flue-cured tobacco compound fertiliser cooling drum in 2022 which can be applied to our compound fertiliser machinery and equipment to enhance the cooling process during compound fertiliser production. For further information of our material patents which have been registered or applied for registration in the PRC, please refer to the section headed “Appendix IV – Statutory and General Information – B. Further Information about our Business – 2. Intellectual Property Rights of our Group – (b) Patents” in this prospectus.

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We also collaborate with a number of PRC research institutes, production facilities and universities to carry out research and development projects, and some of these projects were led by us. Some intellectual property rights derived from these collaborations belong to us and we are the sole owner of these intellectual property rights. Mr. Sun Pingfu, our executive Director, having over 30 years of experience in technology development, production management and project management in the chemical industry, is leading our research and development initiative. Further information of the qualifications and working experience of Mr. Sun Pingfu is set forth in the section headed “Directors and Senior Management” in this prospectus.

We consider that research and development capability is one of our competitive strengths to our success and growth. In this connection, we will continue to devote resources to research and development on our production technologies and manufacturing process. To facilitate our research and development, we intend to construct a research and development centre (“**Sichuan R&D Centre**”) in Chengdu City, Sichuan Province to centralise our research and development team to enhance its efficiency. By establishing our own centralised Sichuan R&D Centre, we believe that it would allow us for (i) better collaboration, and sharing of knowledge and expertise among the team, leading to enhanced productivity and innovation; (ii) centralising resources for efficient allocation and utilisation, which would enable us to improve operational efficiency and to achieve cost saving in terms of procurement and maintenance; and (iii) better control and oversight of research and development activities, which would facilitate better intellectual property protection. Please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds – Research and Development Centre” in this prospectus for further information of the Sichuan R&D Centre.

PRODUCTION FACILITIES AND CAPACITIES

Overview

As at the Latest Practicable Date, we had five key production facilities namely, Guangdong Production Facility, Changchun Production Facility, Daxing Production Facility, Baoqing Production Facility and Anda Production Facility, which are located in Guangdong Province, Jilin Province, Heilongjiang Province and Guizhou Province. Among these, Baoqing Production Facility and Anda Production Facility are owned by Baoqing Migao and Anda Migao, respectively, which became our subsidiaries on 31 March 2022. We also have a production facility, Chengdu Production Facility, in Chengdu City, Sichuan Province, which is subject to relocation due to local re-zoning policy. In addition, our indirect joint venture, Yunnan EuroChem, operates a production facility which is located in Yunnan.

As at the Latest Practicable Date, we had three KCL granulating lines, 40 SOP production lines, and three compound fertilisers production lines. Our total estimated production capacity of our KCL granules, SOP and compound fertiliser were 390,000 tonnes, 363,000 tonnes and 172,000 tonnes, respectively.

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Our production facilities are strategically located across different parts of China where the majority of our customers are located. The close proximity to the majority of our customers enables us to deliver our products to our customers in a timely and cost-efficient manner and also allows us to react swiftly to the needs of different customers across different regions in these provinces. Most of our major customers are located in five plantation zones in China and approximately 95.3%, 76.1%, 70.8% and 69.6% of our revenue were derived from customers from these planting zones for FY2021, FY2022, FY2023 and 8MFY2024, respectively.

The map below shows the plantation zones in China and the geographical location of our production facilities and the production facility of our indirect joint venture, Yunnan Production Facility, as at the Latest Practicable Date.



Notes:

- (1) Guangdong Production Facility
- (2) Changchun Production Facility
- (3) Anda Production Facility is owned by Anda Migao which became our subsidiary on 31 March 2022
- (4) Baoqing Production Facility is owned by Baoqing Migao which became our subsidiary on 31 March 2022
- (5) Daxing Production Facility
- (6) Our Chengdu Production Facility is subject to relocation due to change of zoning policy by the local government
- (7) Yunnan Production Facility is the production facility of Yunnan EuroChem, our indirect joint venture

Our Group's Production Facilities***Key Production Facilities During the Track Record Period***

Our Guangdong Production Facility is located in Guangdong Province. It commenced operations in 2004 and mainly manufactures SOP. As at the Latest Practicable Date, it hosted 16 SOP production lines. During the Track Record Period, the top two geographical locations served by our Guangdong Production Facility for each year/period included Southern China, Southwestern China, Central China and Northeastern China.

Our Changchun Production Facility is located in Jilin Province. It commenced operations in 2008 and mainly manufactures SOP. As at the Latest Practicable Date, it hosted one KCL granulating line and eight SOP production lines. During the Track Record Period, the top two geographical locations served by our Changchun Production Facility for each year/period included Northeastern China and Northern China.

Our Daxing Production Facility is located in Guizhou Province. It commenced operations in 2016 and mainly manufactures compound fertiliser. As at the Latest Practicable Date, it hosted three compound fertiliser production lines. During the Track Record Period, the top two geographical locations served by our Daxing Production Facility for each year/period included Southwestern China, Southern China, Eastern China and Northeastern China.

Production Facilities Consolidated since 31 March 2022

In Heilongjiang Province, we have Baoqing Production Facility and Anda Production Facility, which are owned by Baoqing Migao and Anda Migao and which became our subsidiaries on 31 March 2022. For FY2023 and 8MFY2024, the top two geographical locations served by our Baoqing Production Facility for the year/period included Northeastern China, Eastern China and Southern China. For FY2023 and 8MFY2024, the top two geographical locations served by our Anda Production Facility for the year/period included Northeastern China, Eastern China and Southern China.

Our Baoqing Production Facility consists of two phases. Phase I commenced operations in 2018 for manufacturing of SOP, which hosted four SOP production lines as at the Latest Practicable Date. We also commenced construction of phase II of our Baoqing Production Facility for four additional SOP production lines and obtained the approval for trial production in March 2022. We began trial production in April 2022 and received the construction completion approval from the relevant authorities in March 2023.

Our Anda Production Facility consists of two phases. Phase I commenced operations in 2021 and is for manufacturing of SOP and granulation of KCL, which hosted four SOP production lines and two KCL granulating lines, including the one approved by the relevant government authorities in February 2023, as at the Latest Practicable Date. We have also commenced construction of phase II of our Anda Production Facility for four additional SOP production lines around June 2021. We began trial production in December 2022 and received the construction completion approval from the relevant authorities in December 2023.

As at the Latest Practicable Date, the total aggregate estimated production capacity of our Baoqing Production Facility and Anda Production Facility was approximately 200,000 tonnes of KCL and 145,200 tonnes of SOP.

Production Facility Subject to Relocation

Our Chengdu Production Facility is located in Sichuan Province and mainly manufactured NOP and compound fertilisers. Due to change of zoning policy by local government to re-zone the area where our Chengdu Production Facility is located and our discussion with the local government since October 2018, we decided to relocate our Chengdu Production Facility. Further to our discussion with the local government, we discontinued manufacturing of NOP in January 2019 and, in view of the uncertainty in the timetable of the local government re-zoning implementation plan, we decided to discontinue manufacturing of compound fertiliser at our Chengdu Production Facility in April 2020 and consolidate manufacturing of compound fertilisers to our Daxing Production Facility. We also suspended the KCL granulation operations at our Chengdu Production Facility from March 2022. During the Track Record Period and prior to the suspension of the KCL granulation operations, Sichuan Migao sold both processed KCL and granulated KCL to our customers. During the Track Record Period, the top two geographical locations served by our Chengdu Production Facility for each year/period included Southwestern China, Southern China and Eastern China.

The timing for which we are required to close our Chengdu Production Facility is still subject to local government's re-zoning implementation plan and was not made available to us as at the Latest Practicable Date.

Impact of Chengdu Production Facility on our Group

We discontinued NOP manufacturing in January 2019 due to the expected relocation of our Chengdu Production Facility, which was our only production facility with NOP manufacturing capability. To mitigate the immediate impact on our Group, we have been procuring NOP from Yunnan EuroChem, our indirect joint venture. Yunnan EuroChem owns and runs a fertiliser production facility in Yunnan Province, the Yunnan Production Facility. We have entered into an NOP cooperation framework agreement (the “**Previous NOP Cooperation Framework Agreement**”) with Yunnan EuroChem on 1 April 2020. Pursuant to the Previous NOP Cooperation Framework Agreement, under similar terms, Yunnan EuroChem shall give us priority to satisfy our purchase demands. Both parties shall enter into a separate sale and purchase contract for each purchase which will specify the specific time, place and manner of delivery of potash products. Once the sale and purchase contract comes into effect, we are not allowed to return goods and both parties are not allowed to terminate the contract. The term of the Previous NOP Cooperation Framework Agreement is three years, from 1 April 2020 to 31 March 2023. Upon the expiry of the Previous NOP Cooperation Framework Agreement, we and Yunnan EuroChem entered into another NOP cooperation framework agreement with similar terms as the Previous NOP Cooperation Framework Agreement on 1 April 2023 (the “**New NOP Cooperation Framework Agreement**”). The term of the New NOP Cooperation Framework Agreement is three years, from 1 April 2023 to 31 March 2026.

During the Track Record Period, in addition to the Previous NOP Cooperation Framework Agreement, we also purchased NOP from other domestic suppliers, which were generally available in China. For FY2021, FY2022, FY2023 and 8MFY2024, revenue from our sale of NOP amounted to RMB49.1 million, RMB8.9 million, RMB15.4 million and RMB2.3 million, respectively, which only accounted for approximately 2.4%, 0.2%, 0.3% and 0.1% of our total revenue, respectively.

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We had one compound fertiliser production line at our Chengdu Production Facility prior to its discontinuation of production of compound fertilisers. Since its discontinuation of production, all the production of compound fertilisers were manufactured at our Daxing Production Facility, which had three production lines of compound fertilisers with an aggregate estimated production capacity of 172,000 tonnes as at the Latest Practicable Date. Currently our Daxing Production Facility has sufficient capacity to manufacture all the compound fertilisers that we sell. For FY2021, FY2022, FY2023 and 8MFY2024, our total sale volume of compound fertilisers (inclusive of compound fertiliser produced under the production services business model) amounted to approximately 82,000 tonnes, 57,000 tonnes, 77,000 tonnes and 17,000 tonnes, respectively.

The estimated cost to close down our Chengdu Production Facility is approximately RMB4.8 million, including, among others, the machineries and equipment removal expenses and miscellaneous expenses. We expect that such expenditure could be fully covered by the sale of the machineries and equipment at our Chengdu Production Facility which we estimate to be approximately RMB5.7 million based on a fee quote we obtained from a third party company. In the unlikely event that there is any shortfall, we plan to finance such expenditure from our internal resources.

Based on our estimation, the annual costs to maintain our Chengdu Production Facility prior to its closure is approximately RMB11 million, which primarily included depreciation charges of the building, staff costs, land use right tax and property tax and other miscellaneous expenses.

In view of the above, our Directors believe that the relocation of our Chengdu Production Facility did not and would not have a significant impact on our business operation given that (i) we were able to source the required amount of NOP from Yunnan EuroChem and other domestic NOP suppliers; and the sale of NOP only accounted for a small percentage of our total revenue during the Track Record Period; (ii) our Daxing Production Facility had the capacity to produce the required amount of compound fertiliser we sold during the Track Record Period; (iii) we have KCL granulating lines at both Changchun Production Facility and Anda Production Facility to cover the KCL granulating operations at our Chengdu Production Facility; (iv) the estimated costs in relation to the closure of our Chengdu Production Facility is expected to be fully covered from the sale of the machineries and equipment at our Chengdu Production Facility; and (v) the estimated annual costs in maintaining our Chengdu Production Facility only accounted for less than 1% of our total revenue for each of FY2021, FY2022 and FY2023.

We intend to construct our New Sichuan Production Facility in Mianyang City, Sichuan Province and resume production of NOP and compound fertilisers at the new production facility upon completion of its construction. For further information, please refer to the section headed “Business – Expansion Plan – New Sichuan Production Facility Plan” in this prospectus.

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Utilisation Rates

The table below sets out various information of our production facilities (including Baoqing Production Facility and Anda Production Facility) during the Track Record Period:

	For the Year Ended 31 March						For the Eight Months Ended 30 November								
	2021			2022			2022			2023					
	Estimated production capacity ⁽¹⁾ tonnes	Actual production volume ⁽²⁾ tonnes	Utilisation rate ⁽³⁾ %	Estimated production capacity ⁽¹⁾ tonnes	Actual production volume ⁽²⁾ tonnes	Utilisation rate ⁽³⁾ %	Estimated production capacity ⁽¹⁾ tonnes	Actual production volume ⁽²⁾ tonnes	Utilisation rate ⁽³⁾ %	Estimated production capacity ⁽¹⁾ tonnes	Actual production volume ⁽²⁾ tonnes	Utilisation rate ⁽³⁾ %			
KCL processing⁽¹⁴⁾	356,400	376,964	105.8	351,360⁽¹³⁾	650,226	185.1	346,680⁽¹³⁾	749,827	216.3	227,880⁽¹³⁾	386,965	169.8	237,600	559,574	235.5
• Changchun Production Facility	118,800	24,494	20.6	113,760 ⁽¹³⁾	166,621	146.5	109,080 ⁽¹³⁾	259,394	237.8	69,480 ⁽¹³⁾	104,163	149.9	79,200	88,531	111.8
• Guangdong Production Facility	237,600	352,470	148.3	237,600	483,605	203.5	237,600	490,433	206.4	158,400	282,802	178.5	158,400	471,043	297.4
KCL granules⁽⁴⁾	190,000	250,880	132.0	240,273⁽⁸⁾⁽¹³⁾	322,219	134.1	291,121⁽¹⁰⁾⁽¹³⁾	314,868	108.2	177,788⁽¹³⁾	188,956	106.3	260,000	190,339	73.2
• Changchun Production Facility ⁽⁴⁾	190,000	250,880	132.0 ⁽¹⁶⁾	181,940 ⁽¹³⁾	246,592	135.5	174,454 ⁽¹³⁾	181,843	104.2	111,121 ⁽¹³⁾	127,531	114.8	126,667	153,884	121.5
• Anda Production Facility ⁽⁴⁾⁽⁵⁾	-	-	-	58,333 ⁽⁸⁾	75,627	129.6	116,667 ⁽¹⁰⁾	133,025	114.0	66,667	61,425	92.1	133,333	36,455	27.3
SOP	255,000	220,328	86.4	273,080⁽⁸⁾⁽¹³⁾	160,668	58.8	332,917⁽¹²⁾⁽¹³⁾	110,937	33.3	211,917⁽¹³⁾	68,242	32.2	242,000	103,053	42.6
• Guangdong Production Facility	146,000	101,457	69.5	146,000	75,804	51.9	146,000	32,052	22.0	97,333	20,423	21.0	97,333	46,143	47.4
• Changchun Production Facility	73,000	87,385	119.7 ⁽⁷⁾	70,080 ⁽¹³⁾	41,771	59.6	66,917 ⁽¹³⁾	- ⁽¹¹⁾	- ⁽¹¹⁾	42,584 ⁽¹³⁾	- ⁽¹¹⁾	- ⁽¹¹⁾	48,667	- ⁽¹¹⁾	- ⁽¹¹⁾
• Baoqing Production Facility ⁽⁵⁾	36,000	31,486	87.5	36,000	36,808	102.2 ⁽⁹⁾	72,000	37,564	52.2	48,000	29,794	62.1	48,000	16,735	34.9
• Anda Production Facility ⁽⁵⁾	-	-	-	21,000 ⁽⁸⁾	6,285	29.9	48,000 ⁽¹²⁾	41,321	86.1 ⁽¹¹⁾	24,000	18,025	75.1	48,000	40,175	83.7

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	For the Year Ended 31 March				For the Eight Months Ended 30 November							
	2021		2022		2022		2023					
	Estimated production capacity ⁽¹⁾ tonnes	Actual production volume ⁽²⁾ tonnes	Utilisation rate ⁽³⁾ %	Estimated production capacity ⁽¹⁾ tonnes	Actual production volume ⁽²⁾ tonnes	Utilisation rate ⁽³⁾ %	Estimated production capacity ⁽¹⁾ tonnes	Actual production volume ⁽²⁾ tonnes	Utilisation rate ⁽³⁾ %			
Compound fertiliser ⁽⁶⁾⁽⁵⁾	172,000	75,763	44.0	172,000	62,112	36.1	172,000	77,311	44.9	114,667	22,917	20.0
• Daxing Production Facility ⁽⁶⁾	172,000	75,763	44.0	172,000	62,112	36.1	172,000	77,311	44.9	114,667	22,917	20.0

Notes:

- (1) The estimated production capacity is calculated with reference to the assumptions that (i) in respect of KCL processing that certain machineries used in packaging in KCL processing are capable to operate eight hours per day (based on the existing work schedule of the Group with only one eight hour shift per day for such KCL processing steps) at our Changchun Production Facility and Guangdong Production Facility, which were the only production facilities in our Group equipped with the relevant packaging machinery, and 330 days for each year for FY2021, FY2022 and FY2023 and 220 days for 8MFY2023 and 8MFY2024; (ii) in respect of KCL granulation (subject to the further adjustments as set out in notes 8, 10 and 13) and compound fertiliser production that the KCL granulating lines and the compound fertiliser production lines are capable to operate 24 hours per day (based on a two 12 hour shifts per day) and 330 days for each year for FY2021, FY2022 and FY2023 and 220 days for 8MFY2023 and 8MFY2024, taking into account the downtime required for maintenance; (iii) in respect of SOP production (subject to the further adjustments as set out in notes 8, 12 and 13) that the SOP production lines are capable to operate 24 hours per day (based on a two 12 hour shifts per day) and 300 days for each year for FY2021, FY2022 and FY2023 and 200 days for 8MFY2023 and 8MFY2024, taking into account the downtime required for maintenance and the time required for cooling off the Mannheim reacting furnace for maintenance and the time required to restart the Mannheim reacting furnace after maintenance; but (iv) constrained by the registration documents we filed with the PRC authorities for our production facilities. According to the relevant PRC authorities' approval and filing documents on capacity of our facilities obtained by us, there are no other specific requirements or constraints on capacity except the capacity scale of each project. The employees involved in KCL processing and KCL granulation are not the same.
- (2) For KCL granules, the actual production volume represents the actual production volume of granulated KCL for the year/period at our Changchun Production Facility and our Anda Production Facility utilising KCL granulating lines and other fertiliser production lines at the relevant production facility. For SOP and compound fertilisers, the actual production volume represents the actual production volume from the respective production lines for the year/period.
- (3) The utilisation rate equals the actual production volume divided by the respective estimated production capacity for the year/period multiplied by 100%.
- (4) The estimated production capacity of KCL granules only included the estimated production capacity of the one KCL granulating line at our Changchun Production Facility and the one/two KCL granulating line(s) at our Anda Production Facility. Although we occasionally utilised the granulating equipment of our other fertiliser production lines at our production facilities (including our Changchun Production Facility, Chengdu Production Facility, Daxing Production Facility, Anda Production Facility and Baoping Production Facility) to granulate KCL, we did not include the estimated production capacity of those granulating equipment in deriving our estimated production capacity of KCL in the

table above since those are not used exclusively for granulation of KCL. The aggregate actual production volume of KCL granules utilising granulating equipment of other fertiliser production lines other than at our Changchun Production Facility and Anda Production Facility were approximately 66,000 tonnes, 170,000 tonnes, 8,200 tonnes, nil and nil for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively.

The utilisation rate of KCL granules equals the actual production volume of KCL at our Changchun Production Facility and Anda Production Facility divided by the estimated production capacity of the one KCL granulating line at our Changchun Production Facility and the one/two KCL granulating line(s) at our Anda Production Facility. The KCL granulation utilisation rate exceeded 100% because we occasionally utilised the granulating equipment of our SOP production lines of Changchun Production Facility and Anda Production Facility for granulation of KCL.

- (5) Baoping Production Facility and Anda Production Facility became part of our Group since 31 March 2022.
- (6) During the Track Record Period, we made use of our idle equipment in the Chengdu Production Facility and Daxing Production Facility to granulate KCL.
- (7) We recorded high utilisation rate of SOP at our Changchun Production Facility for FY2021 due to the high market demand for SOP from the customers of Changchun Migao. Also as the maintenance time for our Changchun Production Facility was less than usual for FY2021, it allowed us to exceed 100% utilisation rate.
- (8) Phase I of the Anda Production Facility commenced trial production in September 2021. Its estimated production capacity of KCL and SOP for FY2022 was calculated on pro rata basis based on an estimated annual production capacity of 100,000 tonnes and 36,000 tonnes, respectively.
- (9) Given that the lower demand for our SOP for FY2022, we decided to concentrate SOP manufacturing to our Baoqing Production Facility which thereby led to a high utilisation rate of SOP at our Baoqing Production Facility for FY2022.
- (10) A fertiliser production line at the Anda Production Facility with 100,000 tonnes estimated annual production capacity was redesignated and approved as a KCL granulating line in February 2023. Anda Production Facility estimated annual production capacity of KCL for FY2023 was calculated based on (i) full estimated annual production capacity of 100,000 tonnes of KCL of the original KCL granulating line; and (ii) a pro rata basis of an estimated annual production capacity of 100,000 tonnes of KCL of the redesignated KCL granulating line.
- (11) Given the relatively low demand for SOP for FY2023, 8MFY2023 and 8MFY2024, we did not engage our Changchun Production Facility for the manufacturing of SOP. We allocated the manufacturing from our Changchun Production Facility to our Anda Production Facility.
- (12) Phase II of the Anda Production Facility commenced trial production in December 2022. Anda Production Facility estimated production capacity of SOP for FY2023 was calculated based on (i) full estimated annual production capacity of 36,000 tonnes of SOP of Phase I of the Anda Production Facility; and (ii) a pro rata basis of an estimated annual production capacity of 36,000 tonnes of SOP of Phase II of the Anda Production Facility.

- (13) Our Changchun Production Facility was temporarily suspended from mid-March 2022 to end of April 2022 following the guidance from the local government on COVID-19 protection measures. Due to the temporary suspension, the estimated production capacity of KCL processing at our Changchun Production Facility was calculated based on eight hours of operation for 316 days for FY2022, 303 days for 8MFY2023, the estimated production capacity of the KCL granulating lines at our Changchun Production Facility was calculated based on 24 hours of operation for 316 days for FY2022, 303 days for FY2023 and 193 days for 8MFY2023, and the estimated production capacity of the SOP production lines at our Changchun Production Facility was calculated based on 24 hours of operation for 288 days for FY2022, 275 days for FY2023 and 175 days for 8MFY2023.
- (14) With respect to the actual production volume of processed KCL for the purpose of determining our utilisation rate, we use our total sales volume of processed KCL (excluding the portion used as raw material for granulation and manufacturing), subject to the following qualifications and assumptions. While KCL processing also takes place at our production facilities other than our Changchun Production Facility and Guangdong Production Facility, those production facilities do not have packaging machineries solely used for KCL processing. As such, for the purpose of calculation of our utilisation rate for KCL processing, the actual production volume of processed KCL (represented by sales volume) at such production facilities are allocated and aggregated with that of Changchun Production Facility and Guangdong Production Facility, based on the locations of the relevant customers for the processed KCL. In addition, the actual production volume for processed KCL (as represented by sales volume) as indicated in the table include KCL processed by us and by third party service providers instructed by us. We do not differentiate KCL processed solely by our employees and those processed by third party service providers instructed by us because for any given batch of processed KCL sold, it could involve processing steps wholly or partially (within the same batch) done by our employees and by third party service providers and it is not feasible to trace the exact input of our employees and the relevant third party service providers.
- Certain utilisation rates for KCL processing during the Track Record Period exceeded 100% because (i) we worked overtime in excess of eight hours during busy time and (ii) the qualifications and assumptions regarding actual production volume of processed KCL stated above, including involvement of third party service providers in KCL processing.
- (15) Different types of compound fertilisers have different composition and ratio of their components, however, they are generally produced using the same manufacturing process and production line. As such, the differences in the composition and ratio of our compound fertilisers do not affect our compound fertiliser utilisation rates.
- (16) For FY2021, our KCL granulation utilisation rate at our Changchun Production Facility reached 132.0% as we (i) temporarily increased our production volume of KCL granulation of the KCL granulating line at our Changchun Production Facility, (ii) utilised the idle granulating equipment of our other fertiliser production lines at our Changchun Production Facility, and (iii) utilised the idle granulation equipment of our neighboring production facility (Baoqing Production Facility).

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The utilisation rates of our production lines are generally subject to seasonality impact, given that our fertiliser products are primarily for agricultural use which is subject to seasonal fluctuations. Farmers in China typically apply crop nutrients during two application periods. The main application period is the spring planting season (January to March) and the other application period is the post harvest fertilising season (October to December). As a result, the strongest demand for our products typically occurs during the spring planting season and the post harvest fertilising season. Therefore, our peak season is typically from October to March and our non-peak season is typically from April to September. Our fertiliser products have a short lead time, which is usually within one month. The peak season and non-peak season for our production align with the corresponding seasons of demand for our fertiliser products. Please refer to the section headed “Financial Information – Key Factors Affecting our Results of Operations – Seasonality” in this prospectus for further information.

As we need to ensure we have sufficient production capacity during our peak season to satisfy our customers’ demand, we generally plan for our production capacity based on our production during our peak season and we therefore generally witnessed lower utilisation rates for our SOP and compound fertiliser during the Track Record Period. Further, the utilisation rates of our production lines for all of our products are generally lower for the 8MFY2023 and 8MFY2024 as compared to the full year utilisation rate because the majority of these eight-month periods falls within our non-peak season (April to September) and thus are not meaningful indication of full year utilisation rates in the relevant financial year.

KCL

Our KCL processing utilisation rate was approximately 105.8%, 185.1%, 216.3%, 169.8% and 235.5% for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively. Our KCL processing utilisation rate follows the same trend of our sales volume of our processed KCL.

Our KCL granulation utilisation rate was approximately 132.0%, 134.1%, 108.2%, 106.3% and 73.2% for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively. Our KCL granulation utilisation rate exceeded 100% for FY2021, FY2022, FY2023 and 8MFY2023 mainly because we occasionally utilised the granulating equipment of our SOP production lines at our Changchun Production Facility and Anda Production Facility for KCL granulation. For FY2021, FY2022, FY2023 and 8MFY2024, we sold approximately 348,000 tonnes, 458,000 tonnes, 315,000 tonnes and 191,000 tonnes of granulated KCL, respectively. During the Track Record Period, the customers who purchased granulated KCL from us were mainly agribusiness and/ or agricultural reclamation companies located in the northern region of China, where granulated KCL is more ideal for plantation purpose due to the windy climatic condition there. In FY2022, there were three additional customers (whom did not purchase any granulated KCL from us in FY2021) purchased an aggregate of approximately 96,000 tonnes of granulated KCL from us, which led to a higher sales of granulated KCL in FY2022 compared to that of FY2021 and FY2023. In FY2023, due to the increase in prevailing domestic market price of KCL, the demand from our relevant customers for KCL (including granulated KCL) decreased from approximately 427,000 tonnes for FY2022 to approximately 224,000 tonnes for FY2023. Our KCL granulation utilisation rate was relatively high at approximately 106.3% for 8MFY2023 despite it fell mostly within our non-peak season primarily because some of our

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customers had increased their potash fertiliser reserve in view of the potential increase in the domestic market price of imported KCL due to the global supply uncertainty. We had a lower KCL granulation utilisation rate of approximately 73.2% for 8MFY2024 primarily due to such period fell within our non-peak season.

SOP

We had a low SOP utilisation rate of approximately 58.8% for FY2022 due to the general lower demand of SOP from our customers due to our high selling prices of SOP. It led to some of our customers to choose to use KCL as alternative to SOP as KCL can in general be used to replace, to some extent, SOP, and thereby resulting in lower demand of SOP for FY2022. We had a relatively low SOP utilisation rate of approximately 33.3% for FY2023 primarily due to (i) a decrease in demand of SOP from customers as a result of our higher average selling price of SOP during FY2023 as compared to that of FY2022; and (ii) the increase in SOP production capacity as we had four additional SOP production lines which commenced trial production in December 2022 at our Anda Production Facility. We had a low SOP utilisation rate of approximately 32.2% and 42.6% for 8MFY2023 and 8MFY2024 primarily due to such periods mostly fell within our non-peak season, and our production facilities underwent equipment repairing, inspection and maintenance during our non-peak season.

Compound Fertilisers

We recorded a relatively low compound fertiliser utilisation rate of approximately 44.0%, 36.1%, 44.9%, 21.7% and 20.0% for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively. Although all our fertiliser products are subject to seasonality impact, our compound fertiliser are especially affected by seasonality impact. For FY2021, FY2022 and FY2023, we manufactured approximately 92.5%, 98.3% and 97.6% of our total compound fertiliser during the peak season for each of the respective year. Our compound fertiliser are generally tailor made to customer specifications and therefore the manufacturing of compound fertiliser at our Daxing Production Facility follows closely the placement of orders by our customers based on their individual needs. For example, we generally manufacture tobacco compound fertilisers based on the specific formulae we research and develop with them in order to ensure the tobacco compound fertiliser are tailored to their needs and are suitable for growth of tobaccos. Given that compound fertiliser generally need to be tailor made, we are not able to manufacture our compound fertiliser during our non-peak season until we have confirmed the specific formulae with the customers which are generally provided to us close to the plantation season.

Our Unconsolidated Indirect Joint Venture's Production Facility

Yunnan Production Facility is operated by Yunnan EuroChem, our indirect joint venture. For further information regarding Yunnan EuroChem, please refer to the section headed "History, Reorganisation and Corporate Structure – Our Joint Venture – EuroChem Migao and Yunnan EuroChem" in this prospectus. As at the Latest Practicable Date, the Yunnan Production Facility hosted one NOP production line and two compound fertilisers production lines.

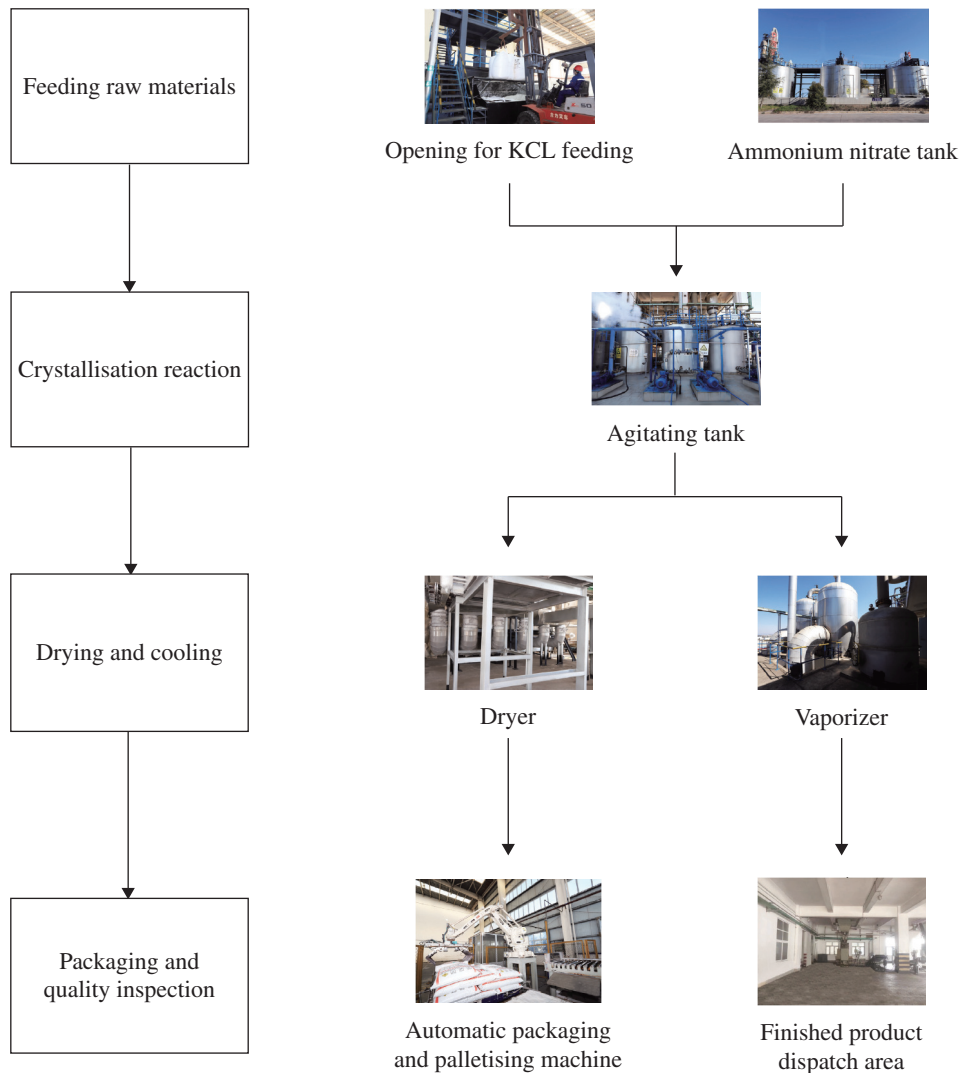
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Its estimated production capacity of NOP and compound fertiliser were 80,000 tonnes and 100,000 tonnes, respectively, for FY2023. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, the actual production volume of NOP was approximately 56,000 tonnes, 34,000 tonnes, 47,000 tonnes, 23,000 tonnes and 12,000 tonnes, respectively, and the actual production volume of compound fertiliser was approximately 60,000 tonnes, 18,000 tonnes, 60,000 tonnes, 16,000 tonnes and 7,000 tonnes, respectively.

NOP Manufacturing Process at Yunnan Production Facility

KCL and ammonium nitrate are used as the primary raw materials for the manufacturing of NOP at the Yunnan Production Facility. Through certain chemical processes, NOP is manufactured as the main product and NHCL is manufactured as a by-product.

The diagram below illustrates the main steps of the manufacturing process of NOP at the Yunnan Production Facility:



EXPANSION PLAN

To expand our production capacities to capture the anticipated growing demands for our fertiliser products and to replace our Chengdu Production Facility, we intend to commence construction of our New Sichuan Production Facility in the second half of 2024.

New Sichuan Production Facility Plan

To ensure we will have our own NOP manufacturing capability, we intend to commence construction of our New Sichuan Production Facility in Mianyang City, Sichuan Province in the second half of 2024, which upon its construction shall be able to replace the NOP and compound fertilisers manufacturing functions at our Chengdu Production Facility. In addition, the New Sichuan Production Facility will also enable us to capture the market demand in the area more efficiently as our production facility will be located close to those customers. We have already begun exploring the market demand in the area and had acquired 18 new customers from the region where they had, in aggregate, purchased approximately 195,000 tonnes of KCL and compound fertiliser from us from 1 April 2022 to 30 November 2023.

In January 2021, we have entered into a cooperation agreement with the local authorities in respect of our investment in the new production facility. Below are certain key terms of the cooperation agreement:

- **Investment Amount:** We plan to invest a total amount of RMB2 billion to acquire 200 mu of land in the Mianyang Economic and Technological Development Zone and to implement the project for manufacturing and sale of SOP, NOP, compound fertilisers and potash fertiliser products. Such investment amount also includes the working capital and investment for inventory for five years. The total investment amount will be funded from internal resources, external borrowings, net proceeds from the Global Offering, and cash flow from the operations of the New Sichuan Production Facility.
- **Production Lines:** We plan to build eight sets of SOP production lines with an estimated annual production capacity of 80,000 tonnes, one set of NOP production line with an estimated annual production capacity of 60,000 tonnes and one set of compound fertiliser production line with an estimated annual production capacity of 200,000 tonnes in the new facility.
- **Land Acquisition and Price:** The land will be offered for sale through public listing at a price to be determined by the Mianyang government at the time of sale and we will acquire the land in accordance with the laws and obtain the PRC real property ownership certificate.

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- **Land Use and Term:** The land is to be used for industrial purposes for construction of production plants, offices and ancillary facilities. The term for the land-use right is 50 years.
- **Land Payment Terms:** After we acquire the land, we will execute the state-owned construction land use right transfer confirmation and state-owned construction land use right transfer contract with the Mianyang government, and pay the land transfer fee and the related land transfer taxes in full at the time specified in the contract.
- **Obligations of the Management Committee:** The management committee of the local government authorities shall be responsible for (i) the construction of water supply, power supply, gas supply, sewage discharge networks, roads, and other municipal facilities; (ii) relocation of local farming households; (iii) assisting us to apply for construction project programming permit; (iv) assisting us to apply for project approval and the PRC real property ownership certificate; and (v) assisting us to obtain various subsidy funding and preferential policy support.
- **Obligations of Us:** We are required to provide feasibility report and ensure compliance with national industrial policies, market entry standards and environmental protection and safety provisions, and pay the relevant fees and expenses.
- **Preferential Policy:** We are entitled to enjoy various preferential policies offered by the local government.

Construction Plan and Investment Costs

We intend to construct eight SOP production lines, one NOP production line and one compound fertilisers productions line with an aggregate estimated production capacity of 80,000 tonnes of SOP, 60,000 tonnes of NOP and 200,000 tonnes of compound fertilisers, respectively.

We expect to commence construction in the second half of 2024 and to complete construction and commence operation in the second half of 2025. The total site area of our New Sichuan Production Facility is expected to be approximately 133,334 sqm and the total gross floor area is expected to be approximately 86,378.3 sqm.

For our New Sichuan Production Facility, we expect the investment costs to be approximately RMB265.8 million, of which approximately (i) RMB56.5 million is the land acquisition costs; (ii) RMB94.0 million is the construction costs; (iii) RMB94.3 million is for purchasing of equipment and machinery; and (iv) RMB21.0 million is installation and miscellaneous costs.

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Assuming that, among others, (i) total hiring of 255 employees; (ii) property and building with 20 years depreciation period; (iii) equipment and machinery with 10 years depreciation period; (iv) maintenance fee of 2% of the fixed assets; (v) other management fees of 30% of the employee salary and benefits; (vi) other manufacturing fees of 2% of the fixed assets; (vii) other sales expenses of 1% of the total revenue; (viii) utilisation rate of SOP and NOP production lines to reach 60% for the first year of operation, 70% for the second year of operation and 80% for the third to seventh year of operation and the utilisation rate of compound fertiliser production lines to reach 30% for the first year of operation, 40% for the second year of operation and 50% for the third to seventh year of operation; (ix) selling price of SOP of RMB3,300 per tonne and selling price of compound fertiliser (with NOP in its component) of RMB4,100 per tonne; and (x) corporate income tax rate of 25% with no preferential tax treatment, the breakeven point of our New Sichuan Production Facility, i.e., the amount of sales required to cover its costs and expenses which results in zero net income, is approximately within two years from the commencement date of its construction. The expected time required for our New Sichuan Production Facility to recover the investment costs, i.e., the payback period, is approximately 5.8 years from the commencement date of its construction with reference to the feasibility study report. As at the Latest Practicable Date, we had not incurred any cost in connection with the land acquisition nor the construction of our New Sichuan Production Facility as it was still under the planning stage.

The following table sets out a breakdown of our main investment amount with respect to the land acquisition, construction, equipment and machinery acquisition, and installation and miscellaneous costs of our New Sichuan Production Facility for the year specified.

	For the year ending	
	31 March	31 March
	2025	2026
	<i>RMB'000</i>	
Land acquisition	56,510	–
Construction	47,010	47,010
Equipment and machinery	47,155	47,155
Installation and miscellaneous costs	–	20,990
	–	20,990
Total	150,675	115,155

Justification for Construction of New Sichuan Production Facility

Due to change of zoning policy by local government to rezone the area where our Chengdu Production Facility is located, we intend to construct and relocate to our New Sichuan Production Facility to replace the manufacturing of NOP and compound fertilisers at our Chengdu Production Facility.

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As we had to purchase NOP from suppliers to continue to provide NOP to our customers and maintain our market presence in the NOP market since the discontinuation of NOP production at our Chengdu Production Facility in January 2019, our only production facility that manufactured NOP, we believe it is important for us to have our own NOP manufacturing capability to ensure a stable supply of NOP and to potentially increase our market share in the NOP market.

NOP is mainly applied to economic crops which include, among others, tobacco, fruits, vegetables and flowers. Yunnan Province is one of the major tobacco crop planting regions in the PRC. According to the “Three-Year Action Plan for Agricultural Modernization in Yunnan Province (2022-2024)” (《雲南省農業現代化三年行動方案(2022–2024年)》), the local government aims to support the growth of tobacco leaf production. The tobacco industry in the PRC can consume up to approximately 1.4 million tonnes of NOP annually and the tobacco industry in the Yunnan Province alone can consume up to approximately 640,000 tonnes of NOP annually. Although the stricter tobacco taxation policy imposed by the government authorities in 2017 had led to the volume of tobacco leaf production in China decreased from around 2.24 million tonnes in 2018 to approximately 2.19 million tonnes in 2022 with a CAGR -0.6%, the annual production volume of tobacco leaf in Yunnan Province increased from approximately 835,000 tonnes in 2019 to approximately 863,000 tonnes in 2022 with a CAGR of approximately 1.1%, indicating the growth potential for demand of NOP in the region. Further, there are significant demand of NOP in the Sichuan Province for the plantation of fruits and vegetables. In the Sichuan Province, the annual production volume of fruits increased from approximately 10.8 million tonnes in 2018 to approximately 13.8 million tonnes in 2022, with a CAGR of approximately 6.3% and the annual production volume of vegetables increased from approximately 44.4 million tonnes in 2018 to approximately 52.0 million tonnes in 2022, with a CAGR of approximately 4.0%. Further, Yunnan Province is a major flower plantation region in the PRC. The annual production volume of fresh cut flowers increased from approximately 11.2 billion branches in 2018 to approximately 17.5 billion branches in 2022, with a CAGR of approximately 11.7%. As such, there is a significant demand for NOP in the Yunnan Province and Sichuan Province and the New Sichuan Production Facility is strategically located to develop such market.

During the Track Record Period, we had relatively insignificant sales volume of NOP primarily because we did not have the facility to manufacture them and had to rely on external sourcing so we did not focus on our sales of NOP, though it is generally the type of our fertiliser products with the highest selling price. Historically, we had certain sales of NOP prior to the discontinuation of NOP production at our Chengdu Production Facility, with several years where we had annual sales of over 50,000 tonnes of NOP and we have maintained business relationships with a number of these customers. Once we have regained the capability to manufacture NOP at our own production facilities, we intend to promote the sales of our NOP to our customers. In view of the above, our Directors consider that there is sufficient demand for NOP to justify the construction of the NOP production line at the New Sichuan Production Facility.

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In relation to SOP, our Chengdu Production Facility has not had any SOP production lines. However, we had reached an overall relatively high utilisation rate for SOP at our production facilities (including Baoqing Production Facility and Anda Production Facility) of approximately 86.4% for FY2021. Our SOP utilisation rate (including Baoqing Production Facility and Anda Production Facility) decreased to approximately 58.8% for FY2022 primarily due to the substantial increase in our selling price of SOP which led to some customers to choose to use KCL as alternative to SOP as KCL can in general be used to replace, to some extent, SOP, and thereby resulting in lower demand of SOP for FY2022. Our SOP fertiliser products utilisation rate further decreased to approximately 33.3% for FY2023 primarily due to (i) a decrease in demand of SOP by our customers as a result of our higher average selling price of SOP during FY2023 compared to FY2022; and (ii) the commencement of trial production of four additional SOP production lines in December 2022 at our Anda Production Facility. Please refer to the section headed “Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income – Revenue from Sales of Products – Sales of SOP” in this prospectus for further information. Our SOP utilisation rate remained at a low level at approximately 42.6% for 8MFY2024 primarily due to such period mostly fell within our non-peak season and our production facilities underwent equipment repairing, inspection and maintenance during our non-peak season.

However, we expect our customers’ demand for SOP will increase in the future when the domestic market price of imported KCL and SOP become stable. Further, as there are a number of tobacco companies in the Sichuan Province area which require SOP, we believe it is important for us to expand our SOP production capacity by constructing additional SOP production lines at our New Sichuan Production Facility so we will have a production facility located close to these customers which would help us save transportation costs in the delivery of our products to these customers and can capture the expected growing demand of SOP and to increase our market share in the SOP fertiliser market. Also, as we are developing a new SOP production method to enhance the efficiency of SOP production, we intend to adopt the new SOP production method at the New Sichuan Production Facility. Please refer to the section headed “Business – Research and Development” in this prospectus for further information of the new SOP production method.

In relation to compound fertilisers, our Chengdu Production Facility had one compound fertilisers production line with estimated production capacity of 100,000 tonnes prior to its discontinuation of compound fertilisers manufacturing in April 2020. We decided to increase our estimated production capacity of compound fertilisers to 200,000 tonnes in view that we expect our customers’ demand for compound fertiliser will increase in the future. It is intended that a significant amount of the NOP manufactured at the New Sichuan Production Facility will be used for the manufacturing of our compound fertiliser at the New Sichuan Production Facility given the demand for compound fertiliser (with NOP in its component) from tobacco companies in the area. Also, historically, we had certain sales of compound fertiliser manufactured at our Chengdu Production Facility prior to the discontinuation of its manufacturing, with several years where we had annual sales of over 50,000 tonnes of compound fertiliser by our Chengdu Production Facility. In addition, as there are various potential compound fertiliser customers (such as tobacco companies and vegetables, fruits and

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flowers agricultural companies and farmers) located in or nearby Sichuan Province, we believe that our New Sichuan Production Facility will allow us to explore our business cooperation opportunity with them as our close proximity to them will help them save transportation costs and delivery time for compound fertiliser.

According to the data published by the National Bureau of Statistics of the PRC, regionally in Southwestern China (including Sichuan Province, Yunnan Province and Guizhou Province), there has been a growing demand for potash fertilisers. From 2018 to 2022, the grain, vegetable and fruit production volume in Southwestern China increased from approximately 64.1 million tonnes, 92.6 million tonnes and 22.6 million tonnes in 2018, respectively, to approximately 65.8 million tonnes, 114.3 million tonnes and 33.7 million tonnes in 2022, respectively, representing CAGRs of approximately 0.7%, 5.4% and 10.4%, respectively.

KCL supplements potassium to promote crop stiffness, strength, and disease resistance, which is suitable for general field crops (e.g., rice, wheat, corn, sorghum, cotton, etc) except for a few chlorine-sensitive crops and saline-alkali land. SOP has good water solubility and adjusts soil structure to enhance soil fertility. SOP is a chlorine-free, high-quality and high-efficiency potassium fertiliser, which is especially suitable in the cultivation of chlorine-sensitive but sulfur-loving crops such as sweet potatoes, potatoes, watermelon, tobacco, garlic, and cruciferous vegetables. NOP improves crop absorption and enhances resistance to lodging and pests. NOP also has high water solubility, and its active ingredients nitrogen and potassium can be quickly absorbed by crops. NOP is mainly applied to economic crops such as tobacco, tea, vegetables, fruits, flowers and some chlorine-sensitive crops. Compound fertiliser provides multi-components nutrients including but not limited to nitrogen, phosphorus and potassium to crops. It can be used in the cultivation of various crops including grain, tobacco, vegetable and fruits. During the Track Record Period, a significant portion of our compound fertilisers were manufactured for tobacco planting applications. We also manufactured a small portion of our compound fertilisers for tea, chili, fruits and vegetables planting. Majority of the compound fertilisers we manufactured during the Track Record Period was tailored made for our tobacco company customers to suit their specific needs.

Further, as certain provinces have focused on taking actions on illegal occupation of cultivated land to resume farming and plantation in 2023, it is expected such would promote the increase in the area of cultivated land nationwide, and thereby would drive the demand of potash fertilisers in the PRC.

In addition, the governments of Sichuan Province, Yunnan Province and Guizhou Province have also formulated incentive development goals on the agricultural industry which is expected to boost the demand for potash fertiliser in those provinces:

- Sichuan Province: In 2022, the sown area of grain in Sichuan ranked sixth in China. As one of the 13 main grain production areas in China, Sichuan is tasked with the important mission of national food security. In recent years, the comprehensive grain production capacity of Sichuan has steadily increased. According to the

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“Sichuan Province’s “14th Five-Year Plan” to Promote Agricultural and Rural Modernisation Plan” (《四川省“十四五”推進農業農村現代化規劃》), the sown area of grain in Sichuan will reach more than 95 million acres and the grain production volume will reach more than 35.4 million tonnes by 2025. At the same time, Sichuan will further implement high-standard farmland construction projects, with increasing grain production capacity as the primary goal, focusing on permanent basic farmland protection areas, grain production functional areas, and important agricultural product production protection areas. From 2021 to 2025, Sichuan aims to build more than 10 million acres of high-standard farmland.

- Yunnan Province: As the largest tobacco leaf production province in China, the Yunnan government has paid great attention to consolidate and expand Yunnan’s leading position in the tobacco industry. According to the “Three-Year Action Plan for Agricultural Modernization in Yunnan Province (2022-2024)” (《雲南省農業現代化三年行動方案(2022–2024年)》), the Yunnan government aims that the tobacco planting area and flue-cured tobacco production in Yunnan will reach around 6 million acres and 16.5 million tonnes respectively, and the output value of the entire tobacco industrial chain will reach around RMB235 billion by 2024.
- Guizhou Province: Guizhou is a leading tea leaf planting province in China. The tea leaf production volume in Guizhou increased from approximately 180,300 tonnes in 2018 to 266,200 tonnes in 2022 at a rapid CAGR of approximately 10.2%. According to the “14th Five-Year Plan for National Economic and Social Development of Guizhou Province and Outline of Vision 2035” (《貴州省國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), it is aimed that tea production volume will reach around 500,000 tonnes and a tea related industrial chain with an output value of more than RMB30 billion will be established by 2025.

Given the proximity of our New Sichuan Production Facility to the above provinces, we believe that we can benefit from the promotion and growth of the agricultural industry in the Sichuan Province, Yunnan Province and Guizhou Province upon the construction of our New Sichuan Production Facility.

Further, to further develop the business of our Group, we would actively look for cooperation with business partners to expand our sales network. For example, we have entered into a strategic framework cooperation agreement with a new strategic partner, a large company with annual revenue of over RMB80 billion in 2022 which is principally engaged in the sales of a comprehensive suite of merchandise in the PRC (including agricultural products) and provision of intelligent business and marketing subscription service, offering merchant solutions and rendering other various related services. The term of the strategic framework cooperation agreement is for a period of three years from 1 August 2023 to 31 July 2026. The strategic framework cooperation agreement does not contain any terms governing any specific sales and purchase transactions (including, among others, consideration, sales volume and delivery arrangement), and it is not legally binding on the specific sales and purchase transactions between the parties. The sales and purchase transactions as contemplated under the

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strategic framework cooperation agreement will be conducted by the parties under separate sales and purchase contracts and the parties have already started their business cooperation. From August 2023 to January 2024, we sold approximately 9,600 tonnes of KCL and 2,900 tonnes of SOP to the strategic partner's group companies.

We believe our cooperation with them can increase our sales and market shares and further enhance our market reputation. We can also develop and explore new market opportunities utilising such strategic cooperation. Further, it is expected that the strategic cooperation will be focused on exploring the potash fertiliser markets in, among others, Southwestern China, Central China and Eastern China, and we believe our New Sichuan Production Facility will be able to serve the customers in those areas and increase our market shares in those regions.

Funding of Expansion Plans

We plan to use our internal resources, external borrowings and the net proceeds from the Global Offering to fund the investment plan of our New Sichuan Production Facility. For details of the timeframe for our Group to utilise the proceeds from the Global Offering for our New Sichuan Production Facility, please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus.

QUALITY CONTROL

We believe that strict quality control and the production of consistent, quality products are essential for us to maintain sustainable growth in the potash fertiliser industry. Accordingly, we have implemented a quality control system in the production procedures of our products to ensure that the quality of our products meet our customers' expectations.

We have adopted the following quality management and control systems:

- **Raw materials:** we perform quality control inspections on the raw materials and purchase from our long-standing suppliers who are able to provide us with high quality raw materials used for our production.
- **Process control:** we have well-trained and experienced management and operating personnel to optimise operation efficiency and stabilise the production output and quality.
- **Testing and inspection:** we have monitoring appliances at every stage of our manufacturing process. Our quality inspection team performs random tests on the raw materials and finished products on a sample basis to ensure that the products comply with the required national, market and customer standards. Testing processes include checking the physical appearance and composition of raw materials and finished products. We also conduct sample checking on products which we procure for reselling.

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- Packaging and storage: we adopt systematic packaging and storage procedures to ensure proper packaging and to avoid damage to our products during storage in our warehouses.

In recognition of our product quality, we have received numerous certificates by relevant authorities including, among others, GB/T19001-2016/ ISO9001:2015 and GB 38400-2019 for the production and sale of our fertiliser products for certain of our production facilities. The below table sets forth some of the major certificates we received:

Name of Certificate	Issuing Authority	Validity Period	Holder
Certificate of Quality Management System (質量管理體系認證證書)	Ever Win Quality Certificate Centre	18 September 2021 – 14 September 2024	Guangdong Migao
Certificate of Quality Management System (質量管理體系認證證書)	China Quality Association Quality Assurance Centre	27 April 2023 – 27 August 2026	Daxing Migao

In addition, Baoqing Migao, which became our subsidiary on 31 March 2022, has the following major certificate:

Name of Certificate	Issuing Authority	Validity Period	Holder
Product Certification (產品認證證書)	Beijing Zhong Hua Combination Certification Co. Ltd.	5 January 2022 – 29 July 2024	Baoqing Migao

Save for defective products, we generally do not accept returns of our fertiliser products. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material sales returns by customers, product liability or other legal claims arising from allegations relating to the quality of our products.

PRICING AND SETTLEMENT TERMS

Pricing

During the Track Record Period, our average selling prices per tonne of our KCL, SOP, NOP and compound fertiliser (excluding production fees) ranged from approximately RMB1,723.9 to RMB3,771.6, RMB2,328.4 to RMB3,850.3, RMB3,726.6 to RMB6,097.7 and RMB2,275.7 to RMB3,068.6, respectively.

For our pricing strategy, we generally determine the selling prices of our products based on a number of factors, such as raw material costs, labour and manufacturing costs, inventory level, prevailing domestic market price, specifications of products, sales volume and transportation costs. The predominant component of our product's unit costs is our raw

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material costs. During the Track Record Period, our direct materials costs accounted for approximately 95.9%, 97.9%, 97.5% and 96.4% of our cost of goods sold for FY2021, FY2022, FY2023 and 8MFY2024, respectively. In general, SOP and NOP which require more complicated manufacturing process involving chemical reaction and have higher raw material costs are sold for higher prices than KCL and compound fertiliser.

According to the Pricing Law of the PRC (《中華人民共和國價格法》), the price of most commodities and services (including fertiliser products) is subject to market condition and decided by market participants. Market participants, however, must not carry out certain improper pricing acts such as manipulation of market prices by collusion, fabrication and spreading news of price rise, and etc. Please refer to the section headed “Regulatory Overview – Law Supervision Over the Chemical Fertiliser Industry – Regulations on the Pricing” for further information.

Settlement Terms

Our customers generally settle payments in RMB through bank transfer or bank’s acceptance bill. We may require advance payment prior to delivery of our fertiliser products for specific customers. Our credit period to our customers generally ranges from 30 to 180 days.

In determining the credit period to be granted to our customers, we mainly assess their credibility and our business relationships with them. Such credit period granted to our customers are reviewed by us regularly.

CUSTOMERS, SALES AND MARKETING

Customers and Sales Terms

Our sales department is responsible for the sales of our products. During the Track Record Period, we sold most of our products in the PRC and generated approximately 98.9%, 99.6%, 98.2% and 98.1% of our total revenue in the PRC. For our remaining sales outside of the PRC, sales were primarily to Southeast Asia and we did not sell any of our products to the EU, UK and Canada. We primarily sell our fertiliser products to agricultural reclamation companies, tobacco companies and agribusiness companies and primarily sell our by-products to industrial companies.

During the Track Record Period and up to the Latest Practicable Date, our Group did not engage any distributor for selling our products and all of our customers are considered by our Directors as our end-customers, primarily because (i) we did not enter into any distribution agreement with our customers during the Track Record Period; (ii) our customers generally purchase our products by way of purchase orders and maintained seller-buyer relationship with us; (iii) we have no ownership, managerial or contractual control over any of our customers or on their sales, credit or pricing policies, and marketing activities; (iv) we do not accept any return or exchange of our products sold to our customers except for defective products; (v) we

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have no restrictions or requirements on our customers regarding their geographical coverage, sales target, minimum purchase requirements, channels, target customers or avoidance of competition policies; (vi) our customers are not required to sell fertiliser products under our brand; and (vii) our customers do not provide us, and are not required to provide us with, any information regarding their sales, inventory levels and customers' demands of our products. As such, our Directors consider that all of our customers were our end-customers and that we did not adopt any distributorship business models in selling our products.

We generally obtain purchase orders or purchase agreements with our customers through tender process or commercial negotiation. Majority of our sales during the Track Record Period were through commercial negotiations with our customers.

For tender process, the tender notice and tender documents generally include the following information: (i) the type of products, (ii) the estimated quantity of the products, (iii) the specifications of the products, and (iv) the qualifications of bidders such as registered capital and annual revenue. Upon receiving the tender notice and tender documents, we will review the relevant documents and take into account various factors including the price, our production schedule, payment terms and seasonality before deciding whether to submit a tender.

Upon submission of the tender, the tenderer may evaluate the bidder against a variety of factors such as the bidders' production capabilities, supply stability, sample inspection records, quality control and safety systems and certificates, general track record, financial performance and customer services before awarding a tender to a bidder. After a tender is awarded to us, we would then execute a sale and purchase agreement with the tenderer. For certain of our sale and purchase agreements, we are required to pay a deposit money and the deposit money will be used to guarantee our performance of our obligations under the agreements and will be repaid back to us after we have fulfilled our obligations under the agreements.

We may also negotiate commercially with our customers to determine the specific terms in sale and purchase agreement. The sale and purchase agreement is generally negotiated on an order by order basis.

The table below sets forth the general principal terms of our sale and purchase agreements with our major customers:

- | | | |
|-----|----------------------|--|
| i. | Term | Until purchase order is fulfilled or fulfilled by a stipulated deadline in the agreement |
| ii. | Order specifications | As per the product type and technical specifications in each agreement |

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- | | | |
|------|--------------------|---|
| iii. | Quantity and price | Total quantity, unit price and total price are set out in each agreement and total quantity and price may be subject to fluctuation |
| iv. | Payment method | By telegraphic transfer or bank's acceptance bill |
| v. | Credit period | (i) Payment before delivery; (ii) payment of deposit and partial delivery and delivery of remaining purchase after full payment; or (iii) delivery of products prior to payment with credit period up to 180 days |
| vi. | Delivery | We may be responsible for delivery or the customer may pick up the products |
| vii. | Return arrangement | Our customers are entitled to perform sample checks on our products and can raise a dispute relating to the quality of our products within a stipulated period |

Top Five Customers

For FY2021, FY2022, FY2023 and 8MFY2024, sales to our largest customer accounted for approximately 27.9%, 22.4%, 20.0% and 9.6% of our total revenue, respectively. For the same years/periods, sales to our top five customers accounted for approximately 58.1%, 59.4%, 52.4% and 40.8% of our total revenue, respectively. While we value our relationship with each of our customers, we believe that the loss of any one particular customer, including any one of our major customers, would not materially impact our business in the long term. Save as disclosed in this prospectus, to the best knowledge of our Directors, the five largest customers in each year/period during the Track Record Period or their respective shareholders and directors, do not have any past or present relationship (including, without limitation, employment, business, financial or trust relationship) with our Company, our subsidiaries, their respective shareholders, directors, senior management or any of their respective associates.

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The following tables set forth details of our top five largest customers in each year/period during the Track Record Period:

Eight Months Ended 30 November 2023

Customer	Background ⁽²⁾		Approximate Registered Major			Credit period (days)	Revenue (RMB'000)	Approximate First	
	Business nature	Principal Businesses	capital/share ('000)	products sold	Payment method			percentage to our total revenue	contract with the customer
Yunnan EuroChem	Non-SOE/agribusiness company	production and sale of chemical fertilisers	RMB111,750	KCL SOP	bank transfer/ bank acceptance bill	advance payment	220,091	9.6	2019
Customer A ⁽³⁾	SOE/agricultural reclamation company	agriculture and agricultural production, operation and management	RMB23,600,000	KCL SOP	bank transfer	advance payment	211,221	9.2	2011
Company B ⁽⁴⁾	SOE/agribusiness company	an international agricultural material supplier and a domestic comprehensive agricultural services company with focus on agricultural production, agricultural and fertiliser research, trading and distribution, warehousing and logistics, retail sales, and other agricultural services	RMB1,410,857	KCL SOP	bank transfer	advance payment	200,770	8.8	2012
Anhui Huilong Agricultural Materials Group Co., Ltd.* (安徽輝隆農資集團股份有限公司) (“Anhui Huilong”)	SOE/agribusiness company	sales of agricultural production materials (including chemical fertilisers), raw chemical materials and products, and mineral products; purchase, process, and sales of fodder; purchase and sale of agricultural side products; sales of grain; production and processing of compound fertilisers	RMB953,993	KCL SOP	bank transfer	advance payment	149,835	6.6	2017
Customer E	Hong Kong/agribusiness company	production and sales of chemical fertilisers	HK\$5,000	KCL	bank transfer	advance payment	149,678	6.6	2019

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Year Ended 31 March 2023

Customer	Background ⁽²⁾ / Business nature	Principal Businesses	Approximate Registered capital/share (<i>'000</i>)	Major products sold	Payment method	Credit period (<i>days</i>)	Revenue (<i>RMB'000</i>)	Approximate percentage to our total revenue	First contract with the customer
Customer A ⁽³⁾	SOE/agricultural reclamation company	agriculture and agricultural production, operation and management	RMB23,600,000	KCL SOP Others	bank transfer	advance payment	945,404	20.0	2011
Company B ⁽⁴⁾	SOE/agribusiness company	an international agricultural material supplier and a domestic comprehensive agricultural services company with focus on agricultural production, agricultural and fertiliser research, trading and distribution, warehousing and logistics, retail sales, and other agricultural services	RMB1,410,857	KCL SOP	bank transfer	advance payment	646,657	13.7	2012
Company H ⁽⁴⁾	Hong Kong/ agribusiness company	production and sales of chemical fertilisers; research of bio-organic fertiliser and compound fertiliser	HK\$10	KCL	bank transfer/bank acceptance bill	advance payment/ 180	339,890	7.2	2022
Anhui Huilong	SOE/agribusiness company	sales of agricultural production materials (including chemical fertilisers), raw chemical materials and products, and mineral products; purchase, process, and sales of fodder; purchase and sale of agricultural side products; sales of grain; production and processing of compound fertilisers	RMB953,993	KCL SOP	bank transfer	advance payment	297,278	6.3	2017
Hulunbuir Agricultural	SOE/agricultural reclamation company	retail sale of refined oil, operation and retail sale of crop seeds and agricultural products, sales of fertilisers, provision of agricultural services and sales of daily sundries	RMB257,909	KCL SOP	bank transfer	advance payment	246,015	5.2	2015

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Year Ended 31 March 2022

Customer	Background ⁽²⁾ / Business nature	Principal Businesses	Approximate Registered capital/share (<i>'000</i>)	Major products sold	Payment method	Credit period (<i>days</i>)	Revenue (<i>RMB'000</i>)	Approximate percentage to our total revenue	First contract with the customer
Customer A ⁽³⁾	SOE/agricultural reclamation company	agriculture and agricultural product production, operation and management	RMB23,600,000	KCL SOP	bank transfer/ bank acceptance bill	advance payment	861,044	22.4	2011
Company B ⁽⁴⁾	SOE/agribusiness company	an international agricultural material supplier and a domestic comprehensive agricultural services company with focus on agricultural production, agricultural and fertiliser research, trading and distribution, warehousing and logistics, retail sales, and other agricultural services	RMB1,410,857	KCL SOP	bank transfer	advance payment	847,338	22.1	2012
Customer C	Non-SOE/ agribusiness company	trade of agricultural materials, production, sales and trade of chemical fertilisers, sales of agricultural side products such as grain and oil	RMB367,451	KCL SOP	bank transfer	advance payment	221,111	5.8	2015
Hulunbuir Agricultural	SOE/agricultural reclamation company	retail sale of refined oil, operation and retail sale of crop seeds and agricultural products, sales of fertilisers, provision of agricultural services and sales of daily sundries	RMB257,909	KCL SOP	bank transfer	90	188,258	4.9	2015
Customer E	Hong Kong/ agribusiness company	production and sales of chemical fertilisers	HK\$5,000	KCL	bank transfer/ bank acceptance bill	advance payment	164,726	4.3	2019

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Year Ended 31 March 2021

Customer	Background ⁽²⁾ / Business nature	Principal Businesses	Approximate Registered capital/share ('000)	Major products sold	Payment method	Credit period (days)	Revenue (RMB'000)	Approximate percentage to our total revenue	First contract with the customer
Customer A ⁽³⁾	SOE/agricultural reclamation company	agriculture and agricultural product production, operation and management	RMB23,600,000	KCL SOP	bank transfer	advance payment	580,059	27.9	2011
Hulunbuir Agricultural	SOE/agricultural reclamation company	retail sale of refined oil, operation and retail sale of crop seeds and agricultural products, sales of fertilisers, provision of agricultural services and sales of daily sundries	RMB257,909	KCL SOP	bank transfer/ bank acceptance bill	advance payment	260,945	12.5	2015
Guizhou Tobacco Investment ⁽⁴⁾	SOE/tobacco company	investment and management of non-financial projects; sales of cigarettes, cigars, prepackaged food, mineral products, daily necessities, and agricultural materials	RMB177,622	KCL NOP Compound fertilisers	bank transfer/ bank acceptance bill	90	189,714	9.1	Prior to 2010
Baoqing Migao ^{(4)/(5)}	Non-SOE/ agribusiness company	production and sale of chemical fertilisers	RMB100,000	KCL SOP	bank transfer/ bank acceptance bill	advance payment	104,502	5.0	2020
Customer G	SOE/agribusiness company	wholesale of pesticide, management of crop seed, and production and sales of fertilisers	RMB63,000	KCL SOP	bank transfer	advance payment	74,513	3.6	2017

Notes:

- (1) Customers belonging to the same group of companies are aggregated.
- (2) SOE only refers to SOE in China.
- (3) This customer is our connected person.
- (4) These customers were our overlapping customers and suppliers for the relevant year/period. For further information, please refer to the section headed "Business – Overlapping Customers and Suppliers" in this prospectus.
- (5) Baoqing Migao was one of our joint ventures and became our subsidiary on 31 March 2022.

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Although we only commenced business relationship with Company H in 2022, it became one of our top five customers in FY2023. Two subsidiaries of Company H in the PRC that our Group had business dealings with are agribusiness companies primarily focusing its operations in Jiangsu Province and Liaoning Province. Their principal business includes production and sales of chemical fertilisers, and research of bio-organic fertilisers and compound fertilisers. We began our business with them in early 2022. As Company H started to enter into the fertiliser market in 2021, it approached us for cooperation opportunities and it became our third largest customer in FY2023.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material dispute with our customers or any material claim relating to our fertiliser products.

Customer Service

Taking advantage of our various facilities across the PRC and the close proximity to our clients, we strive to provide our clients with quality service at every stage of our business. We believe we have comprehensive and outstanding customer service that is available to our customers 24 hours a day, and are able to respond to our customers promptly. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material sales returns or any product liability claims by our customers.

Marketing

Our sales and marketing team is led by Mr. Fu Yangmei, one of our senior management. As at the Latest Practicable Date, it comprised a total of 18 sales and marketing personnel and is responsible for procuring sales orders, maintaining customers' relationships, conducting market researches, organising marketing events and formulating sales and marketing strategies. In order to procure sales orders and maintain customers' relationships, our sales and marketing staff regularly visit our customers to obtain information on the quality and delivery of our fertiliser products and customers to visit our production facilities to enable them to have better understanding of our operations and fertiliser products and to increase their confidence in us and our fertiliser products. We also regularly participate in trade fairs and exhibitions to promote our fertiliser products, such as the International Fertilizer Association Annual Conference, Argus Fertiliser Market Business Asia Conference and the China Phosphate Fertiliser and Compound Fertiliser Exhibition.

RAW MATERIALS PROCUREMENT

Our primary raw materials used for the production of our fertiliser products are KCL, SOP, NOP and sulphuric acid.

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KCL

Our major raw material is KCL. For FY2021, FY2022, FY2023 and 8MFY2024, the quantity of KCL we purchased amounted to approximately 927,000 tonnes, 1,310,000 tonnes, 1,010,000 tonnes and 943,000 tonnes, respectively, and our total purchases of KCL amounted to approximately RMB1,568.4 million, RMB3,208.5 million, RMB3,025.8 million and RMB2,029.1 million, respectively, representing approximately 77.7%, 86.6%, 90.4% and 92.2% of our total purchases for the same years/periods, respectively.

During the Track Record Period, we procured KCL from overseas and domestic suppliers. The distribution of potash and the recoverable reserves are concentrated in Canada, Belarus and Russia. In 2022, the potash reserves of these three countries accounted for more than 60% of the global potash reserves. It is therefore common in the industry for potash fertiliser producers and suppliers in the PRC to rely heavily on a few overseas KCL producers for the supply of KCL due to the market dominance of these overseas KCL producers and China's geologically lack of quality potash reserves. As such, it is the industry norm for PRC potash fertiliser companies to source KCL, directly or indirectly, from a few major overseas KCL producers. For FY2023 and 8MFY2024, we had 6.8% and 35.5% overseas purchase of KCL by volume, respectively.

We categorise whether the purchase is an overseas purchase or a domestic purchase generally based on the location of the suppliers. Below table sets out our total purchase volume of KCL and percentage of total purchase volume of KCL of overseas purchase and domestic purchase during the Track Record Period:

	Year ended 31 March						Eight months ended 30 November 2023	
	2021		2022		2023		2023	
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%
Overseas⁽¹⁾	420,021	45.3	370,510	28.3	68,273	6.8	334,820	35.5
– By sea	237,035	25.6	242,855	18.6	37,931 ⁽³⁾	3.8	309,028 ⁽³⁾	32.8
– By land	182,986	19.7	127,655	9.7	30,343	3.0	25,792	2.7
Domestic⁽²⁾	506,881	54.7	939,724	71.7	941,519	93.2	608,596	64.5
Total	926,902	100.0	1,310,234	100.0	1,009,792	100.0	943,416	100.0

Notes:

- (1) Overseas purchase includes direct purchase and purchase through domestic designated agent from suppliers located outside of Mainland China.
- (2) Domestic purchase refers to purchase from suppliers located within Mainland China.
- (3) For FY2023 and 8MFY2024, we purchased 37,931 tonnes and 286,028 tonnes of KCL, respectively, from a Hong Kong entity belonging to the Supplier C group.

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The sea import master contract price (the “**Sea Import Master Contract Price**”) is negotiated and determined by a consortium of PRC state-owned enterprises, such as Sinochem, CNAMPGC Holding Limited Corporation (中農集團控股股份有限公司) and China BlueChemical, with overseas KCL producers and suppliers usually each year in an annual master contract which specifies the price term. The Sea Import Master Contract Price of KCL is published by the state-owned enterprises involved in the negotiation. The Sea Import Master Contract price per tonne of KCL increased from US\$220 in April 2020 to US\$247 in February 2021 and further increased to US\$590 in February 2022 and subsequently decreased to US\$307 in June 2023. The Sea Import Master Contract Price is primarily determined by reference to the PRC domestic demand and the international market price of KCL (which reflects the global supply and demand), both around the time of negotiation, and generally follows the trend of the international market price of KCL.

Further, the PRC benchmark import price of KCL by ground transportation (the “**Land Import Price**”) is negotiated by a group of licenced cross-border trading companies organised by China Chamber of Commerce of Metal, Minerals & Chemicals Importers & Exporters* (中國五礦化工進出口商會) (“**China Importers & Exporters**”) with major KCL producers and suppliers in Russia and Belarus. The Sea Import Master Contract Price forms the basis of the Land Import Price; however, unlike the Sea Import Master Contract Price, the Land Import Price is subject to more frequent adjustments taking into account of the trend of the prevailing international market price of KCL (which reflects the global supply and demand) at the time of adjustment.

Given that the Sea Import Master Contract Price is generally entered into annually, its change may lag behind the fluctuation of the international market price of KCL, while the Land Import Price may follow the change in the international market price of KCL more closely. In relation to the specific factors which affect the international market price of KCL in the foreseeable future, please refer to the section headed “Industry Overview – Short-Term Expectation of the Sea Import Master Contract Price and Market Demand of KCL in the PRC – International market price for KCL will recover steadily in the foreseeable future” in this prospectus.

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The table below sets out the average international market price of KCL, the Sea Import Master Contract Price, our average purchase price of KCL and our average selling price of KCL during the Track Record Period:

	For the year ended 31 March			For the eight months ended 30 November
	2021	2022	2023	2023
	<i>Per tonne</i>			
Average international market price of KCL ⁽¹⁾	USD251	USD683	USD772	USD354
Sea Import Master Contract Price ⁽²⁾	USD220/247	USD247/590	USD590	USD590/USD307
Average purchase price of KCL ⁽³⁾	USD250 (RMB1,692.1)	USD381 (RMB2,448.8)	USD438 (RMB2,996.4)	USD302 (RMB2,150.9)
Average selling price of KCL ⁽³⁾	USD254 (RMB1,723.9)	USD447 (RMB2,867.7)	USD551 (RMB3,771.6)	USD365 (RMB2,598.2)

Notes:

- (1) The average international market price of KCL is based on the data published by the World Bank and comprises monthly market prices of KCL in various representative potash fertiliser markets from time to time.
- (2) The Sea Import Master Contract Price was USD220 from April 2020 to January 2021, USD247 from February 2021 to January 2022, USD590 from February 2022 to May 2023 and USD307 from June 2023 to the Latest Practicable Date.
- (3) The USD amount of our average purchase price of KCL and average selling price of KCL is calculated based on the weighted average of the exchange rate over the relevant financial period.

Our primary cost is our purchases of imported KCL, and our purchase price of imported KCL is generally determined with reference to the prevailing Sea Import Master Contract Price and/or Land Import Price. We can effectively control our cost of imported KCL by adjusting the mix of procurement channels (by sea or by land) from time to time based on the price difference of the Land Import Price and the Sea Import Master Contract Price as a result of their different adjustment frequency. We will consider a number of factors when determining the procurement channel including but not limited to the availability of KCL, delivery schedule and pricing. During the period where the international market price of KCL was lower than the Sea Import Master Contract Price from November 2022 to June 2023, we purchased majority of our KCL which were originated from Russia and imported by ground transportation through domestic purchase and our average purchase price of KCL during such period was lower than the prevailing Sea Import Master Contract Price. Given that we can control our cost effectively with our pricing strategy, we are able to record gross profit, even during times of volatility of potash price.

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For FY2021, FY2022, FY2023 and 8MFY2024, our average purchase price per tonne of KCL from overseas suppliers was approximately RMB1,539.8, RMB2,657.4, RMB2,297.9 and RMB2,223.2, respectively, while our average purchase price per tonne of KCL from domestic suppliers for FY2021, FY2022, FY2023 and 8MFY2024 was approximately RMB1,818.4, RMB2,366.6, RMB3,047.1 and RMB2,111.1, respectively. We recorded a lower average purchase price of KCL from domestic suppliers than overseas suppliers for FY2022 primarily due to the fact that we purchased a significant amount of KCL from a domestic supplier prior to the hike in the Sea Import Master Contract Price to US\$590 in February 2022. We recorded a slightly lower average purchase price of KCL from domestic suppliers than overseas suppliers for 8MFY2024 primarily due to the fact that majority of our purchases of KCL from domestic suppliers were KCL imported by ground transportation, and the price of which may deviate from the prevailing Sea Import Master Contract Price from time to time as it was subject to more frequent adjustments taking into account of the trend of the prevailing international market price of KCL at the relevant time.

Overseas Purchases

When we purchase KCL directly from overseas suppliers, we sign purchase contracts with the overseas suppliers and are required under PRC laws to make such purchases under KCL automatic import licenses issued to our subsidiary, Guangdong Migao, for the relevant shipment of goods to complete customs declaration formalities. For further information about our KCL automatic import licenses, please refer to the sections headed “Business – Licences and Approvals” and “Regulatory Overview – Law Supervision Over Foreign Trade” in this prospectus. We also purchase KCL through our domestic designated agent, Supplier B, with overseas suppliers. Under such arrangement, the purchase of KCL under those contracts are made under the KCL automatic import licenses of such domestic designated agent.

Direct purchases

During the Track Record Period, we purchased a significant amount of our KCL under contracts signed by Guangdong Migao with (i) Supplier D, the trading arm of a Belarus producer, and (ii) Supplier A, an international fertiliser trading company which, to our best knowledge and belief, sourced its KCL from Russia. These imported KCL were delivered to us through shipment by sea or by railway. We are responsible for the miscellaneous costs for the import, such as custom clearance fees and other ancillary fees, which are reflected in our costs, and for obtaining the automatic import licenses to import the KCL into the PRC. We have ceased entering into new purchase contracts with Supplier D since December 2021. Please refer to the section headed “Business – Business Dealings with Third Parties Subject to International Sanctions” for further information.

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Guangdong Migao typically enters into framework agreements with Supplier A for the purchase of KCL over a specified period of time. The actual purchase amount and purchase price of KCL will be determined by the parties under separate contracts as addendum to the framework agreement. The principal terms of the framework agreement are set out below:

Termination and renewal:	<p>The framework agreements generally may be terminated by either party by 60 days prior written notice. The term of the framework agreements vary and are more than one year.</p> <p>No renewal clause generally.</p>
Rights and obligations of parties involved and minimum purchase amounts:	<p>The parties will further agree on a monthly program and we shall buy the specified volume of products on the monthly basis.</p> <p>The supplier has the right to stop further shipment by sending an official notice to us if we refuse to purchase certain volume of the products, which exceeds 10% of the monthly supply specified.</p>
Pricing and quantity:	<p>Price and quantity are stipulated in each purchase order.</p>
Payment method:	<p>Advance payment by bank transfer against invoice and shipment confirmation 10 calendar days before shipment or payment by irrevocable letter of credit payable at 90 days or 180 days from shipment date.</p>
Delivery method:	<p>By railway.</p>
Title and Risk:	<p>Title and risk of loss pass to us when the products are placed at our disposal at the Russian-Chinese frontier.</p>
Restrictions on export:	<p>The products shall not be re-exported to outside PRC without prior written consent of the supplier or we will be subject to a penalty at a rate of 20% of the value of the re-exported products. During the Track Record Period, to the best knowledge of our Directors, we did not export any KCL and did not receive any penalty from Supplier A for breach of the contract term in relation to restrictions on export.</p>

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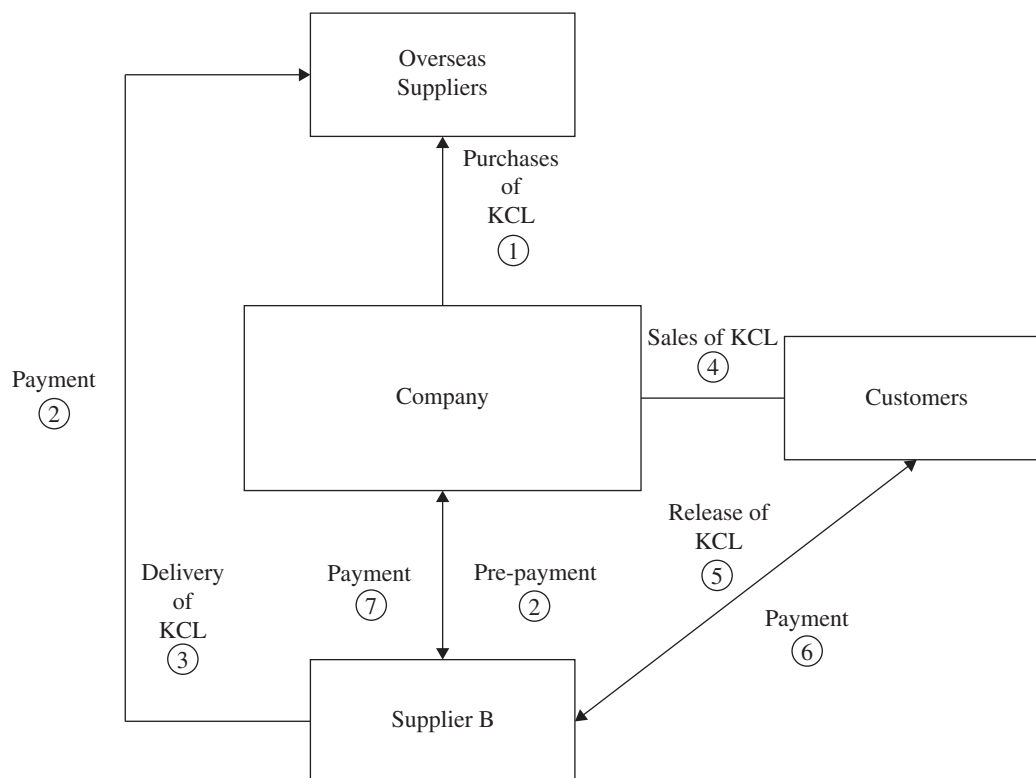
We also signed a memorandum of understanding with Supplier A for the purchase of potash on 25 January 2022 (as further supplemented on 16 May 2022 and 5 December 2022 and further renewed on January 2024). Please refer to the section headed “Business – Development in Global Potash Supply and Prices – Measures Taken by us to Address the Supply Uncertainty – Strengthen Strategic Cooperation with Existing Potash Suppliers” in this prospectus for further information.

Purchases through designated agent

From April 2020 until September 2021, we also purchased KCL from overseas through our domestic designated agent, Supplier B. The KCL purchased were imported through shipments by railway, and our domestic designated agent would settle payment with the overseas suppliers. During the same period, we also engaged Supplier B as our domestic designated agent for consignment sale of those KCL to our customers. Supplier B is specialised in cross-border trade solutions and was located close to some of our customers in the northern region of the PRC. As the domestic designated agent is responsible for obtaining the relevant licenses for the import and the storage of the products at the border and the products are usually delivered in several batches to the domestic designated agent, we consider that it would be more cost efficient and reduce logistics costs to sell and deliver the products mainly to customers in the northern region of the PRC directly from the warehouse of Supplier B nearby the border. Further, although both Baoqing Production Facility and Anda Production Facility are located in the Heilongjiang Province, Baoqing Migao and Anda Migao were our joint ventures instead of our subsidiaries when we had consignment sales of KCL through the domestic designated agent. After Baoqing Migao and Anda Migao became our subsidiaries and we had control of them, we no longer engaged Supplier B as our domestic designated agent for the consignment sale as Baoqing Migao and Anda Migao can facilitate and deal with our Group’s customers. For FY2021, FY2022, FY2023 and 8MFY2024, we generated revenue of approximately RMB319.8 million, RMB161.6 million, nil and nil from the consignment sale, which accounted for approximately 15.4%, 4.2%, nil and nil of our total revenue for each of the year/period, respectively.

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Our consignment sales commenced from April 2020 until September 2021. Under the consignment sales arrangement, Supplier B, as our domestic designated agent, issued invoices in its own name to our customers after the products were picked up by them from Supplier B, usually within the same month of delivery. We reconciled the consignment sales with Supplier B on monthly basis, but did not issue invoices to Supplier B until completion of the last consignment sale for the aforementioned period. The diagram below illustrates the transaction flow of our consignment arrangement:



Notes:

1. Our Group purchased KCL from overseas through our domestic designated agent, Supplier B. We executed purchase entrustment agreements with Supplier B to entrust Supplier B to purchase KCL from the overseas suppliers for us. Supplier B then executed framework agreements, as our agent, with the overseas suppliers to purchase the KCL from them.
2. Prior to making payments to the overseas suppliers for the purchases of KCL, Supplier B generally requires that it has sufficient deposits from and/or amount due to us to cover the payments.
3. Upon payment, the overseas suppliers then arrange delivery of the KCL to Supplier B.
4. We would then begin sales of KCL to our customers and would enter into consignment sales with our customers and Supplier B for our consignment sales of KCL to our customers.
5. Upon our instructions, Supplier B would then release the KCL to our customers and issue invoices to them.
6. Our customers settled payments to Supplier B and Supplier B may utilise such amount for its working capital which can be used as payments for further purchases from the overseas suppliers under the consignment arrangement.
7. After completion of all consignment sales, we issued a single invoice to Supplier B and Supplier B then settled our purchase payables to it against trade receivables from it for our consignment sales to our customers.

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According to HKFRSs, “control” of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Based on our purchase arrangement of KCL from the overseas suppliers through Supplier B, as our agent, for our consignment sales, the title to the KCL and the risk of loss and damage to the KCL remained with our Group. We held the inventory risk and managed the inventory before the KCL were transferred to our customers. As we had the exclusive rights to the KCL upon delivery by the overseas suppliers before obtaining contracts with our customers, we were able to direct the use of such KCL before they were transferred to our customers. In addition, all parties to the consignment sales, namely, Supplier B, our customers and our Group, had acknowledged that our Group was primarily responsible for fulfilling the obligations to provide the KCL to our customers. Furthermore, we had the discretion to set the selling price for the KCL and we were responsible for providing after-sale services to our customers and handling any quality issue. As such, our Directors consider our Group had “control” of the KCL under consignment sales before such KCL were transferred to our ultimate customers because (i) we retained the risk associated with the KCL under consignment sales, and directed the use of such KCL; and (ii) we obtained substantially all of the remaining benefits from the KCL under consignment sales. As we had “control” of the KCL before such KCL were transferred to our customers, we shall be regarded as the principal of the consignment sales arrangement according to HKFRSs. Therefore, the revenue from consignment sales shall be considered as originated and generated by our Group and we shall recognise revenue when “control” of the KCL is transferred to our customer (i.e. when our customers picked up the KCL from Supplier B at the time of delivery), and such revenue was adjusted back in the books of Guangdong Migao when we prepared for the refiling of our tax filings in March and July 2022. Please refer to the section headed “Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income – Income Tax Expense – PRC Tax Re-filings” in this prospectus for further information on our refiling of our tax filings. We issued a single invoice for all the consignment sales to Supplier B in November 2022 and settled all the relevant receivables from Supplier B in November 2022 and January 2023.

We did not pay any service fees or rewards to Supplier B for the consignment sales during the Track Record Period. However, as mentioned in the transaction flow above, Supplier B issued invoices and collected payments from our customers throughout the period of the consignment sales arrangement, but it only settled payments with us after completion of all the consignment sales in two instalments in November 2022 and January 2023. As such, we believe that the above arrangement provided Supplier B with greater flexibility to its cash flow as it was able to temporarily retain our customers’ payments during the period of the consignment sales arrangement.

To the best knowledge and belief of our Directors, save as disclosed in this prospectus, Supplier B and our Company, our subsidiaries, their respective shareholders, directors, senior management or any of their respective associates do not have any past or present relationship including, without limitation, employment, business, financial or trust relationship.

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Our domestic designated agent, Supplier B, entered into framework agreements with Supplier A and the trading arm of the Russian Producer for the purchase of KCL and the principal terms of which are set out below:

Price:	Price for each lot or group of shipment lots shall be agreed separately in a supplemental contract.
Quantity:	The specified quantity required to be purchased shall be agreed in the addendum on a monthly basis. If the purchase amount is less than 90% of the fixed monthly quantity, the suppliers shall have the right to stop further shipments.
Shipment:	Shipment will be shipped in several lots during specified period. Shipment by sea or by railway.
Cancellation of shipment:	In case of shut down of the production facilities due to planned or accidental maintenance or renovation, the suppliers have the right to cancel shipment.

We entered into a consignment sale agreement with Supplier B for our consignment sales and the salient terms of our consignment sales with Supplier B are set out below:

Consignment sale:	For the products purchased through Supplier B as our domestic designated agent, we engage Supplier B to sell a portion of those products to our customers.
Ownership:	The ownership of the products remains with us until sale to our customers. Supplier B is merely a local consignment agent.
After-sale services:	We shall be responsible for the quality of the products and any after-sale services.
Payment by customers:	Supplier B shall collect payments from our customers for the consignment sale and Supplier B shall hold the payments on our behalf.
Settlement:	For the products purchased through Supplier B as our domestic designated agent, Supplier B will settle payment with our overseas suppliers. Supplier B will also collect payment from our customers for the consignment sale. We will then settle with Supplier B for the above purchases and consignment sale, on a net basis.

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Domestic Purchases

We also purchase KCL from domestic KCL suppliers and the purchase price of KCL is commercially negotiated between us and these domestic KCL suppliers. The purchase price already includes the miscellaneous costs for the import of KCL and may be subject to fluctuation depending on the actual circumstances. We typically do not enter into any long term framework agreements with domestic KCL suppliers, save for the memorandum of understanding with CNCCC and Southwest Salt Lake. Please refer to the section headed “Business – Development in Global Potash Supply and Prices – Measures Taken by us to Address the Supply Uncertainty” in this prospectus for further information.

SOP, NOP and Sulphuric Acid

The other major raw materials used in our production, namely, SOP, NOP and sulphuric acid, are procured in the PRC. We generally purchase SOP and NOP from local suppliers; we also purchase SOP and NOP from Guizhou Tobacco Investment, our tobacco company customer, for manufacturing of tobacco compound fertiliser for it. For sulphuric acid, we purchase from local suppliers in local areas close to our production facilities.

We purchase SOP and NOP either for the manufacturing of our fertilisers products or for direct resale to our customers. For sulphuric acid, it is used for the manufacturing of our SOP fertiliser products. Our total aggregate purchases of SOP, NOP and sulphuric acid for FY2021, FY2022, FY2023 and 8MFY2024, amounted to approximately RMB263.2 million, RMB236.8 million, RMB62.2 million and RMB27.5 million, respectively, representing approximately 13.0%, 6.4%, 1.9% and 1.3% of our total purchases for the respective year/period.

SUPPLIERS

We have adopted stringent policies on the selection of our raw materials suppliers. The basic criteria of selection of our raw material suppliers include but not limited to (i) the supplier’s reputation; (ii) the ability of the suppliers to supply quality raw materials that meet our standards, such as the price, variety and quality stability of the raw materials; and (iii) the customer services provided by the suppliers. We may also consider specific requirements on raw materials requested by our customers to determine where to source the raw materials.

Top Five Suppliers

For FY2021, FY2022, FY2023 and 8MFY2024, purchases from our largest supplier amounted to approximately RMB451.4 million, RMB706.8 million, RMB976.9 million and RMB1,025.0 million, respectively, which accounted for approximately 22.4%, 19.1%, 29.2% and 46.6% of our total purchases, respectively. For the same years/periods, purchases from our five largest suppliers amounted to approximately RMB1,531.7 million, RMB2,484.5 million, RMB2,491.4 million and RMB1,599.7 million, respectively, which accounted for approximately 75.9%, 67.0%, 74.4% and 72.7% of our total purchases, respectively.

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Furthermore, to the best knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns 5% or more of our Company's issued share capital held any interest in any of our five largest suppliers in each year/period during the Track Record Period.

The following tables set forth details of our top five largest suppliers in each year/period during the Track Record Period:

Eight Months Ended 30 November 2023

Supplier	Background ⁽²⁾ / Business nature	Major products purchased	Payment method	Credit period (days)	Purchase (RMB'000)	Approximate percentage to our total purchases	First contract with the supplier
Supplier C ⁽³⁾	Hong Kong/ agribusiness company	KCL SOP	bank transfer/bank acceptance bill	prepayment	1,025,040	46.6	2015
Supplier B ⁽³⁾	Non-SOE/ agribusiness company	KCL Others	bank transfer/bank acceptance bill	prepayment	177,990	8.1	2009
Company B ⁽³⁾	SOE/agribusiness company	KCL	bank transfer	prepayment	173,050	7.9	2005
Supplier F	Non-SOE/agribusiness company	KCL SOP	bank transfer	prepayment	119,164	5.4	2020
Company H	Hong Kong/ agribusiness company	KCL	bank transfer/bank acceptance bill	prepayment	104,415	4.7	2022

Year Ended 31 March 2023

Supplier	Background ⁽²⁾ / Business nature	Major products purchased	Payment method	Credit period (days)	Purchase (RMB'000)	Approximate percentage to our total purchases	First contract with the supplier
Supplier C ⁽³⁾	Hong Kong/ agribusiness company	KCL	bank transfer/bank acceptance bill	prepayment	976,900	29.2	2015
Supplier B ⁽³⁾	Non-SOE/agribusiness company	KCL	bank transfer/bank acceptance bill	prepayment	971,329	29.0	2009

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Supplier	Background ⁽²⁾ / Business nature	Major products purchased	Payment method	Credit period (days)	Purchase (RMB'000)	Approximate percentage to our total purchases	First contract with the supplier
CNCCC ⁽³⁾	SOE/agribusiness company	KCL	bank transfer	prepayment	204,959	6.1	2021
Company B ⁽³⁾	SOE/agribusiness company	KCL	bank transfer	prepayment	186,185	5.6	2005
Huaken International Trade Co., Ltd* (華 墾國際貿易有限公司)	Non-SOE/ agribusiness company	KCL	bank transfer	prepayment	152,014	4.5	2022

Year Ended 31 March 2022

Supplier	Background ⁽²⁾ / Business nature	Major products purchased	Payment method	Credit period (days)	Purchase (RMB'000)	Approximate percentage to our total purchases	First contract with the supplier
Supplier D	Belarus supplier/ agribusiness company	KCL	bank transfer/ letter of credit	90	706,819	19.1	2013
Company B ⁽³⁾	SOE/agribusiness company	KCL SOP	bank transfer	prepayment	684,436	18.5	2005
Supplier B	Non-SOE/ agribusiness company	KCL SOP	bank transfer/ bank acceptance bill	prepayment	467,195	12.6	2009
Supplier C	Hong Kong/ agribusiness company	KCL SOP Compound fertilisers	bank transfer/ bank acceptance bill	prepayment	423,535	11.3	2015
Supplier A	United Arab Emirates/ agribusiness company	KCL	bank transfer/ letter of credit	prepayment	202,533	5.5	2018

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Year Ended 31 March 2021

Supplier	Background ⁽²⁾ / Business nature	Major products purchased	Payment method	Credit period (days)	Purchase (RMB'000)	Approximate percentage to our total purchases	First contract with the supplier
Supplier C	Hong Kong/ agribusiness company	KCL SOP	bank transfer/ bank acceptance bill	prepayment	451,369	22.4	2015
Supplier D	Belarus supplier/ agribusiness company	KCL	bank transfer/ letter of credit	90	377,977	18.7	2013
Supplier B ⁽³⁾	Non-SOE/ agribusiness company	KCL SOP Others	bank transfer/ bank acceptance bill	prepayment	337,499	16.7	2009
Supplier A	United Arab Emirates/ agribusiness company	KCL	bank transfer/ letter of credit	prepayment	245,680	12.2	2018
Baoqing Migao ^{(3)/(4)}	Non-SOE/ agribusiness company	KCL SOP	bank transfer/ bank acceptance bill	prepayment	119,152	5.9	2020

Notes:

- (1) Suppliers belonging to the same group of companies are aggregated.
- (2) SOE only refers to SOE in China.
- (3) These suppliers were our overlapping customers and suppliers for the relevant year/period. For further information, please refer to the section headed “Business – Overlapping Customers and Suppliers” in this prospectus.
- (4) Baoqing Migao was one of our joint ventures and became our subsidiary on 31 March 2022.

During the Track Record Period and up to the Latest Practicable Date, we had established business relationships with our major suppliers, which enabled us to obtain a stable and reliable supply of raw materials, save for Supplier D which we no longer purchased from it subsequent to December 2021 due to international sanctions imposed on the potash sector in Belarus (including designating Supplier D on the SDN List). We had not experienced any material disruption or dispute in the supply of raw materials during the Track Record Period.

OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, we had some customers who were also our suppliers during the relevant year/period (“**Overlapping Customers & Suppliers**”). Majority of our Overlapping Customers & Suppliers during the Track Record Period were agribusiness

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companies which were generally engaged in the business of trading of fertiliser products. We primarily sold our fertiliser products to our Overlapping Customers & Suppliers and primarily purchased raw materials and fertiliser products from our Overlapping Customers & Suppliers.

For Guizhou Tobacco Investment, which was our Overlapping Customers & Suppliers and a tobacco company, we primarily purchased raw materials and fertiliser products (such as KCL, SOP and NOP) from it for use in the manufacturing and sales of the tobacco compound fertiliser to it as it has stringent requirements on the raw materials and fertiliser products to be used in its tobacco compound fertiliser. Starting from the fourth quarter of 2021, we were no longer required to procure the principal raw materials from Guizhou Tobacco Investment for the tobacco compound fertiliser we manufactured for it. Instead, it provides the principal raw materials to us for manufacturing into tobacco compound fertiliser. We charge a production fee for the provision of production services. Please refer to the section headed “Business – Products – Compound Fertilisers” in this prospectus for further information. In addition to tobacco compound fertiliser, we also sell certain of our other fertiliser products (such as KCL, SOP, NOP, and other types of compound fertilisers) to it as it also procures its raw materials and fertiliser products from us to use for the production of its tobacco compound fertiliser.

For FY2021, FY2022, FY2023 and 8MFY2024, we had a total of 16, 18, 19 and 14 Overlapping Customers & Suppliers, respectively, and our revenue generated from them amounted to RMB435.3 million, RMB1,004.3 million, RMB1,287.9 million and RMB638.6 million, respectively, representing approximately 20.9%, 26.1%, 27.3% and 28.0% of our total revenue, respectively. For FY2021, FY2022, FY2023 and 8MFY2024, our purchases from them amounted to RMB699.3 million, RMB1,265.4 million, RMB2,807.8 million and RMB1,559.7 million, respectively, representing approximately 34.5%, 34.2%, 83.9% and 71.0% of our total purchases, respectively. We recorded a significant increase in our purchases from our Overlapping Customers & Suppliers as a percentage to our total purchases for FY2023 primarily because we purchased over 90% of our KCL from domestic suppliers for FY2023 and some of these domestic suppliers were also our customers for FY2023 and consequently led to higher purchases from Overlapping Customers and Suppliers for FY2023. However, although a number of these domestic suppliers were also our customers for FY2023, majority of our transactions with them were for the purchases of raw materials instead of sales of fertiliser products. For example, our aggregate purchases from Supplier B, CNCCC and Supplier C for FY2023 were RMB2,153.2 million while our aggregate sales to them were only RMB31.4 million for FY2023. We recorded significant purchases from our Overlapping Customers and Suppliers as a percentage to our total purchases for 8MFY2024 primarily because of our purchases with Supplier C. Although Supplier C was our Overlapping Customer and Supplier for 8MFY2024, we primarily purchased KCL from them while we sold SOP and other products to them during 8MFY2024. If excluding our purchases from Supplier C, our purchases from our Overlapping Customers and Suppliers for 8MFY2024 only accounted for approximately 24.3% of our total purchases for the period.

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Our Directors consider that we recorded significant transactions with Overlapping Customers & Suppliers during the Track Record Period mainly due to the following reasons:

- (i). as we aggregated our customers and suppliers on a group basis, an Overlapping Customer and Supplier may consist of more than one entity company. To the best knowledge of our Directors, with respect to Company B each company within a group is a separate legal entity and operate under its own corporate governance framework and their respective decision for doing business with our Group are made by different and independent management; and hence they retain autonomy in decision-making processes concerning various aspects of the operations, such as procurement and sales activities. Most importantly, most of these companies of Company B only purchased goods from us without selling goods to us during the same financial year. However, when all the companies of the same group are aggregated together and disclosed on a group basis, all of their purchases and sales became overlapping purchases and sales. Please refer to the section headed “Business – Overlapping Customers and Suppliers – Company B” for further information;
- (ii). for certain of our Overlapping Customers and Suppliers, majority of the products purchased by us from the Overlapping Customers and Suppliers were not the same products sold by us to them. For example, we had overlapping purchases and sales with Supplier B for FY2023, but the products which we sold to it were different from the products which we purchased from it. We sold SOP and NOP and other materials to it while we only purchased KCL from it for FY2023 so there were actually no overlapping purchases and sales of the same products with Supplier B for FY2023; and
- (iii). for certain of our Overlapping Customers and Suppliers, although we had overlapping sales and purchases with them, majority of those transactions were either of a sales nature or a purchase nature. For example, for 8MFY2024 our revenue generated from Supplier C was merely RMB43.5 million while our purchases from it was RMB1,025.0 million. As such, majority of our transactions with Supplier C was of a purchase nature. Occasionally, our suppliers would purchase fertiliser products from us or we would purchase fertiliser products from our customers primarily due to a surge in demand where our suppliers or we needed to replenish inventory to settle their or our customers’ respective demand in a timely manner. This is a common practice in the industry.

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The following table sets forth certain details of the purchases and sale from and to each Overlapping Customer & Supplier who was also our top five customers or suppliers, as well as other Overlapping Customers & Suppliers:

Eight Months Ended 30 November 2023

Company Name	Revenue <i>RMB'000</i>	Percentage of total revenue %	Average selling price <i>RMB</i>	Purchase <i>RMB'000</i>	Percentage of total purchases %	Average purchase price <i>RMB</i>
Yunnan EuroChem	220,091	9.6	N/A	1,028	0.0	N/A
– KCL	219,725	9.6	2,778.4	–	–	–
– SOP	366	0.0	3,047.7	–	–	–
– NOP	–	–	–	1,028	0.0	5,137.6
Company B	200,770	8.8	N/A	173,050	7.9	N/A
– KCL	197,768	8.7	2,513.8 ⁽⁸⁾	173,050	7.9	1,890.7 ⁽⁸⁾
– SOP	3,002	0.1	2,926.1	–	–	–
Supplier C	43,538	1.9	N/A	1,025,040	46.6	N/A
– KCL	–	–	–	1,024,168	46.6	2,172.0
– SOP	1,098	0.0	2,614.7	872	0.0	2,660.6
– Others	42,440	1.9	–	–	–	–
Supplier B	114	0.0	N/A	177,990	8.1	N/A
– KCL	–	–	–	175,440	8.0	2,146.1
– SOP	114	0.0	2,753.8	–	–	–
– Others	–	–	–	2,550	0.1	–
Subtotal	464,513	20.3	N/A	1,377,108	62.7	N/A
Other Overlapping Customers and Suppliers	174,051	7.7	N/A	182,623	8.3	N/A
Total	638,564	28.0	N/A	1,559,731	71.0	N/A

BUSINESS

Year Ended 31 March 2023

Company Name	Revenue RMB'000	Percentage of total revenue %	Average selling price RMB	Purchase RMB'000	Percentage of total purchases %	Average purchase price RMB
Company B	646,657	13.7	N/A	186,185	5.6	N/A
– KCL	625,715	13.3	3,920.0	186,185	5.6	3,744.8
– SOP	20,942	0.4	4,154.3	–	–	–
Company H	339,890	7.2	N/A	71,602	2.1	N/A
– KCL	339,890	7.2	4,320.9 ⁽³⁾	71,602	2.1	3,017 ⁽³⁾
Supplier B	21,193	0.5	N/A	971,329	29.0	N/A
– KCL	–	–	–	971,329	29.0	3,256.4
– SOP	3,557	0.1	3,761.5	–	–	–
– NOP	6,084	0.1	5,183.5	–	–	–
– Others	11,552	0.3	–	–	–	–
CNCCC	6,654	0.1	N/A	204,959	6.1	N/A
– KCL	6,654	0.1	4,678.9 ⁽⁴⁾	204,959	6.1	1,512.4 ⁽⁴⁾
Supplier C	3,566	0.1	N/A	976,900	29.2	N/A
– KCL	–	–	–	962,848	28.8	3,221.6
– SOP	3,566	0.1	3,715.9	14,052	0.4	3,229.4
Subtotal	1,017,960	21.6	N/A	2,410,975	72.0	N/A
Other Overlapping Customers & Suppliers	269,978	5.7	N/A	396,779	11.9	N/A
Total	1,287,938	27.3	N/A	2,807,754	83.9	N/A

BUSINESS

Year ended 31 March 2022

Company Name	Revenue RMB'000	Percentage of total revenue %	Average selling price RMB	Purchase RMB'000	Percentage of total purchases %	Average purchase price RMB
Company B	847,338	22.1	N/A	684,436	18.5	N/A
– KCL	803,978	21.0	3,270.9 ⁽⁵⁾	679,237	18.3	1,548.6 ⁽⁵⁾
– SOP	43,360	1.1	2,904.0	5,199	0.2	2,429.3
Yunnan EuroChem	90,202	2.3	N/A	54,369	1.5	N/A
– KCL	75,378	2.0	3,003.7 ⁽⁶⁾	41,914	1.2	1,957.1 ⁽⁶⁾
– SOP	14,677	0.4	4,049.0	–	–	–
– NOP	–	–	–	8,683	0.2	4,029.6
– Compound fertilisers	–	–	–	3,772	0.1	2,834.9
– Others	147	0.0	N/A	–	–	–
Guizhou Tobacco Investment	35,290	0.9	N/A	9,182	0.2	N/A
– KCL	8,084	0.2	3,605.5	869	0.0	3,605.5
– SOP	74	0.0	3,945.0	–	–	–
– NOP	80	0.0	4,587.2	6,025	0.2	4,354.7
– Compound fertiliser	1,161	0.0	3,412.5	–	–	–
– Others	5,087	0.1	N/A	2,288	0.0	N/A
– Production services	20,804	0.5	N/A	–	–	–
Subtotal	972,830	25.3	N/A	747,987	20.2	N/A
Other Overlapping Customers & Suppliers	31,482	0.8	N/A	517,426	14.0	N/A
Total	1,004,312	26.1	N/A	1,265,413	34.2	N/A

BUSINESS

Year ended 31 March 2021

Company Name	Revenue RMB'000	Percentage of total revenue %	Average selling price RMB	Purchase RMB'000	Percentage of total purchases %	Average purchase price RMB
Guizhou Tobacco Investment	189,714	9.1	N/A	109,655	5.4	N/A
- KCL	9,631	0.5	2,018.4	6,721	0.3	2,025.4
- SOP	-	-	-	48,995	2.4	2,484.0
- NOP	16,235	0.8	3,812.8	16,198	0.8	3,812.8
- Compound fertiliser	158,728	7.6	2,496.0 ⁽⁷⁾	79	0.0	3,147.0 ⁽⁷⁾
- Others	5,120	0.2	N/A	37,662	1.9	N/A
Baoqing Migao⁽¹⁾	104,502	5.0	N/A	119,152	5.9	N/A
- KCL	101,435	4.9	1,993.9	61,211	3.0	1,912.8
- SOP	3,067	0.1	2,111.2	57,941	2.9	2,226.8
APPH⁽²⁾	39,021	1.9	N/A	10,875	0.5	N/A
- KCL	39,021	1.9	1,560.9	3,650	0.2	1,738.2
- SOP	-	-	-	4,615	0.2	2,097.6
- Compound fertiliser	-	-	-	155	0.0	1,034.8
- Others	-	-	-	2,455	0.1	N/A
Yunnan EuroChem	30,713	1.5	N/A	50,821	2.5	N/A
- KCL	19,446	0.9	1,853.2	-	-	-
- SOP	9,097	0.5	2,615.1	534	0.0	2,816.0
- NOP	-	-	-	42,447	2.1	3,559.6
- Compound fertiliser	1,846	0.1	2,003.3	7,767	0.4	2,010.5
- Others	324	0.0	N/A	73	0.0	N/A

BUSINESS

Company Name	Revenue RMB'000	Percentage of total revenue %	Average selling price RMB	Purchase RMB'000	Percentage of total purchases %	Average purchase price RMB
Company B	24,023	1.2	N/A	36,193	1.8	N/A
– KCL	8,922	0.5	2,060.2	32,271	1.6	1,654.9
– SOP	15,101	0.7	2,321.9	3,922	0.2	2,614.7
Supplier B	582	0.0	N/A	337,499	16.7	N/A
– KCL	–	–	–	288,113	14.3	1,739.0
– SOP	–	–	–	49,296	2.4	2,239.9
– Others	582	0.0	N/A	90	0.0	N/A
Subtotal	388,555	18.7	N/A	664,195	32.8	N/A
Other Overlapping Customers & Suppliers	46,751	2.2	N/A	35,057	1.7	N/A
Total	435,306	20.9	N/A	699,252	34.5	N/A

Notes:

- (1) Baoqing Migao was one of our joint ventures and became our subsidiary on 31 March 2022.
- (2) This customer is our connected person and is indirectly wholly owned by Mr. Liu.
- (3) Our average selling price of KCL to Company H for FY2023 was significantly higher than our average purchase price of KCL from Company H primarily because we made majority of our sales to Company H from April 2022 to November 2022 when the average domestic market price of imported KCL was at a higher level during that period of such financial year, while we made majority of our purchases from Company H from December 2022 to March 2023 when the average domestic market price of imported KCL was at a lower level during that period of such financial year.

- (4) Our average purchase price of KCL from CNCCC for FY2023 was significantly lower than our average selling price of KCL to CNCCC primarily because the purchase price was determined with reference to the then prevailing Sea Import Master Contract Price at the time of our contract which was entered into prior to February 2022 (when the Sea Import Master Contract Price was increased to USD590) and with a mark up margin, while our average selling price of KCL to CNCCC was determined, among others, with reference to the prevailing domestic market price of imported KCL. Therefore, the large gap between our average selling price and our average purchase price of KCL with CNCCC for FY2023 was due to the different pricing mechanism adopted for our sales transactions and purchase transactions with CNCCC.
- (5) Our average purchase price of KCL from Company B for FY2022 was significantly lower than our average selling price of KCL to Company B primarily because the purchase price was determined with reference to the then prevailing Sea Import Master Contract Price in US\$ at the time of our preliminary agreement on the purchases with Company B (which was primarily from January 2021 to June 2021 and the Sea Import Master Contract Price was only US\$220 for January 2021 and US\$247 for February to June 2021) and with a mark up margin and adjusted by the foreign exchange rates at the time of signing the relevant contract, while our average selling price of KCL to Company B was determined, among others, with reference to the prevailing domestic market price of imported KCL and majority of our sales of KCL to Company B was conducted subsequent to July 2021 where the domestic market price of imported KCL started to increase significantly (i.e. from RMB2,382.4 in the second quarter of 2021 to RMB4,037.5 for the first quarter of 2022). Therefore, the large gap between our average selling price and our average purchase price of KCL with Company B for FY2022 was due to the different pricing mechanism adopted for our sales transactions and purchase transactions with Company B.
- (6) Our average purchase price of KCL from Yunnan EuroChem for FY2022 was significantly lower than our average selling price of KCL to Yunnan EuroChem primarily because our selling price was determined, among others, with reference to the prevailing domestic market price of imported KCL around the time of transaction. The majority of the KCL supplied by Yunnan EuroChem was purchased by us during the non-peak season, when the domestic market price was relatively lower.
- (7) Compound fertilisers have different composition and ratio in their components and therefore have a wide range in prices. For FY2021, the compound fertilisers we sold to Guizhou Tobacco Investment included various types of compound fertilisers including the types with lower selling prices and the types with higher selling prices, while the compound fertilisers we purchased from Guizhou Tobacco Investment were primarily the types with higher selling prices. As such, for FY2021 our average purchase price of compound fertilisers from Guizhou Tobacco Investment was significantly higher than our average selling price of compound fertilisers to Guizhou Tobacco Investment.
- (8) Our average purchase price of KCL from Company B for 8MFY2024 was significantly lower than our average selling price of KCL to Company B primarily because the purchase price was determined with reference to the then prevailing Sea Import Master Contract Price in US\$ at the time of our preliminary agreement on the purchases with Company B (which was primarily in August 2023 and the Sea Import Master Contract Price was US\$307) and with a mark up margin and adjusted by the foreign exchange rates at the time of signing the relevant contract, while our average selling price of KCL to Company B was determined, among others, with reference to the prevailing domestic market price of imported KCL and majority of our sales of KCL to Company B was conducted from September 2023 to November 2023. Therefore, the large gap between our average selling price and our average purchase price of KCL with Company B for 8MFY2024 was due to the different pricing mechanism adopted for our sales transactions and purchase transactions with Company B.

Guizhou Tobacco Investment

Our sales to and purchases from Guizhou Tobacco Investment decreased substantially for FY2022 primarily due to the change of business arrangement with Guizhou Tobacco Investment for certain tobacco compound fertiliser we manufactured for it since the fourth quarter of 2021. Under the new arrangement, we no longer had to purchase the raw materials from Guizhou Tobacco Investment for the manufacturing of the relevant tobacco compound fertiliser and sell the tobacco compound fertiliser to it. Instead, Guizhou Tobacco Investment provided the raw materials to us and we derived production fees for manufacturing the relevant tobacco compound fertiliser.

Company B

Our sales to and purchases from Company B both increased substantially from RMB24.0 million and RMB36.2 million, respectively, for FY2021 to RMB847.3 million and RMB684.4 million, respectively, for FY2022, and decreased to RMB646.7 million and RMB186.2 million, respectively, for FY2023. For 8MFY2024, our sales to and purchases from Company B was RMB200.8 million and RMB173.0 million, respectively. From FY2021 to 8MFY2024, there were 10 separate companies under the shareholding of Company B which had transactions with our Group. All of our sales and purchase amounts with these individual companies of Company B were aggregated and disclosed on a group basis. Nevertheless, each of these companies is separately and independently operated whereby their purchase orders and sales orders with us are placed by each of these companies in its own name, and the payments for which are separately settled.

During FY2021, FY2022, FY2023 and 8MFY2024, we had transactions with five, nine, eight and 10 separate companies of Company B, respectively. For FY2021, out of these five companies of Company B, we conducted only one-way sales of SOP and/or KCL to four of them (without purchase of any products from these four companies), and such one-way sales in aggregate contributed to approximately RMB15.9 million, representing approximately 66.3% of our revenue generated from Company B for FY2021. For FY2022, out of these nine companies of Company B, we conducted only one-way sales of SOP and/or KCL to eight of them (without purchase of any products from these eight companies), and such one-way sales in aggregate contributed to approximately RMB668.9 million, representing approximately 78.9% of our revenue generated from Company B for FY2022. For FY2023, out of these eight companies of Company B, we conducted only one-way sales of KCL and/or SOP to seven of them (without purchase of any products from these seven companies), and such one-way sales in aggregate contributed to approximately RMB562.4 million, representing approximately 87.0% of our revenue generated from Company B for FY2023. For 8MFY2024, out of these 10 companies of Company B, we conducted only one-way sales of KCL and/or SOP to nine of them (without purchase of any products from these nine companies), and such one-way sales in aggregate contributed to approximately RMB177.5 million, representing approximately 88.4% of our revenue generated from Company B for 8MFY2024. For our transactions with these companies of Company B where we only conducted one-way sales (the “**Non-Overlapping Company B Entities**”), in substance those transactions should not be seen as transactions with overlapping customers and suppliers since the Non-Overlapping Company B Entities only became overlapping customers and suppliers because they are disclosed on a group basis.

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With respect to the remaining one individual company of Company B (the “**Overlapping Company B Entity**”) where we engaged in both such sales and purchase transactions with it for FY2021, FY2022, FY2023 and 8MFY2024, our total purchase from such Overlapping Company B Entity for FY2021, FY2022, FY2023 and 8MFY2024 was RMB36.2 million, RMB684.4 million, RMB186.2 million and RMB173.0 million, respectively; while we generated revenue of RMB8.1 million, RMB178.4 million, RMB84.3 million and RMB23.3 million from it for FY2021, FY2022, FY2023 and 8MFY2024, respectively, which accounted for approximately 33.7%, 21.1%, 13.0% and 11.6% of our revenue generated from Company B for FY2021, FY2022, FY2023 and 8MFY2024, respectively.

As a major SOE potash importer in the PRC, the Overlapping Company B Entity engages in the sale of KCL to its customers (including us) in its ordinary course of business. We had an established business relationship with it; and it serves as one of our major domestic partners for the procurement of KCL originated from overseas. Our purchase of KCL from the Overlapping Company B Entity amounted to RMB32.3 million, RMB679.2 million, RMB186.2 million and RMB173.0 million for FY2021, FY2022, FY2023 and 8MFY2024, respectively. Such purchase reflected the ordinary business arrangement under which we procure KCL from the Overlapping Company B Entity (as a major supplier of our Group). The amounts of purchase made by us from the Overlapping Company B Entity are much larger than the sales amounts made by us to the Overlapping Company B Entity (as further described below). This fact is consistent with the nature of our business relationship. The significant increase in purchase by us from the Overlapping Company B Entity for FY2022 is because we ceased to enter into new purchase contracts for the purchase of KCL with Supplier D after it was designated by OFAC as an SDN in 2021.

On the other hand, as a major player of potash fertilisers in the PRC, the Overlapping Company B Entity may also procure KCL from time to time to ensure it has sufficient KCL inventory to support its operational needs and to support the stability of national fertiliser supply. Generally, the lead time for the purchase of KCL by us from the Overlapping Company B Entity is longer than the lead time for the sales of KCL by us to the Overlapping Company B Entity given that the purchase of KCL from the Overlapping Company B Entity was usually in a larger amount and agreed a few months in advance as it may need to import the KCL from overseas, whereas the sales of KCL to the Overlapping Company B Entity would typically be based on the unmet demand of the Overlapping Company B Entity in a particular period of time where it may need to source KCL domestically to satisfy its temporary needs. Our sales of KCL to the Overlapping Company B Entity increased from nil for FY2021 to approximately RMB140.1 million for FY2022, representing approximately 17.4% of our revenue generated from our total sales of KCL to Company B in FY2022. To the best knowledge of the Directors, such an increase was mainly due to the fact that the Overlapping Company B Entity has increased its efforts to source KCL from domestic markets in recent years due to the growing demand of its own supply chains and the need to replenish its inventory in a timely manner. We did not sell any KCL to the Overlapping Company B Entity for FY2023. We only sold a relatively small amount of KCL of RMB21.9 million to the Overlapping Company B Entity for 8MFY2024.

BUSINESS

Although the KCL purchased by our Group from Company B does not have a confirmed delivery schedule, vast majority of such purchases during the Track Record Period were delivered within half a year. Our Group generally conducts the planning for our production schedule taking into account the above timeframe, together with our production needs in the coming month and sales needs in the coming three months. Further, as we have diverse KCL procurement channels (including direct purchase of KCL from oversea suppliers by sea or by land and purchase from domestic suppliers), we can rely on other procurement channels to satisfy our production and sales needs if and when KCL from Company B cannot arrive within the expected timeframe. Such purchases via other procurement channels, which tend to be supplemental in nature, usually have a shorter timeframe with a more certain delivery schedule.

We also engaged in the sales and purchase of SOP with the Overlapping Company B Entity. Our purchase of SOP from the Overlapping Company B Entity amounted to approximately RMB3.9 million and RMB5.2 million for FY2021 and FY2022, respectively, which is insignificant. We occasionally purchased SOP from the Overlapping Company B Entity in FY2021 and FY2022 primarily due to the surging demand for our SOP from our agricultural reclamation customers during the spring planting season, which is typically the peak season for SOP, and during which time we typically experienced constraint in production capacity and/or inventory to meet the demand from such customers. Our sales of SOP to the Overlapping Company B Entity increased from approximately RMB8.1 million for FY2021 to approximately RMB38.3 million for FY2022. For FY2023 and 8MFY2024, we did not purchase any SOP from the Overlapping Company B Entity and we generated revenue of RMB84.3 million and RMB1.4 million from our sale of SOP to the Overlapping Company B Entity for FY2023 and 8MFY2024, respectively.

The following table sets forth the gross profit margin derived from our sales to the Overlapping Company B Entity and our overall gross profit margin for the years/period indicated:

	For the year ended 31 March			For the eight months ended 30 November
	2021	2022	2023	2023
	%	%	%	%
Gross Profit Margin derived from our Sales to the Overlapping Company B Entity	14.4	13.9	24.6	16.7
Our Overall Gross Profit Margin	12.0	16.5	16.3	14.4

BUSINESS

Gross profit margin of the Overlapping Company B Entity

As we have adopted the average unit cost of goods sold for our fertiliser products for each of FY2021, FY2022, FY2023 and 8MFY2024 for the calculation of both of our gross profit margin derived from the sales to the Overlapping Company B Entity and our overall gross profit margin for the respective years/period, the differences between our gross profit margin derived of the sales to the Overlapping Company B Entity and our overall gross profit margin for FY2021, FY2022, FY2023 and 8MFY2024 can be attributed to the differences between the average selling price of the relevant fertiliser products (i.e. KCL and SOP) to the Overlapping Company B Entity and the overall average selling price of such products for the respective years/period. In addition, as the sales of our KCL and SOP to the Overlapping Company B Entity were conducted generally based on the domestic market price of the relevant fertiliser products at the time of sales, the differences between gross profit margin for our sales to the Overlapping Company B Entity and our overall gross profit margin can be attributed to the time when the sales to Overlapping Company B Entity were recorded during the relevant years/period.

For FY2022, the gross profit margin of approximately 13.9% derived from our sales to the Overlapping Company B Entity was lower than our overall gross profit margin of approximately 16.5%, primarily due to the lower gross profit margin of approximately 12.2% derived from the sales of our SOP to the Overlapping Company B Entity in FY2022 as compared to the overall gross profit margin of approximately 23.5% from the sales of our SOP in the same year, as around half of the sales of our SOP to the Overlapping Company B Entity was conducted from April 2021 to July 2021 at a lower average selling price when the average domestic market price of SOP was at a relatively low level of RMB3,176.6 per tonne, compared to the average domestic market price of SOP of RMB3,621.2 per tonne for FY2022.

For FY2023, the gross profit margin of approximately 24.6% derived from our sales to the Overlapping Company B Entity was higher than our overall gross profit margin of approximately 16.3%, as (i) a majority of the sales of our KCL to the Overlapping Company B Entity was conducted from April 2022 to November 2022 at a higher average selling price when the average domestic market price of imported KCL was at a relatively high level of RMB4,209.1 per tonne, compared to the average domestic market price of imported KCL of RMB3,914.9 per tonne for FY2023; and (ii) a majority of the sales of our SOP to the Overlapping Company B Entity was conducted from April 2022 to July 2022 at a higher average selling price when the domestic market price of SOP was at its recent peak at over RMB4,500 per tonne for each of those four months.

For FY2021 and 8MFY2024, while there were differences between the gross profit margin derived from our sales to the Overlapping Company B Entity and our overall gross profit margin, the gross profit contributed by our sales to the Overlapping Company B Entity was insignificant and only represented approximately 0.5% and 1.2% of our overall gross profit for the same year/period, respectively.

BUSINESS

During the Track Record Period, the transactions between our Group and Company B were similar to those with CNCCC and Huaken International Trade Co. Ltd. (i.e. two large state-owned agribusiness companies having purchases and/or sales of KCL with our Group) in respect of (i) the price determination mechanism of our purchases, which was determined based on negotiations on arm's length basis; (ii) the product specification of our purchases, which consisted of KCL and/or SOP as specified by us; (iii) the credit period of our purchases (i.e. mainly by prepayment in full); (iv) the settlement method of our purchases (i.e. by bank transfer or bank acceptance bill); and (v) the completion time of our purchases (i.e. within one to two months in general).

Yunnan EuroChem

Our sales to Yunnan EuroChem increased from RMB30.7 million for FY2021 to RMB90.2 million for FY2022. We recorded low sales to Yunnan EuroChem for FY2021 primarily due to the high demand of our products from Customer A, which is one of our important strategic partners, so we prioritised orders from Customer A given the constraint of our production capacity during peak season. We recorded significant sales of RMB220.1 million to Yunan EuroChem for 8MFY2024 primarily because Yunnan Eurochem decided to expand its sales channels to increase income in FY2024 which increased its purchases of KCL from us. For further information, please refer to the section headed "Financial Information – Selected Balance Sheet Items – Related Transactions – (b) Amounts Due from (to) Joint Ventures/Loans to Joint Ventures" in this prospectus.

Supplier B

We had relatively high purchases from Supplier B for FY2023 primarily due to our cessation of purchase of KCL from Supplier D since it was designated by OFAC as an SDN in 2021.

Supplier C

For FY2021, FY2022, FY2023 and 8MFY2024, our purchases from Supplier C amounted to RMB451.4 million, RMB423.5 million, RMB976.9 million and RMB1,025.0 million, respectively. Our purchase from Supplier C was relatively high as a percentage to our total purchases for FY2023 and 8MFY2024, which accounted for approximately 29.2% and 46.6% of our total purchases for the relevant year/period. As we ceased to purchase KCL from Supplier D since it was designated by OFAC as an SDN in 2021 and we mostly purchased KCL from domestic suppliers for FY2023, we therefore had a relatively high purchase of KCL from Supplier C for FY2023. For 8MFY2024, we had a large purchase order of KCL with Supplier C which further increased our purchases from Supplier C.

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The following table (“**OCS & Non-OCS Price Table**”) sets out our average selling price by main product of our Overlapping Customers & Suppliers and customers who were not our Overlapping Customers & Suppliers (“**Non-Overlapping Customers**”) and average purchase price by main product of our Overlapping Customers & Suppliers and suppliers who were not our Overlapping Customers & Suppliers (“**Non-Overlapping Suppliers**”) during the Track Record Period:

	For the year ended 31 March					For the eight months ended 30 November		
	2021	2022		2023		2023		
		Non-Overlapping Customers/Overlapping Customers	Non-Overlapping Customers/Overlapping Customers	Non-Overlapping Customers/Overlapping Customers	Non-Overlapping Customers/Overlapping Customers	Non-Overlapping Customers/Overlapping Customers	Non-Overlapping Customers/Overlapping Customers	Non-Overlapping Customers/Overlapping Customers
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Average selling price (RMB)								
– KCL ⁽¹⁾	1,869.3	1,701.8	3,248.8	2,742.8	3,988.2	3,691.5	2,694.2	2,560.6
– SOP	2,357.6	2,324.5	3,128.4	3,309.7	3,775.8	3,859.8	2,951.2	3,070.0
– NOP ⁽²⁾	3,812.9	3,685.3	4,725.5	3,998.6	5,160.7	6,946.1	5,524.3	6,073.4
– Compound fertiliser ⁽³⁾	2,489.4	1,890.0	3,353.2	2,208.5	2,376.8	2,614.3	4,546.9	2,077.4
Average purchase price (RMB)								
– KCL ⁽⁴⁾	1,761.6	1,668.5	2,013.4	2,805.4	2,968.7	3,297.4	2,117.3	2,262.3
– SOP ⁽⁵⁾	2,307.4	2,257.5	3,201.2	3,070.0	3,416.9	–	2,946.3	3,003.1
– NOP ⁽⁶⁾	3,626.1	4,231.9	4,156.8	5,093.8	7,149.8	5,963.3	5,247.2	5,779.8
– Compound fertiliser ⁽⁷⁾	1,981.2	1,150.2	2,834.9	1,808.3	1,263.6	1,308.9	3,119.1	1,044.0

Notes:

- (1) For FY2021, our average selling price of KCL to Overlapping Customers & Suppliers was higher than our average selling price of KCL to Non-Overlapping Customers primarily because of (i) our higher selling price of KCL to Baoqing Migao, one of our Overlapping Customers & Suppliers for FY2021, as we sold our KCL to them in March 2021 where the domestic market price of imported KCL in March 2021 was approximately RMB2,175.2; and (ii) our lower selling price of KCL to Customer A, our largest customer and one of our Non-Overlapping Customers for FY2021, given that they usually placed orders with us in advance and allowed for a longer lead time and also in order to secure our long term business relationship with them.

For FY2022, our average selling price of KCL to Overlapping Customers & Suppliers was significantly higher than our average selling price of KCL to Non-Overlapping Customers primarily because of (i) our higher selling price of KCL to Company B, our largest Overlapping Customer & Supplier in terms of sales for FY2022, due to majority of our sales of KCL to them was conducted subsequent to July 2021 where the domestic market price of imported KCL started to increase significantly; (ii) our higher selling price of KCL to one of our tobacco customers which was one of our Overlapping Customers & Suppliers for FY2022, as we entered into our sale contract with them in October 2021 where the domestic market price of imported KCL had increased significantly when compared to the first half of FY2022; (iii) our lower selling price of KCL to Customer A, our largest customer and one of our Non-Overlapping Customers for FY2022, given that they usually placed orders with us in advance and allowed for a longer lead time and also in order to secure our long term business relationship with them. Further, majority of our sales of KCL to Customer A was from the sale contracts entered into prior to July 2021 (i.e. prior to the significant increase in domestic market price of imported KCL in FY2022); and (iv) our lower selling price of KCL to one of our top five customers and one

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of our Non-Overlapping Customers for FY2022, due to our sale contracts with them for our sale of KCL to them in FY2022 was entered into prior to July 2021 (i.e. prior to the significant increase in domestic market price of imported KCL in FY2022). The domestic market price of imported KCL increased from approximately RMB2,382.4 during the second quarter in 2021 to RMB3,438.2 during the third quarter in 2021 and further to RMB3,499.5 during the fourth quarter in 2021 and further to RMB4,037.5 during the first quarter of 2022.

For FY2023, our average selling price of KCL to Overlapping Customers & Suppliers was higher than our average selling price of KCL to Non-Overlapping Customers primarily because of (i) our higher selling price of KCL to Company H, our second largest Overlapping Customer & Supplier in terms of sales for FY2023, mainly due to we made majority of our sales to Company H from April 2022 to November 2022 when the average domestic market price of imported KCL was at a higher level during that period of such financial year; (ii) our lower selling price of KCL to Customer A, our largest customer and one of our Non-Overlapping Customers for FY2023, given that they usually placed orders with us in advance and allowed for a longer lead time and also in order to secure our long term business relationship with them. Further, majority of our sales of KCL to Customer A was from the sale contracts entered into prior to January 2022 or subsequent to October 2022 where the domestic market price of imported KCL was relatively lower; (iii) our lower selling price of KCL to a Non-Overlapping Customer for FY2023 for the sale of KCL of approximately 44,000 tonnes where the sale contracts for such products was signed in September 2022 and February 2023 when the domestic market price of imported KCL had dropped; and (iv) our lower selling price of KCL to a Non-Overlapping Customer for FY2023 for the sale of KCL of approximately 24,000 tonnes where the selling price for such products was agreed subsequent to November 2022 and the domestic market price of imported KCL had dropped. The domestic market price of imported KCL decreased from approximately RMB5,110.8 during the second quarter in 2022 to RMB4,690.4 during the third quarter in 2022, further to approximately RMB3,669.7 during the fourth quarter in 2022 and further to approximately RMB3,598.0 during the first quarter in 2023.

For 8MFY2024, our average selling price of KCL to Overlapping Customers & Suppliers was higher than our average selling price of KCL to Non-Overlapping Customers primarily because of our higher selling price of KCL to Yunnan EuroChem and one of our other Overlapping Customers & Suppliers due to we entered into the relevant sales contracts with these Overlapping Customers & Suppliers in March 2023 where the domestic market price of imported KCL was higher compared to April 2023 to November 2023.

- (2) For FY2022, our average selling price of NOP to Overlapping Customers & Suppliers was significantly higher than our average selling price of NOP to Non-Overlapping Customers primarily because the majority of our sales of NOP to Overlapping Customers & Suppliers was conducted in March 2022 where the average market selling price of KCL (a key raw material for the manufacturing of NOP) was at a relatively high level, while our sales of NOP to Non-Overlapping Customers was conducted primarily during the first half of FY2022 where the average domestic market price of imported KCL was lower compared to the second half of FY2022.

For FY2023, our average selling price of NOP to Overlapping Customers & Suppliers was significantly lower than our average selling price of NOP to Non-Overlapping Customers primarily because our sales of NOP to Overlapping Customers & Suppliers were conducted in November 2022 where the domestic market price of imported KCL had dropped, while majority of the sales contracts for our sales of NOP to Non-Overlapping Customers was entered into between January 2022 and February 2022 where the domestic market price of imported KCL was still at a relatively high level.

- (3) For FY2021 and FY2022 our average selling price of compound fertilisers to Overlapping Customers & Suppliers was significantly higher than our average selling price of compound fertilisers to Non-Overlapping Customers primarily because majority of the compound fertilisers we sold to the Overlapping Customers & Suppliers were the types with higher selling prices, while the compound fertilisers we sold to Non-Overlapping Customers included the types with lower selling prices and the types with higher selling prices.

For FY2023, our average selling price of compound fertilisers to Overlapping Customers & Suppliers was lower than our average selling price of compound fertilisers to Non-Overlapping Customers primarily because majority of the compound fertilisers we sold to the Overlapping Customers & Suppliers were the types with lower selling prices, while the compound fertilisers we sold to Non-Overlapping Customers included the types with lower selling prices and the types with higher selling prices.

For 8MFY2024, our average selling price of compound fertilisers to Overlapping Customers & Suppliers was significantly higher than our average selling price of compound fertilisers to Non-Overlapping Customers primarily because we sold higher proportion of the types of compound fertilisers with higher selling prices to the Overlapping Customers & Suppliers.

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- (4) For FY2022, our average purchase price of KCL from Overlapping Customers & Suppliers was significantly lower than our average purchase price of KCL from Non-Overlapping Suppliers primarily because the majority of our purchases of KCL from Overlapping Customers & Suppliers was from Company B and the purchase price was determined with reference to the then prevailing Sea Import Master Contract Price in US\$ at the time of our preliminary agreement on the purchases with Company B (which was primarily from January 2021 to June 2021) and adjusted by the foreign exchange rates at the time of signing the relevant contract which led to a lower average purchase price of KCL from Overlapping Customers & Suppliers.

For FY2023, our average purchase price of KCL from Overlapping Customers & Suppliers was lower than our average purchase price of KCL from Non-Overlapping Suppliers primarily because a significant portion of the KCL we purchased from Overlapping Customers & Suppliers was from CNCCC and the relevant purchase contract was entered into prior to February 2022 (prior to the increase in the Sea Import Master Contract Price) which led to a lower average purchase price of KCL from Non-Overlapping Suppliers.

- (5) For FY2023, we did not purchase any SOP from non-Overlapping Suppliers.
- (6) For FY2021, our average purchase price of NOP from Overlapping Customers & Suppliers was significantly lower than our average purchase price of NOP from Non-Overlapping Suppliers primarily because majority of our purchases of NOP from Overlapping Customers & Suppliers was from Yunnan EuroChem and it generally has a lower selling price of NOP compared to domestic market price. However, its selling price of NOP to our Group was similar to its selling price of NOP to its other customers during the period.

For FY2022, our average purchase price of NOP from Overlapping Customers & Suppliers was significantly lower than our average purchase price of NOP from Non-Overlapping Suppliers primarily because majority of our purchases of NOP from Overlapping Customers & Suppliers was conducted on or prior to July 2022 where the domestic market price of imported KCL (a key raw material for the manufacturing of NOP) only started to increase significantly subsequent to July 2022, while majority of our purchases of NOP from Non-Overlapping Suppliers was conducted in the second half of FY2022 where the domestic market price of imported KCL was significantly higher compared to the first half of FY2022.

For FY2023, our average purchase price of NOP from Overlapping Customers & Suppliers was significantly higher than our average purchase price of NOP from Non-Overlapping Suppliers primarily because Singapore Migao purchased NOP from Yunnan EuroChem and the purchase price included the shipment fee for the shipment of the NOP to Singapore which therefore had a higher purchase price.

- (7) For FY2021, FY2022 and 8MFY2024, our average purchase price of compound fertilisers from Overlapping Customers & Suppliers was significantly higher than our average purchase price of compound fertilisers from Non-Overlapping Suppliers primarily because the majority of compound fertilisers we purchased from Overlapping Customers & Suppliers were the types with higher selling prices, while the majority of compound fertilisers we purchased from Non-Overlapping Suppliers were the types with lower selling prices.

The following table sets out our gross profit and average gross profit margin of our Overlapping Customers & Suppliers and Non-Overlapping Customers during the Track Record Period:

Type	For the year ended 31 March						For the eight months ended 30 November	
	2021		2022		2023		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Overlapping Customers & Suppliers	73,921	17.0	248,092	24.7	263,994	20.5	136,166	17.4
Non-Overlapping Customers	176,820	10.7	385,330	13.6	503,539	14.7	193,417	13.3

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For FY2021, FY2022, FY2023 and 8MFY2024, our gross profit margin derived from our sales to our Overlapping Customers & Suppliers was approximately 17.0%, 24.7%, 20.5% and 17.4%, respectively, and our gross profit margin derived from our sales to our Non-Overlapping Customers was approximately 10.7%, 13.6%, 14.7% and 13.3%, respectively. As we applied the annual weighted average cost approach to determine our unit cost of goods sold in our calculation for both gross profit margin of our Overlapping Customers & Suppliers and our Non-Overlapping Customers, our average gross profit margin derived from our sales to our Non-Overlapping Customers was lower than those we derived from our Overlapping Customers & Suppliers for FY2021, FY2022, FY2023 and 8MFY2024 primarily due to the same reasons which led to the differences in the average selling price of our products to our Overlapping Customers & Suppliers and Non-Overlapping Customers as described above in the OCS & Non-OCS Price Table. Where we have excluded our sales to the Overlapping Customers & Suppliers mentioned in Note (1) to the OCS & Non-OCS Price Table above due to the various reasons as set out in such note, our gross profit margin derived from our sales to our Overlapping Customers & Suppliers was approximately 15.3%, 21.3%, 17.9% and 14.1% for FY2021, FY2022, FY2023 and 8MFY2024, respectively. Where we have excluded our sales to the Non-Overlapping Customers mentioned in Note (1) to the OCS and Non-OCS Price Table above due to the various reasons as set out in such note, our gross profit margin derived from our sales to our Non-Overlapping Customers was approximately 12.0%, 19.9%, 16.4% and 13.3% for FY2021, FY2022, FY2023 and 8MFY2024, respectively.

As confirmed by our Directors, during the Track Record Period, the gross profit margins generated from the sales to our Overlapping Customers & Suppliers, saved as disclosed in the discussion of our average selling price of our products to Overlapping Customers & Suppliers and Non-Overlapping Customers in Note (1) to the OCS and Non-Overlapping Customers and Suppliers Price Table above, were generally comparable with those of similar transactions conducted with our Non-Overlapping Customers during the same period.

Based on the due diligence conducted by the Sole Sponsor, the Sole Sponsor was not aware of any material findings which cast doubt on the bases of our Directors' view mentioned above.

Our Directors confirmed that (i) the transactions with our Overlapping Customers & Suppliers were conducted on an arm's length basis in the ordinary course of our business; (ii) negotiations of the terms of our sales to and purchases from our Overlapping Customers & Suppliers were conducted on an individual basis and the sales and purchases were neither interconnected nor inter-conditional with each other (save for Guizhou Tobacco Investment as mentioned above); and (iii) the terms of transactions, including pricing (save as described above in the OCS & Non-OCS Price Table) and other terms, with our Overlapping Customers & Suppliers were in all material respects comparable with those with our other customers and suppliers. We were under no obligation to purchase from the Overlapping Customers & Suppliers, and vice versa (save for Guizhou Tobacco Investment as mentioned above). During the Track Record Period, we may offset certain of our receivables from our Overlapping Customers & Suppliers for the sale of our products to them against the purchases of products they sold to us.

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Based on the due diligence conducted by the Sole Sponsor, the Sole Sponsor was not aware of any material findings which cast doubt on our Directors' view that the pricing and other terms of our Group's transactions with the Overlapping Customers & Suppliers were in all material respects comparable with those of our Group's transactions with our other customers and suppliers.

Save as disclosed in this prospectus, none of our Directors, their respective close associates, or any Shareholder who, to the best knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in each of them during the Track Record Period. Save as disclosed above, to the best knowledge of our Directors, we did not have any other Overlapping Customer & Supplier during the Track Record Period.

TRANSFER PRICING ARRANGEMENT

Intra-group Transactions

During the Track Record Period, we operated our Group's business principally through four subsidiaries (i.e. Guangdong Migao, Sichuan Migao, Daxing Migao and Changchun Migao) with production facilities in the PRC and our trading subsidiary in Singapore. During the Track Record Period, there were certain intra-group transactions in respect of the raw materials and finished goods buy-sell between our operating subsidiaries. The major intra-group transactions included:

- (i) Sales of raw materials by Guangdong Migao to Sichuan Migao and Changchun Migao;
- (ii) Sales of raw materials by Sichuan Migao to Guangdong Migao, Changchun Migao and Daxing Migao;
- (iii) Sales of finished products between our four subsidiaries; and
- (iv) Sales of finished products by Guangdong Migao and Changchun Migao to Singapore Migao.

The major circumstances leading to such intra-group transactions included the following:

- (i) Guangdong Migao holds KCL automatic import licences – The imports and exports of KCL are subject to control by the PRC government. The MOFCOM has implemented an automatic licensing system for imports and exports of KCL. During the Track Record Period, Guangdong Migao held KCL automatic import licences. It purchased and imported KCL from overseas suppliers directly for our Group and sold the KCL to our other PRC subsidiaries for further granulating, manufacturing or selling purposes.

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- (ii) Occasions when there was a lack of raw materials in a subsidiary – Our Group’s production facilities require a large amount of KCL and a range of other products as raw materials for their production or processing. During the Track Record Period, there were certain occasions where a subsidiary did not have sufficient raw materials in stock or unable to replenish the stock from its own sources. In these situations, the affected subsidiary would purchase raw materials from another of our subsidiaries for manufacturing or processing.
- (iii) Occasions when there was a lack of products or production capacity in a subsidiary – During the Track Record Period, there were certain occasions where a subsidiary did not have sufficient inventory, did not produce the specific type of fertilisers requested by our customers or did not have sufficient production capacity to deal with the surging demand of the customers. In these situations, the relevant subsidiary would purchase finished products from another of our subsidiary for sales to external customers.
- (iv) Expansion of business to Southeast Asian market – Singapore Migao was strategically set up as a trading company for the development of Southeast Asian market. Without any production capacity, Singapore Migao purchased finished products, mainly SOP, from Guangdong Migao and Changchun Migao for ongoing sales to overseas customers during the Track Record Period.

Transactions with Related Parties

Apart from the intra-group transactions, we also entered into buy-sell transactions in respect of the raw materials and finished goods with our related parties during the Track Record Period. The transaction amounts are summarised in Note 23 to the Accountants’ Report in Appendix I to this prospectus.

Our major transactions with related parties included:

- (i) Sales and purchase of raw materials and finished products with Baoqing Migao, Anda Migao and Yunnan EuroChem⁽¹⁾;
- (ii) Sales and purchase of raw materials and finished products with Liaoning Migao;
- (iii) Purchase of finished products from Zunyi Migao; and
- (iv) Sales of finished products to and purchase of raw materials from Guizhou Tobacco Investment.

Note:

- (1) Anda Migao and Baoqing Migao became our subsidiaries and ceased to be related parties of our Group from 31 March 2022 onwards, and, therefore, the relevant transactions with Anda Migao and Baoqing Migao were intra-group transactions in FY2023. For the major circumstances leading to the intra-group transactions in FY2023, please refer to the paragraph headed “Business – Transfer Pricing Arrangement – Intra-group Transactions” in this prospectus.

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The major circumstances leading to the above transactions included the following:

- (i) Occasions when there was a lack of products and/or production capacity – During the Track Record Period, there were occasions where there was surging demand for SOP or other products in the market whilst we did not have sufficient production capacity at the time to manufacture the products requested by the customers. Understanding that Baoqing Migao, Anda Migao, Yunnan EuroChem, Liaoning Migao and/or Zunyi Migao have similar technologies and abilities as our Group and are able to manufacture fertiliser products satisfying our customers' requirements, we purchased the finished products from them for sales to the external customers in these cases. In particular, our Chengdu Production Facility discontinued manufacturing of NOP in January 2019 due to local re-zoning policy. Since then, we no longer manufacture NOP within our Group and have been procuring NOP from Yunnan EuroChem, our indirect joint venture, and other domestic suppliers.

Similarly, there were occasions where Baoqing Migao, Anda Migao, Yunnan EuroChem, Liaoning Migao and/or Zunyi Migao did not have sufficient inventory or did not produce the specific type of fertilisers requested by their customers during the Track Record Period. In these situations, they purchased the products from us for sales to their external customers.

- (ii) Close proximity of Liaoning Migao to the KCL suppliers – During the Track Record Period, our Group also purchased KCL from Liaoning Migao. It is because Liaoning Migao is located in the northern region and it is closer to the Russian border and our production facilities in the northern region than Guangdong Migao.
- (iii) Stringent requirements on the tobacco fertiliser ingredients – Guizhou Tobacco Investment is one of the major strategic customers of our Group. During the Track Record Period, we purchased the principal raw materials required in the manufacturing of tobacco compound fertilisers from Guizhou Tobacco Investment as they have stringent requirements on the fertiliser ingredients to be used in the manufacturing of their tobacco compound fertiliser. We would utilise the raw materials we purchased from them to manufacture and sell the requested compound fertilisers to them. In addition, we also sold certain products (e.g., KCL, SOP and NOP) to them as raw materials for their manufacturing of tobacco compound fertiliser. Starting from the fourth quarter of 2021, we were not required to procure the principal raw materials supplied by Guizhou Tobacco Investment. Instead, we provided fertiliser production services to Guizhou Tobacco Investment for manufacturing tobacco compound fertiliser for them from the principal raw materials provided by them. We also sold some raw materials to Guizhou Tobacco Investment and used these raw materials when providing tobacco compound fertiliser manufacturing services. During manufacturing, ownership of those raw materials remain with Guizhou Tobacco Investment.

Our Transfer Pricing Arrangements

The intra-group selling prices and the selling price to related parties are determined based on a number of factors, such as raw material costs, labour and manufacturing costs, inventory level, prevailing domestic market price, specifications of products, sales volume and transportation costs. Our transactions with related parties were conducted in accordance with terms agreed between us and the respective related parties. Our Directors confirmed that our transfer pricing arrangements during the Track Record Period and up to the Latest Practicable Date are on normal commercial terms and are in compliance with the arm's length principle. Neither the tax authorities in the PRC nor in Singapore have raised any inquiry, audit or investigation on our Group's transfer pricing arrangements as at the Latest Practicable Date.

In preparation of the Listing, our Group has engaged Mazars Tax Services Limited (the "**Transfer Pricing Consultant**"), an independent consultant on transfer pricing, to conduct a review on whether our intra-group transactions and transactions with related parties conducted during the Track Record Period are in line with the arm's length principle. According to OECD Transfer Pricing Guidelines, all related party transactions should be transacted in accordance with the arm's length principle. This proposition is adopted by tax administrations around the world, including that of the PRC and Singapore.

During the review process, the Transfer Pricing Consultant interviewed our Group's management to understand the operation and pricing policy, reviewed the transfer pricing documentation, financial information as well as conducted benchmarking analyses by using a third-party information database. When conducting the benchmarking analyses, different qualitative and quantitative screening were used to come up with set of comparable companies. Qualitative screening is to ensure that the operation of the selected companies are comparable to our operation in the intra-group transactions and other transactions with related parties. It includes reviewing the active/inactive status, geographical location, standard industry classification codes, independence indicator, and functions performed and products sold by the potential comparable companies. In terms of quantitative screening, companies without sufficient financial data, incurred operating loss in consecutive years, or with fluctuating financial data were eliminated to ensure that comparable financial data can be obtained.

Based on the functions performed and the risks borne by the group companies in the intra-group transactions and other transactions with related parties, the Transfer Pricing Consultant considers that (i) the group companies which mainly carried out production activities of fertiliser products and borne the production risk in the transactions could be characterised as limited risk manufacturers; whilst (ii) the group companies which carried out the procurement activities of KCL and other raw materials and borne the major risks, such as the legal risk, market risk and foreign exchange risk, in the transactions could be characterised as risk bearing distributors. Therefore, two sets of comparable companies, including (i) 12 comparable companies involved in the production of fertiliser products, and (ii) 7 comparable companies involved in the distribution of fertiliser products and/or other agricultural chemicals, are selected. Products of those selected comparable companies include our products, i.e. KCL, SOP, NOP and compound fertilisers.

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Based on the financial results of the selected comparable companies, the Transfer Pricing Consultant computed an arm's length range of return for each set of companies and compared them with the weighted average profit margin achieved by our group companies in the intra-group transactions and other transactions with related parties. Based on the review and analyses performed, most of the profit margins achieved by our group companies in the intra-group transactions and other transactions with related parties fall within the arm's length range of return. A few transactions fall below the range due to seasonal and/or other specific reasons, such as some of the transactions are in substance direct resale transactions in which the value-added element is comparatively smaller than the operation of the selected comparable companies. The Transfer Pricing Consultant considered the reasons provided by our management are legitimate business reasons. In this regard, the Transfer Pricing Consultant is of the view that all the Group's entities are compensated for their functions undertaken and risks assumed in the intra-group transactions and the transactions with related parties during the Track Record Period. There is no indication that these transactions are not in line with the arm's length principle.

Our Directors confirm that in ensuring ongoing compliance with the relevant transfer pricing laws and regulations in the PRC and Singapore,

- Our management will review and monitor the transfer pricing arrangements from time to time to ensure that the intra-group transactions and transactions with related parties comply with the arm's length principle;
- Intercompany balances and transactions are reconciled with our Group from time to time and at reporting periods to ensure that no significant difference exists; and
- Our chief financial officer will monitor the amount of related party transactions to determine whether transfer pricing documentation and contemporaneous documents are required to be prepared.

BUSINESS DEALINGS WITH THIRD PARTIES SUBJECT TO INTERNATIONAL SANCTIONS

International Sanctions Applicable to Belarus

During the Track Record Period, we purchased a large amount of KCL, directly and indirectly, from Supplier D in Belarus, which was one of our top five suppliers. Supplier D is purportedly the trading arm of the Belarus Producer. During the Track Record Period, we did not engage in any direct transaction with the Belarus Producer. The table below sets forth our overseas purchase of KCL from Supplier D and our domestic purchase of KCL originated from Belarus, in absolute amount and as a percentage of our total purchase of KCL, for the years/periods indicated.

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	Year ended 31 March			Eight months ended 30 November
	2021	2022	2023	2023
Overseas Purchases of KCL from Supplier D¹ (RMB'000)	377,977	706,819	–	–
Domestic Purchases of KCL Originated from Belarus² (RMB'000)	32,271	245,160	9,234	–
Percentage of Total Purchases of KCL (%)	26.2	29.7	0.3	–

Notes:

1. These purchases represent our purchases of KCL directly from Supplier D.
2. These purchases represent our purchases of KCL directly from domestic purchasers whose KCL are originated from Belarus (including a shipment of our purchases of KCL directly from a domestic purchaser (Company B) in April 2022 which shipment is originated from Supplier D).

Belarus is not a comprehensively Sanctioned Country within the meaning of Chapter 4.4 of the Guide for New Listing Applicants. However, Belarus has been subject to various sanctions measures imposed by many Western countries, including U.S., EU, UK and Canada, due to human rights violations and public corruption by the Lukashenko government, and most recently, its active support of Russia's military operations against Ukraine in early 2022. These sanctions target important sources of revenue to the Lukashenko regime, including potassium chloride (potash), the only abundant mineral resource in Belarus and its key export.

On 9 August 2021, OFAC designated the Belarus Producer as an SDN, and issued a general license allowing U.S. Persons 120 days (i.e., until 8 December 2021) to wind down transactions with the Belarus Producer and its subsidiaries (“**Belarus General License 4**”). On 2 December 2021, OFAC designated Supplier D as an SDN, and issued a general license allowing U.S. Persons 120 days (i.e., until 1 April 2022) to wind down transactions with Supplier D and its subsidiaries, including the wind down of transactions in which the Belarus Producer has a property interest (“**Belarus General License 5**”). To qualify for these licenses, the following conditions must be met: (i) the underlying contract should predate the SDN designation, and (ii) all purchases, payments and shipments are completed before the expiration of the relevant license. Notably, OFAC clarified that General License 5 did not authorize direct transactions with the Belarus Producer after the expiry of General License 4 on 8 December 2021. Whilst the Belarus general licenses are limited in applicability to U.S. Persons, OFAC policy is that it will not impose sanctions on non-U.S. Persons for activities that are permitted for U.S. Persons (i.e., wind down transactions permitted by the general licenses).

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Since Supplier D was designated by OFAC as an SDN, we have ceased entering into new purchase contracts with it. The final shipments of our direct purchase of KCL from Supplier D pursuant to the pre-existing contracts were shipped on 27 December 2021 and were received in China in February 2022; in addition, we had certain dealings with Supplier D as set out in details below.

Rebates from Supplier D and related set off arrangement

Under our purchase agreements with some of our suppliers, we are entitled to rebates on our purchases when we achieved the specified level of purchase volume. During the Track Record Period, we were entitled to rebates on our purchases from Supplier D pursuant to our contracts with Supplier D. As at 31 March 2022, the outstanding rebate receivable by Guangdong Migao from Supplier D amounted to approximately RMB39.2 million (equivalent to US\$5.9 million). Such rebate receivable, together with the other excess prepayments by Guangdong Migao to Supplier D arising from previous purchases, was set off against the outstanding trade payable by Guangdong Migao to Supplier D under the 2021 Contract as further described below. Such set off was agreed with Supplier D and as a result of this set off, our remaining outstanding payable to Supplier D amounted to approximately RMB302.6 million (equivalent to US\$47.9 million) as at 30 June 2022 (the “**Outstanding Supplier D Payable**”). The Outstanding Supplier D Payable was subsequently and substantially settled by way of a tripartite settlement arrangement as set out below.

The tripartite settlement arrangement in respect of the Outstanding Supplier D Payable involved Guangdong Migao, Supplier D and three fertiliser trading companies and the amount due to/from between them.

Between our Group and Supplier D: Guangdong Migao entered into a contract with Supplier D in March 2021 (as re-affirmed in November 2021) (the “**2021 Contract**”) for purchase of potash. Guangdong Migao had made certain prepayments for the purchases under this contract in RMB in December 2021 but had not paid for the remaining accounts payable to Supplier D, being the Outstanding Supplier D Payable, prior to the expiry date of Belarus General License 5 on 1 April 2022. Guangdong Migao obtained confirmation from Supplier D that it had received all potash from the Belarus Producer prior to 8 December 2021 (i.e. the expiry date of Belarus General License 4). In addition, all potash under the 2021 Contract was shipped by Supplier D to us by 27 December 2021 (i.e., prior to 1 April 2022, the expiry date of Belarus General License 5).

Between our Group and the Fertiliser Traders: Separately, on 18 March 2021, Guangdong Migao entered into three contracts with Supplier A and two other fertiliser trading companies (collectively, the “**Fertiliser Traders**”), respectively. The two other fertiliser trading companies are both incorporated in Hong Kong and have been in the fertiliser trading business since their respective inception. One of the fertiliser trading companies is an independent third party of the Group from whom the Group has regularly purchased peat since 2019 and to whom the Group has sold KCL in 8MFY2024, and the other one was related to the Group until February 2023. Guangdong Migao made various US\$ and RMB prepayments to these Fertiliser

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Traders after 1 April 2022, but they had not fulfilled Guangdong Migao's purchases. While certain of these prepayments were in US\$, we confirm that the prepayments were specifically for KCL sourced from Russia, and the Fertiliser Traders also confirmed that the prepayments did not result in any payments made to Supplier D or goods being delivered from Supplier D after 1 April 2022.

Between the Fertiliser Traders and Supplier D: The Fertiliser Traders informed Guangdong Migao that they also engaged in fertiliser trading with Supplier D and have made certain purchases for potash from Supplier D for which they prepaid in RMB prior to October or November 2021 (as the case may be). However, Supplier D could not satisfy their purchases and thus owed the Fertiliser Traders certain prepayments.

The Settlements: Supplier D proposed and the parties agreed to set off these debts (among Guangdong Migao, Supplier D and the Fertiliser Traders) in their respective accounting records. This tripartite set off arrangement was documented in three settlement confirmations signed on 31 July 2022 (the "**Settlements**"). As a result of these Settlements, the Outstanding Supplier D Payable was reduced to approximately RMB2.5 million (equivalent to US\$0.4 million). Our Group does not intend to make any payment to Supplier D nor any further set off arrangement with Supplier D until and unless all applicable sanctions on Supplier D are lifted.

Indirect purchase transaction with Supplier D

With respect to the domestic purchase of KCL originated from Belarus for FY2023, it is part of the purchases made pursuant to a purchase and sale contract Guangdong Migao entered into with Company B (a Chinese SOE supplier) in April 2021. The KCL of that purchase and sale contract was sourced from Supplier D and was shipped to us in multiple shipments, all of which were received by us by October 2021 (before Supplier D was designated as an SDN in December 2021), except for the last shipment which was received by us in April 2022 (the "**April 2022 Shipment**") due to the logistic arrangement of Company B. Based on the confirmation from Company B, the April 2022 Shipment was fully paid for and delivered by Supplier D to Company B in China in July 2021. We do not intend to engage in further transactions with Supplier D (either directly or indirectly) for so long as it remains subject to international sanctions of any kind.

Save for the transactions and dealings disclosed herein, since the imposition of sanctions targeting the Belarus Producer and as at the Latest Practicable Date, there are no other purchases of KCL by us (whether directly or indirectly) whose origins were from Belarus or sourced from the Belarus Producer or Supplier D, and our Group has completely ceased all commercial transactions or dealings of any sort with the Belarus Producer and Supplier D; additionally, we have instituted a compliance system to ensure that no KCL will be sourced (directly or indirectly) from Belarus and any sanctioned parties.

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Based on the above facts and confirmations, we are advised by our International Sanctions Legal Advisers that, with respect to U.S. sanctions:

1. in respect of our purchases from Supplier D prior to 9 August 2021, being the date on which the Belarus Producer was designated as an SDN, such purchases were not subject to U.S. primary or secondary sanctions;
2. in respect of our direct purchases from Supplier D after 9 August 2021 pursuant to (a) a contract dated December 2020 and (b) the 2021 Contract for potash sourced from the Belarus Producer, given that (i) the transactions were conducted pursuant to the terms of contracts initially entered into prior to the introduction of sanctions on the Belarus Producer and Supplier D which set out the quantity and quality of the specified potash and (ii) the shipments thereunder were made by Supplier D to us in September 2021 and December 2021, respectively, and (iii) all potash was received by Supplier D from the Belarus Producer before 8 December 2021 (i.e. the expiry of Belarus General License 4), such transactions would be deemed “wind down” transactions within the scope of the Belarus general licenses, and accordingly, such transactions would not be the subject of secondary sanctions enforcement pursuant to published OFAC guidance;
3. in respect of the set off between Supplier D and us using the rebates owed by Supplier D to us, even though they took place after 1 April 2022 (the expiry of Belarus General License 5), on the basis that such rebates set off (i) was not accompanied by any actual payments between us and Supplier D and (ii) merely represented a settlement through bookkeeping/accounting entries, they would not give rise to either U.S. primary or secondary sanctions risks;
4. in respect of the prepayments Guangdong Migao made to the Fertiliser Traders after 1 April 2022, while certain of these prepayments were in US\$, on the basis of our confirmations and the Fertiliser Traders’ confirmations stated above, these prepayments did not give rise to either U.S. primary or secondary sanctions risks;
5. in respect of the Settlements, they did not give rise to any U.S. primary sanctions risks due to lack of U.S. nexus; in terms of secondary sanctions risks, on the basis that (i) there were no actual payments made between the three parties under the Settlements and that the Settlements represented a tripartite set off of outstanding obligations, and (ii) the U.S. government’s policy is to reduce the impact on global food supplies and prices and to ensure world food security, these Settlements are not subject to material risk under U.S. secondary sanctions;
6. in respect of the April 2022 Shipment, on the basis that it was received and fully paid for (by Company B to Supplier D) prior to Supplier D being designated as an SDN, the April 2022 shipment was not subject to the Belarus sanctions and there was no violation of the sanctions law by us to receive delivery of this shipment in April 2022;

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7. our procurement of potash sourced from Belarus would not constitute “operating in, or having operated in” the potassium chloride (potash) sector of Belarus. While OFAC has not issued any guidance in respect of the definition of “operating in”, such term is commonly interpreted to be limited to investment in, or establishing a legal presence in, the targeted sector and our Group has not undertaken such activities; and
8. our cessation of entering into new purchase contract with Supplier D since its SDN designation, together with our efforts and compliance measures taken to prevent procurement of potash from Belarus after expiry of Belarus General License 5, would help to mitigate any material sanctions risk.

Our International Sanctions Legal Advisers further advised us that, with respect to EU, UK and Canada sanctions, since our business dealings with Supplier D and the Belarus Producer are carried out by our subsidiaries, none of which are incorporated in the EU, UK or Canada and thus EU, UK and Canada sanctions would not apply.

Therefore, our business dealings in respect of Belarus are not subject to material risk in respect of U.S. primary or secondary sanctions, nor subject to material risk in respect of the relevant EU, UK and Canada sanctions.

International Sanctions Applicable to Russia

During the Track Record Period, we purchased KCL overseas or domestically that were originated from Russia. The table below sets forth our overseas and domestic purchases of KCL originated from Russia, in absolute amount and as a percentage of our total purchases of KCL, for the years/periods indicated.

	Year ended 31 March			Eight months ended 30 November
	2021	2022	2023	2023
Overseas Purchases of KCL Originated from Russia (RMB'000)	268,763	277,764	156,883	744,368
Domestic Purchases of KCL Originated from Russia (RMB'000)	–	470,774	2,853,490	1,265,863
% of Total Purchases of KCL	17.1	23.3	99.5	99.1

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Other than the purchases of KCL set out in the tables above, the remaining purchases in FY2021, FY2022, FY2023 and 8MFY2024 were domestic purchases, accounted for approximately 56.7%, 47.0%, 0.2% and 0.9% of our total purchases of KCL for the respective year/period. For FY2021 and FY2022, although the contracts for such domestic purchases did not specify the place of origin of the goods, to our best knowledge and based on our understanding of the potash industry in China, a majority of such domestic purchases were from Russia. For FY2023, such domestic purchases were KCL originated from PRC and for 8MFY2024, such domestic purchases were KCL originated from Jordan.

Apart from purchase of KCL from Russia, one of our subsidiaries also has a 50%-50% joint venture, namely, EuroChem Migao, with EuroChem Group. For details, please refer to the section headed “History, Reorganisation and Corporate Structure – Our Joint Venture” in this prospectus.

Russia has been subject to various sanctions measures since its actions and claims of sovereignty in Crimea were deemed to be illegal by many Western governments and governmental organisations. Following its military operations against Ukraine in February 2022, Western countries have adopted further sanctions measures against Russia ranging from asset freeze measures targeting its companies, elites and high ranking senior official to various sectoral restrictions including notably sweeping financial restrictions.

However, to ensure global food security, the U.S. Department of Treasury has clarified on 14 July 2022 that agricultural commodities (including fertilisers) are not targets of the sanctions imposed by the U.S. on Russia and the U.S. has not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia. On the same day, the OFAC issued a broad General License No. 6B to authorise, among other activities, certain transactions related to the production, manufacturing, sale, or transport of agricultural commodities (including fertilisers) relating to Russia. The term “fertilizer” is used in a broad sense as defined in the U.S. Agricultural Trade Act of 1978 and therefore should include potash/KCL products. On 17 January 2023, the OFAC issued General License No. 6C, which replaced General License No. 6B by expanding the applicable scope to include the “provision” of agricultural commodities.

On 2 August 2022, the OFAC also confirmed that EuroChem Group is not subject to U.S. sanctions because it is not owned 50% or more by blocked persons (including its founder, who was designated as an SDN by the OFAC on that date).

Similarly, the EU stated on 21 July 2022 that it is committed to avoiding all measures which might lead to food insecurity around the globe, and it had not adopted any measures targeting the trade in agricultural and food products (including fertilisers) between third countries and Russia. On 9 November 2022, the EU stated that it has essentially exempted the agri-food sector and fertilisers from its restrictive measures against Russia. For further details, please refer to the paragraphs headed “Risk Factors – Risks Related to Our Business – We could be adversely affected as a result of any transactions we have with countries that are, or become subject to, sanctions administered by the Relevant Sanctions Authorities and other relevant authorities administering sanctions measures” and “Regulatory Overview – Sanctions Laws and Regulations” in this prospectus.

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As advised by our International Sanctions Legal Advisers, on the basis that:

1. the relevant authorities have officially confirmed that Russia's fertilisers (including potash) is not a target of sanctions imposed on Russia, and none of our direct or indirect counterparties of overseas purchases from Russia is identified as an SDN by OFAC; and
2. EU, UK or Canada sanctions only apply to EU, UK or Canadian individual and companies; these sanctions would not impact or impair our business activities conducted only by companies which are incorporated in countries other than the EU, UK or Canada,

our business dealings in respect of Russia are not subject to material risk in respect of U.S. primary or secondary sanctions, nor subject to material risk in respect of the relevant EU, UK and Canada sanctions.

Further Sanctions Considerations

As further advised by our International Sanctions Legal Advisers, on the basis of the facts described above and given that we had not been designated as a Sanctioned Target or subject to penalties due to any violation of international sanctions, our business dealings with parties in Belarus and Russia did not constitute "Primary Sanctioned Activity" as defined in Chapter 4.4 of the Guide for New Listing Applicants; in addition, such business dealings are highly unlikely to result in the imposition of U.S. secondary sanctions against us for the purpose of Chapter 4.4 of the Guide for New Listing Applicants.

Further, given the scope of the Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Global Offering should not implicate any applicable international sanctions on such parties, including our Company, our potential investors, Shareholders, the Listing Committee, the Hong Kong Stock Exchange and related group companies and accordingly, the sanctions risk exposure to our Company, potential investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of our Shares (including the Listing Committee, the Hong Kong Stock Exchange and related group companies) is very low.

As a result, while we do not intend to engage in further transactions with Supplier D or otherwise purchase KCL originated from Belarus, either directly or indirectly, for so long as Supplier D and/or the potash sector of Belarus remains subject to international sanctions, we intend to continue to purchase potash from Russia after the Listing, subject to our strict adherence to our sanctions compliance measures.

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We undertake to the Hong Kong Stock Exchange that we will:

1. not directly or indirectly apply the proceeds from the Global Offering and any other funds raised through the Hong Kong Stock Exchange to (i) finance or facilitate any Primary Sanctioned Activity and/or Secondary Sanctionable Activity; or (ii) pay any damages for terminating or transferring the relevant contracts that constitute Primary Sanctioned Activity and/or Secondary Sanctionable Activity; and
2. disclose in our annual and interim reports (i) details of any new and/or existing Primary Sanctioned Activity and/or Secondary Sanctionable Activity; (ii) our efforts in monitoring our business exposure to sanctions risks; and (iii) the current status of, and the anticipated plans for, any new and/or existing Primary Sanctioned Activity and/or Secondary Sanctionable Activity.

Sanctions Compliance Measures

In order to protect the interest of our Group and our Shareholders from economic sanctions risks, we have adopted the following enhanced internal control and risk management measures since March 2022:

1. monitoring future developments of applicable sanctions regimes and undertaking prompt risk mitigation measures commensurate with such future developments, including potential terminations or suspensions of business relationships, to ensure continued compliance of our Group's businesses and operations;
2. adding compliance clauses in our purchase contracts with suppliers confirming that the potash or other products they supply to us are not produced by any Sanctioned Person, or otherwise originated in a Sanctioned Country, or where adding such compliance clauses are commercially not feasible, sending notifications to such overseas suppliers to request them *not* to supply any goods that may be produced by a Sanctioned Person, or otherwise originated in a Sanctioned Country;
3. for each purchase order, prior to paying for and accepting the order, obtaining and reviewing certificate of origins or other supporting documents evidencing the source of origins, and submitting the documentary evidence to the Sanctions Compliance Committee for approval of the relevant transaction. To the extent the suppliers cannot provide satisfactory documents on the source of origins or unable to confirm in writing that the source of origins is not from Supplier D or any Sanctioned Person, we will not proceed with or immediately terminate the transaction;
4. enhanced Know-Your-Client procedures to review the background information (such as identity and nature of business as well as ownership structure) relating to the counterparties to the transaction along with the draft business transaction documentation;

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5. periodic screening procedures to check the counterparties against the various lists of restricted parties and countries maintained by the Relevant Sanctions Authorities, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions whose lists are publicly available, and is otherwise subject to sanctions or export controls restrictions. Where possible, engaging external counsel to assist with assessing the sanctions related risks for the relevant transactions;
6. enhanced periodic compliance trainings to ensure awareness of sanctions risks and timely and effective identification and reporting of actual and potential violations and ad hoc sanctions alerts in case of a major escalation of sanctions which might affect our business operations;
7. established a sanctions compliance committee (the “**Sanctions Compliance Committee**”) to assist our Board to, among other things, evaluate our sanctions compliance policies, formulate sanctions compliance measures and related internal control procedures, assess and monitor the sanctions risks of our Group, supervise the implementation of the sanctions compliance policies, measures and internal control procedures. The Sanctions Compliance Committee previously had four members. The chairperson of the Sanctions Compliance Committee was Mr. Dong Benzi (董本梓), our executive Director. The other members of the Sanctions Compliance Committee were individuals with finance, production and legal backgrounds, including members of our senior management Ms. Liu Yaqin (劉雅琴) and Mr. Liu Xuebin (劉學彬), and Mr. Guo Lei (郭磊) who is the legal director of Migao International. Prior to joining Migao International in April 2019, Mr. Guo was a lawyer with several PRC law firms. Mr. Guo obtained a Bachelor of Laws from Beijing Institute of Technology (北京理工大學) in July 2003 and a Postgraduate Course in Economics Law from China University of Political Science and Law (中國政法大學) in July 2010 and obtained the PRC legal professional qualification in February 2006. Following the resignation of Mr. Guo in January 2024, the Sanctions Compliance Committee has three members remaining, and we have appointed Ashurst Hong Kong as our international sanctions legal advisers to continue to support our Sanctions Compliance Committee and advise us as to whether our Group should engage in the business opportunities with countries that are subject to any form of international sanctions. For the background of the current members of the Sanctions Compliance Committee, please refer to the section headed “Directors and Senior Management” in this prospectus;
8. continue operations and business activities in strict compliance with international sanctions applicable to such activities and/or each member of our Group, which may require that certain entities (e.g. those located in the UK or EU or are otherwise subject to EU or UK sanctions rules and regulations, including Cayman Islands) are not involved in such activities; and

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9. identified key employees, senior management and board members to advise them of their potential international sanctions implications under their national sanctions regimes.

Our International Sanctions Legal Advisers have reviewed and evaluated these internal control measures and are of the view that these measures, when implemented by our Group, would be adequate and effective for our Company to comply with the applicable international sanctions laws.

Having taken the above advice of our International Sanctions Legal Advisers into account, our Directors are of the view that the above measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risks relating to international sanctions and complying with our undertakings to the Hong Kong Stock Exchange.

After undertaking the relevant due diligence, and subject to the full implementation and enforcement of such measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective internal control framework to assist our Company in identifying and monitoring any material risk relating to sanction laws.

DEVELOPMENT IN GLOBAL POTASH SUPPLY AND PRICES

Overview

Potash mine production is very concentrated, with Canada, Russia and Belarus representing about 60% of global production, according to the statistics of the US Geological Survey (“USGS”). China has limited supply of high quality potash from domestic potash reserves and imported KCL of high grade is of significance to the potash fertiliser market in China. In 2022, approximately 50% of the total KCL sales volume in China was sourced from foreign countries, mainly Russia, Belarus and Canada.

However, the global supply of potash fertilisers and raw materials of potash fertilisers have been disturbed by a number of factors, such as the COVID-19 pandemic outbreak in 2020, the international sanctions targeting the Belarus Producer since August 2021, the conflict between Russia and Ukraine starting in February 2022 and the resulting sweeping sanctions against Russia by the Western countries, the rising costs in logistics and transportation as a result of high energy price and global inflation, to name a few. These factors have brought uncertainty to the global supply of KCL.

Due to the supply uncertainty, the Sea Import Master Contract Price has increased to US\$590 per tonne in February 2022 from US\$247 per tonne in February 2021 and subsequently decreased to US\$307 per tonne in June 2023. The domestic market price of imported KCL in China has also increased significantly in the first half of 2022, peaked in May and June 2022 at approximately US\$770 per tonne, and has since recorded decline until July 2023.

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To reduce the impact of fertiliser supply uncertainty on global food supplies and prices and ensure world food security, the U.S. Department of the Treasury has clarified on 14 July 2022 that agricultural commodities (including fertilisers) are not the targets of the U.S. sanctions against Russia and the U.S. has not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia. On the same day, the OFAC issued General License No. 6B authorising among other activities, certain transactions related to the production, manufacturing, sale, or transport of Russian fertilisers. In addition, transactions involving insurance and reinsurance services related to the transportation or shipping of fertilisers from, to, transiting, or related to Russia are permitted under U.S. sanctions. Finally, U.S. financial institutions are authorised to process transactions authorised by the general license, and foreign financial institutions may engage in or facilitate transactions. The term “fertilizer” is used in a broad sense as defined in the U.S. Agricultural Trade Act of 1978 and therefore should include potash/KCL products. On 17 January 2023, the OFAC issued General License No. 6C, which replaced General License No. 6B by expanding the applicable scope to include the “provision” of agricultural commodities.

Similarly, the EU stated on 21 July 2022 that it is committed to avoiding all measures which might lead to food insecurity around the globe, and it had not adopted any measures targeting the trade in agricultural and food products (including fertilisers) between third countries and Russia. On 19 September 2022, the EU permitted transfer of certain fertilisers to third countries via EU operators or the EU territory and permitted the financing or financial assistance relating to such transfer. On 9 November 2022, the EU stated that it has essentially exempted the agri-food sector and fertilisers from its restrictive measures against Russia. Moreover, they allow the transfer of potash fertilisers, originating or exported from Russia to non-EU countries, to be carried out by EU operators or via EU territory. The financing or financial assistance associated with such transfers is allowed, as is the provision of insurance. In addition, EU sanctions also contain specific provisions to ensure that transactions for Russian agricultural products, including fertilisers, are able to proceed smoothly.

On 16 December 2022, in view of EU’s stance to avoid and combat food insecurity around the world, and in order to avoid disruptions in the payment channels for agricultural products, it was decided to introduce a new derogation allowing to unfreeze assets of, and to make funds and economic resources available to, certain individuals who held a significant role in international trade in agricultural and food products, including wheat and fertilisers.

The UN has also stepped in and provided supports on exports of Russian agricultural products and fertilisers. The UN signed a memorandum of understanding with Russia on the full access of Russian food and fertiliser products to global markets on 22 July 2022. It has also been reported that the U.S. and the UN continue to work together to further facilitate and promote exports of Russian grains and fertilisers.

It is not expected there will be a further decrease in the Sea Import Master Contract Price in the near future as the international market price of KCL has been recovering from its low level in June 2023. In relation to the specific factors which affect the international market price

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of KCL in the foreseeable future, please refer to the section headed “Industry Overview – Short-Term Expectation of the Sea Import Master Contract Price and Market Demand of KCL in the PRC – International market price for KCL will recover steadily in the foreseeable future” in this prospectus.

Measures Taken by Us to Address the Supply Uncertainty

Early Purchase of KCL

It is our general strategy to purchase KCL in advance where there is an anticipated import price hike of KCL or supply shortage of KCL. As such, in anticipation of shortage of potash supply and increasing import price in latter of FY 2022 (i.e., late 2021 and early 2022), we started our potash purchase early in FY2022 (i.e., second quarter of 2021).

For example, in FY2021, the first half (which is a non-peak fertiliser season) of our total potash purchase volume only accounted for approximately 36.5% of total purchase volume in FY2021; while in the first half of FY2022, we purchased a total of approximately 661,000 tonnes of potash, which accounted for approximately 50.5% of our total purchase in FY2022. Our total purchase volume of potash in FY2022 was approximately 41.4% higher compared to FY2021.

Strengthen Strategic Cooperation with Existing Potash Suppliers

For FY2023, we increased potash purchase from other non-Belarus suppliers. To the best of our knowledge, our total aggregate purchase volume of KCL from Supplier D and domestic purchase of KCL with origin from Belarus was approximately 257,000 tonnes and 408,000 tonnes for FY2021 and FY2022, respectively. Such purchase could be fully replaced by our strategic cooperation with existing potash suppliers which source most of their potash from Russia. As at the Latest Practicable Date, we have signed memorandum of understanding for the supply of potash with the following existing suppliers:

- On 25 January 2022, we have signed a memorandum of understanding with Supplier A, (an international fertiliser trading company) and one of our top five suppliers during FY2021 and FY2022. Under the memorandum of understanding (as supplemented by an additional agreement to memorandum of understanding dated 16 May 2022) (the “**Supplier A Original MOU**”), Supplier A undertakes to supply 500,000 tonnes of potash originated from Russia or, where unavailable, from non-CIS countries through designated cross-border suppliers to us in 2022. The parties agreed that the specific quantity, price, quality, terms of delivery and payment of goods will be determined in separate purchase and sale contract to be signed by both parties for the relevant purchase. On 5 December 2022, the parties signed a further memorandum of understanding (the “**Supplier A Further MOU**”) to extend the term of the Supplier A Original MOU to 25 January 2024 such that any unutilised potash under the Supplier A Original MOU can be utilised by us until 25 January 2024. As stated in the Supplier A Further MOU, the price shall be

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determined with reference to the prevailing market price at the time of the relevant purchase and sale contract. Further, although Supplier A is obliged to provide us with the unutilised KCL upon our request, we may purchase any quantity of the unutilised KCL we require and are not obliged to purchase all the unutilised KCL. As further stipulated in the Supplier A Further MOU, the Supplier A Original MOU and the Supplier A Further MOU shall be legally binding and enforceable. The parties may further renew the Supplier A Further MOU by agreement in writing for an additional year by advance written notice and neither party may terminate the Supplier A Original MOU and the Supplier A Further MOU unless with the written consent of the other party. On 15 January 2024, we further extended the Supplier A Further MOU to 25 January 2025. We purchased approximately 86,000 tonnes of KCL with origin from Russia from Supplier A in 2022 and up to 30 November 2023. We only utilised a minority of the amount of KCL stipulated in the Supplier A Original MOU and the Supplier A Further MOU as at 30 November 2023 because we were able to purchase sufficient amount of KCL from our other suppliers.

- In March 2022, we have signed a memorandum of understanding (as further extended by a further memorandum of understanding) with CNCCC, a large Chinese SOE principally engaged in the sales of chemical products and one of our top five suppliers for FY2023, for the supply of 500,000 tonnes of potash from March 2022 to 31 December 2023. Upon the expiry of the memorandum of understanding, we signed a new memorandum of understanding (“**2024 CNCCC MOU**”) with CNCCC whereby CNCCC intends to import 500,000 tonnes of potash originated from Russia for us from 1 January 2024 to 31 December 2024. The price will be determined by reference to the annual Sea Import Master Contract Price then in force. Both parties will stipulate the delivery quantity, product types, delivery time in separate purchase and sale contract for the relevant purchase. As stated in the 2024 CNCCC MOU, the parties, by agreement, may further renew the 2024 CNCCC MOU until the full utilisation of the 500,000 tonnes of potash in the 2024 CNCCC MOU. Neither party may terminate the 2024 CNCCC MOU without written consent of the other party. We purchased approximately 58,000 tonnes of KCL with origin from Russia from CNCCC from 1 January 2024 and up to the Latest Practicable Date.

Alternative Sourcing from New Potash Suppliers or New Places of Origin

In addition to strengthening our business relationship with existing potash suppliers, we also proactively develop alternative sourcing from new potash suppliers, in particular new or existing suppliers with places of origin other than Russia. While it is unequivocally confirmed by the U.S. and EU that Russia’s potash sector is not a target of their sanctions measures targeting Russia, out of abundance of caution, we decided to explore alternative sources of KCL purchases, with origin from places other than Russia and Belarus, for example, KCL originated from China and Germany.

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We signed a memorandum of understanding with Southwest Salt Lake, an associate company of the largest domestic potash producer group in the PRC. Under the memorandum of understanding, Southwest Salt Lake intends to supply us with 300,000 tonnes of premium grade potash from September 2022 to August 2023. In spite of the express term of the memorandum of understanding which was only for one year from September 2022 to August 2023, our PRC Legal Advisers have confirmed that pursuant to the Southwest Salt Lake's subsequent confirmation the memorandum of understanding shall remain effective until the 300,000 tonnes of potash under the memorandum of understanding have been purchased. Both parties will stipulate the delivery quantity, product type, price and delivery time in separate purchase and sale contract for the relevant purchase. The terms of our purchases of KCL with Southwest Salt Lake are similar to the terms of our purchases of KCL with other domestic suppliers of KCL. As stipulated in the memorandum of understanding, the memorandum of understanding is legally binding on the parties. We purchased a total of approximately 2,000 tonnes of KCL from Southwest Salt Lake under the memorandum of understanding as of 30 November 2023. We only utilised a minority of the amount of KCL stipulated in the memorandum of understanding up to 30 November 2023 because we were able to purchase sufficient amount of KCL from our other suppliers.

We have also started to discuss with Supplier A to engage in price inquiry with it on the supply of KCL with origins from non-CIS countries as part of the memorandum of understanding we signed with it in January 2022 as described above. In October 2022, we entered into purchase contract for the purchase of approximately 3,000 tonnes of KCL with origin from a non-CIS country, Germany, from Supplier A.

We plan to continue to develop other alternative sources of KCL. For example, we purchased 6,000 tonnes of KCL from our domestic supplier which originated from Jordan during 8MFY2024. Also, we have historically purchased KCL from a Canadian supplier and we believe we have the capability to continue to purchase from them in the future should the need arises.

Our Directors believe that these alternative sourcing and new business relationships with domestic producer and other overseas suppliers will diversify our source of supplies, and reduce the risk of concentration on a number of existing suppliers.

Assessment on Cost of Purchase

Although we intend to expand our sourcing of potash to include new overseas suppliers, our Directors do not anticipate the purchase price of KCL with origin from Russia from these new overseas suppliers will have significant variance from sourcing from Supplier D (from Belarus) or Supplier A (whose potash is originated from Russia). This is due to the fact that the import of KCL in China is determined with reference to, among others, the Sea Import Master Contract Price (on CFR basis) and the Land Import Price. Please refer to the section headed "Business – Raw Materials Procurement – KCL" in this prospectus for further information on the pricing of our major raw material, KCL.

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With respect to additional costs which we may incur for overseas purchases of KCL with origin from Russia due to the different collaboration arrangements with new suppliers, such cost is not expected to be significant to our overall potash purchase price. Although from FY2021 to FY2023 our average purchase price of KCL from domestic purchase was generally higher than our average purchase price of KCL from overseas suppliers save for FY2022, our gross profit margin for FY2023 remained relatively stable where we purchased approximately 93.2% of KCL by volume from domestic suppliers. We have recorded a similar gross profit margin for FY2022 and FY2023. For 8MFY2024, our average purchase price of KCL from domestic purchase was slightly lower than our average purchase price of KCL from overseas suppliers and we purchased approximately 64.5% of KCL by volume from domestic suppliers. Our gross profit margin for 8MFY2024 remained at a relatively similar level at 14.4% compared to FY2022 and FY2023. Our gross profit margin was approximately 12.0%, 16.5%, 16.3% and 14.4% for FY2021, FY2022, FY2023 and 8MFY2024, respectively.

From FY2021 to FY2023, we were generally able to pass on most of the impact from the change in our purchase price of KCL to our customers. Our average purchase price per tonne of KCL increased by approximately RMB756.7 from FY2021 to FY2022 and increased by approximately RMB547.6 from FY2022 to FY2023; while our average selling price per tonne of KCL increased by approximately RMB1,143.9 from FY2021 to FY2022 and increased by approximately RMB903.9 from FY2022 to FY2023. We, therefore, witnessed a greater increase in our average selling price per tonne of KCL than our average purchase price per tonne of KCL from FY2021 to FY2023.

As such, we have been generally able to pass on the increase in the cost of KCL to our customers from FY2021 to FY2023 when our purchase price experienced the most significant increase. From FY2023 to 8MFY2024, our average purchase price and average selling price per tonne of KCL also decreased. Our average purchase price per tonne of KCL decreased by approximately 28.2% or RMB845.6 from FY2023 to 8MFY2024, while our average selling price per tonne of KCL decreased by approximately 31.1% or RMB1,173.4 from FY2023 to 8MFY2024. As such, we witnessed a relatively similar percentage decrease in our average purchase price and selling price per tonne of KCL from FY2023 to 8MFY2024.

Analysis on the Cost of KCL Sourced from Different Countries

According to the data from the General Administration of Customs of the PRC, the average import price per tonne of KCL (CIF) from Canada was approximately 13.3% higher than that of Russia for FY2023. In the hypothetical scenario that if we had purchased all our KCL in FY2023 from Canada, it is estimated that our cost of raw materials would have increased by approximately 12.4% and our gross profit margin would have decreased from 16.3% to 5.9%, assuming no corresponding changes in our average selling price. However, we believe if the market supply of KCL originated from Russia is interrupted, the domestic market price of imported KCL in the PRC would likely be impacted as well given Russia is the third largest exporter of KCL to China in 2022 and the impact on our gross profit margin may, therefore, not be as significant as stated above.

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Below table sets out (i) the recent average import price per tonne of KCL (CIF) from Russia, Belarus, Canada, Israel, Jordan and Laos according to the data from the General Administration of Customs of the PRC for the eleven months ended 30 November 2023 (“11M2023”) and (ii) the deviation, as a percentage, of average import price per tonne of KCL (CIF) from other countries compared to Russia for 11M2023:

Country	Average import price per tonne of KCL for 11M2023 <i>RMB</i>	Deviation from average import price per tonne of KCL from Russia for 11M2023 %
Russia	2,652.9	N/A
Belarus	3,079.9	16.1
Canada	2,985.6	12.5
Israel	3,016.4	13.7
Jordan	3,681.7	19.9
Laos	2,668.9	0.6

Operational Impact

As mentioned above, the global supply of potash fertilisers and raw materials of potash fertilisers have been disturbed by a number of factors recently. To ensure our operation would not be materially impacted by the supply chain interruption, it is our strategy to attempt to, if necessary, stock up inventory of KCL to support the uninterrupted production at our factories. During FY2023, we purchased less than 7% of KCL by volume from overseas suppliers. Instead, we relied on third parties, domestic suppliers, to procure supply of KCL with origin from overseas. As such, there is minimal impact on our business operation in view of the temporary change of our procurement channel from a mix of overseas and domestic purchase of KCL to primarily domestic purchase of KCL during FY2023. For 8MFY2024, we purchased approximately 35.5% of KCL by volume from overseas suppliers.

As such, we believe that our business and operations will not be materially and adversely impacted by the uncertainty of global supply of KCL and the associated increase in import price of KCL caused by COVID-19 outbreaks, international sanctions, supply chain interruptions, global inflation and other factors.

EXPECTED DEMAND FOR FY2024

Although we expect our revenue and gross profit for FY2024 will decrease compared to FY2023 given the expected lower average selling prices attributable to lower domestic market prices of potash fertilisers in FY2024, we expect the demand for our products for FY2024 will nonetheless increase primarily for the following reasons. Firstly, the sales volume of potash fertilisers in China is expected to increase by 1.4 million tonnes from 19.9 million tonnes in 2022 to 21.3 million tonnes in 2023, representing an increase of approximately 7.2%. The market drivers for the expected increase include sustained food demand stimulated by population growth, improvement in dietary structure brought by consumption upgrades, current

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low potash application rate which provides room for growth, supporting government policies, and advanced production technology. For further details of these market drivers, please refer to the section headed “Industry Overview – Global and China Potash Fertiliser Industry Overview – Market Drivers and Trends” in this prospectus for further information.

Secondly, market size by sales volume of KCL in China grew from approximately 15.2 million tonnes in 2020 to approximately 15.4 million tonnes in 2022, representing a CAGR of approximately 0.8%. The domestic potash fertiliser market has continuously contributed to the growth of our Group’s business as evidenced by our sales volume of KCL grew from approximately 725,000 tonnes for FY2021 to 1,067,000 tonnes for FY2023, representing a CAGR of approximately 21.3%. Our Directors consider that our long-term and stable relationship with our large-scale enterprise customers as discussed in the section headed “Business – Competitive Strength” in this prospectus have enabled our Group to outpace the growth in market demand.

Thirdly, in view of the magnitude of the decrease in domestic market price of imported KCL during the first half of 2023 and the market’s expectation that a lower Sea Import Master Contract Price would be announced, a considerable number of customers in China took a more conservative approach in their purchases of KCL in the first half of 2023 until the announcement of the Sea Import Master Contract Price in June 2023. During the first half of 2023, many customers in China only purchased less than 40% of their total planned purchases of KCL for the year. As the Sea Import Master Contract Price has been determined in June 2023 and the further decrease in domestic market price of imported KCL has eased and the domestic market price of imported KCL has been recovering in the second half of 2023, it was expected that customers would purchase their remaining planned purchase volume in the second half of 2023 and there would be an increase in purchase of KCL domestically in the second half of 2023. As such, we believe our sales volume of potash fertilisers will increase in the second half of FY2024.

Fourthly, based on our sales volume for the ten months ended 31 January 2024, we sold approximately 1,007,000 tonnes of KCL and 120,000 tonnes of SOP, which already accounted for approximately 94.3% and 97.0% of our total sales volume of KCL and SOP for FY2023, respectively.

Lastly, SOP is a chlorine-free, high-quality and high-efficiency potassium fertiliser, which is especially suitable in the cultivation of chlorine-sensitive but sulfur-loving crops such as fruits and vegetables. With the improvement in dietary structure, there is a steady increase in fruits and vegetables production in China at a CAGR of 5.1% and 3.3% from 2018 to 2022. As such, the sales volume for SOP in China is expected to continue to increase from 2023 to 2027 with a CAGR of 3.0%. Further, with the decrease in the domestic market price of SOP, we expect a recovery in market demand for SOP. Our forecasted sales volume of SOP for FY2024 is expected to recover to within the range of our historical sales volume during FY2021 and FY2022. In view of the above, we believe our sales volume of KCL and SOP will increase for FY2024 compared to FY2023.

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STORAGE AND WAREHOUSE

As at the Latest Practicable Date, we held interest in 26 storage warehouses and rented four storage warehouses for the storage of raw material, finished products, production equipment, spare parts, hardware and fuel. We leased out six warehouses to an Independent Third Party.

We have an efficient delivery system of our products to our customers. Once our customer services team receives a customer's request for delivery, our customer services team would contact the relevant production facilities who would then make appropriate delivery arrangements (including engaging third party transport companies) based on the nature of the products required, delivery distance and the requested delivery time by our customers. The close proximity with the majority of our customers and our efficient delivery system enable us to deliver our products to our customers in a timely and cost-efficient manner. Our customers may also elect to pick up the products from us and arrange their own delivery.

SEASONALITY

As our major products are fertilisers for agricultural use, our business is generally exposed to seasonal fluctuations in demand for potash fertiliser products, which varies depending on soil conditions, weather patterns and the types of crops planted. Farmers in China typically apply crop nutrients during two short application periods. The main application period is the spring planting season, and the other application period is the post harvest fertilising season. As a result, the strongest demand for our products typically occurs during the spring planting season (January to March), with a second period of demand in the post harvest fertilising season (October to December). These two demand season falls into the second half of our financial year, with the non-peak season (April to September) falls into the first half of our financial year. Please refer to the sections headed "Risk Factors – Risks Relating to Our Business – Our business is subject to seasonality impact", "Business – Production Facilities and Capacities – Our Group's Production Facilities – Utilisation Rates – Utilisation Rate for Production Facilities Including Baoqing Production Facility and Anda Production Facility" and "Financial Information – Key Factors Affecting Our Results of Operations – Seasonality" in this prospectus for details.

INVENTORY CONTROL

Our inventory comprised primarily of raw materials, finished goods and others. Our average inventory turnover days was approximately 24.5 days, 51.5 days, 41.2 days and 37.1 days for FY2021, FY2022, FY2023 and 8MFY2024, respectively. Please refer to the section headed "Financial Information – Selected Balance Sheet Items – Inventories" in this prospectus. We monitor the movement of our inventory monthly to ensure the availability of raw materials and our fertiliser products and manage our inventory levels generally based on the market demand and sale orders. Further, we also may stock up on our raw materials (including KCL) in anticipation of uncertainty in their supply or any significant increase in their prices.

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With the construction of the Heilongjiang Warehousing and Production Centre, we can centrally process, granulate, store and manage our KCL inventory which we believe will improve our supply efficiency. Further, with the increased storage capacity, it will give us greater flexibility to manage our inventory as we can purchase more KCL when its import price is low for use in our production and operation when needed. For further information of the Heilongjiang Warehousing and Production Centre, please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds – Heilongjiang Warehousing and Production Centre” in this prospectus.

We did not experience any material impairment to our inventory, such as slow moving or otherwise obsolete inventory, during the Track Record Period.

INSURANCE AND PRODUCT LIABILITY

We have procured insurance policies that cover our production facilities, machinery and equipment. We also provide social welfare insurance and occupational accident damages insurance for our employees in accordance with the relevant PRC laws and regulations.

We have not maintained any product liability insurance for our products, as we are not legally required to have such insurance under the PRC laws. Our Directors believe that it is not a common practice to procure the product liability insurance in our industry in the PRC. During the Track Record Period, we did not experience any material claim relating to our product liability. After taking into consideration the costs and benefits of purchasing such insurance, our Directors are of the view that such product liability insurance is not necessary. We would consider procuring product liability insurance in the event that events or market practise are to deem such procurement appropriate. For risks relating to our insurance, please refer to the section headed “Risk Factors – Risks Relating to Our Business – We may have insufficient insurance coverage in certain situations” in this prospectus.

IMPACT OF THE COVID-19 OUTBREAK ON OUR BUSINESS

An outbreak of a public health emergency of an infectious disease caused by a strain of coronavirus started in December 2019 and declared a pandemic by the World Health Organization in March 2020. The COVID-19 pandemic spread globally and caused severe disease and death, and therefore has significant impact on economy across the globe. Government authorities in the PRC imposed a series of restrictions and controls to better detect the COVID-19 infections and manage the COVID-19, including restricting mobility, mandatory quarantine of travelers from affected regions, compulsory face mask orders, social gathering restrictions and lock down measure such as temporary shutdown of public transportation and certain business. As a result, the economic activities in the PRC have been slowed down effectively. Other governments have also implemented strict policies around the border crossing movement of people, goods, and services.

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We primarily operate in China, and we market and sell our products mainly to customers in China. Our production facilities, research and development centers, and offices are mostly located in China. We are subject to PRC regulations and laws in light of the COVID-19 pandemic.

Our Changchun Production Facility was temporarily suspended from mid-March 2022 to end of April 2022 following the guidance from the local government on COVID-19 protection measures. In view of the suspension, our Changchun Production Facility allocated 5,000 tonnes of SOP and 5,000 tonnes of KCL for production at the Baoqing Production Facility and the Anda Production Facility. The aggregate estimated SOP production capacity and KCL production capacity of the Baoqing Production Facility and the Anda Production Facility was 15,000 tonnes of SOP and 16,667 tonnes of KCL for the two months ended 30 April 2022, while the aggregate actual production volume of SOP and KCL at the Baoqing Production Facility and the Anda Production Facility was 10,956 tonnes and 30,783 tonnes, respectively, for the same period. The aggregate actual production volume of KCL at the Baoqing Production Facility and the Anda Production Facility for the period was higher than the aggregate estimated production capacity of KCL at the Baoqing Production Facility and the Anda Production Facility as we used the equipment of the idle SOP production lines at the two facilities to assist in the granulation of KCL allocated to them by our Changchun Production Facility. Given that we had the Baoqing Production Facility and the Anda Production Facility to take over the manufacturing of SOP and the granulation of KCL, the temporary suspension of operation of our Changchun Production Facility did not have a material impact on our business operation as a whole.

However, the COVID-19 outbreak did lead to some disruption in logistics services leading to prolonged and delayed delivery in the supply of raw materials by our suppliers and sales of our products to our customers. There were delays in billing arrangements and delay in settlement of our trade receivables by our customers due to the impact of COVID-19. Please refer to the section headed “Financial Information” on the impact of COVID-19 to our financial performance.

Another round of COVID-19 outbreaks throughout October and November 2022 resulted in multiple cities across China under lock-down. Since late 2022 and early 2023, China has experienced a surge in COVID-19 confirmed cases. Some of our operations was temporarily affected. For example, due to the temporary travel restrictions and stay-at-home orders during the regional COVID-19 resurgence in Anda City, Heilongjiang Province in the second half of 2022, we experienced a temporary shortage of employees at our Anda Production Facility and there were also disruptions in the transport of raw materials and products to and from our Anda Production Facility during such period. However, as June to September was our non-peak season, we did not experience a material disruption to the operation of our Anda Production Facility as a result of the above. To maintain normal operation, some of our employees stayed in our Anda Production Facility to work on-site starting in October 2022 and vehicle drivers declared their health status in advance to government authorities so they can access our Anda Production Facility to transport raw materials and products.

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In addition, due to the resurgence of COVID-19 in the PRC, we delayed our construction plan of our New Sichuan Production Facility and the Heilongjiang Warehousing and Production Centre and the completion of the construction of phase II of our Baoqing Production Facility and phase II of our Anda Production Facility. We initially intended to commence construction of our New Sichuan Production Facility and the Heilongjiang Warehousing and Production Centre in the second half of 2022. Given the various COVID-19 restrictions, we applied to the local authorities to delay construction of the Heilongjiang Warehousing and Production Centre and they agreed to postpone the commencement of construction. We postponed the commencement of construction of the Heilongjiang Warehousing and Production Centre to the second half of 2023 and intend to postpone the commencement of construction of our New Sichuan Production Facility to the second half of 2024. As at the Latest Practicable Date, site formation and infrastructure works of the Heilongjiang Warehousing and Production Centre have been commenced.

As we did not commence construction of our New Sichuan Production Facility and the Heilongjiang Warehousing and Production Centre during the period of resurgence of COVID-19 in the PRC, we did not experience any material adverse impact to our operation due to the delay in construction of our New Sichuan Production Facility and the Heilongjiang Warehousing and Production Centre. Also, we initially intended to complete construction and obtain the construction completion approval for phase II of our Baoqing Production Facility and phase II of our Anda Production Facility in the second half of 2022. Due to the restriction measures on COVID-19, we had not received the construction completion approval of phase II of our two production facilities as anticipated. We received the construction completion approval for phase II of our Baoqing Production Facility in March 2023 and received the construction completion approval for phase II of our Anda Production Facility in December 2023. As we were allowed to continue to operate phase II of our two production facilities prior to obtaining the relevant construction completion approval, we did not experience any material adverse impact to our operation due to the delay in receiving construction completion approval of the phase II construction of our Baoqing Production Facility and Anda Production Facility.

In view of the above, although some parts of our operations have been affected by the COVID-19 pandemic, the COVID-19 pandemic outbreak has not materially adversely affected our overall results of operations or financial conditions during the Track Record Period and up to the Latest Practicable Date. Further, given that the PRC government has substantially lifted its COVID-19 prevention and control policies at the Latest Practicable Date, our Directors are of the view that the COVID-19 pandemic is not expected to have a material adverse impact on our business in the long run. Nevertheless, if there are further waves of large-scale outbreaks of the pandemic in the PRC, the operations of our production facilities or the services provided by our logistics service providers may be adversely affected. The pandemic may also continue to affect the overall economy and demand for our products. In such circumstances, our operations and financial performance may be adversely affected. Please also refer to the section headed “Risk factors – We face risks related to force majeure events such as health epidemics, infectious diseases and other outbreak, including the COVID-19 outbreak” in this prospectus.

ENVIRONMENT, CORPORATE SOCIAL RESPONSIBILITY AND SAFETY**ESG Policy**

We take initiative on actions to protect the environment and are aware of our social responsibilities regarding climate-related issues for the benefit of our society and environment. We are determined to minimise the impact of our operations on the environment and promote social responsibility and environmental awareness across all levels of organisation. We are committed to comply with environmental, social, and governance (“ESG”) reporting requirements upon Listing. Our ESG policy sets out our responsibility and authority in the process of meeting the standards of Appendix C2 to the Listing Rules.

Under our ESG Policy, we aim to build a sustainable communities with employees, customers and business partners. Through various activities (which may include corporate philanthropy activities, building community partnerships and mobilizing employees to participate in volunteer work), we aim to achieve practical and long-term benefits to the local area. Local activities in the community are supported. In addition, we are committed to energy conservation and sustainable development, and strive to reduce any negative impact on the environment. We also focus on inclusive diversity within the organisation, so that all employees enjoy equal treatment and respect in hiring, training, benefits, and career and personal development.

Our Board has the collective and overall responsibility for formulating our ESG strategies and reporting, assessing and determining our ESG-related risks and ensuring we have effective ESG risk management and internal control systems. Our Board is required to oversee the management in the design, implementation and monitoring of these systems. We have established mitigation plans for all the key risks identified and the relevant risk owners are required to report the implementation status of the risk mitigation plans to the management and our Board. Please refer to the section headed “Business – Environmental, Corporate Social Responsibility and Safety – Identification, Assessment and Management of Environmental, Social and Climate related Risks and Opportunities” in this prospectus for further details. We will also periodically review the key risks and mitigation plans to ensure necessary improvement is implemented to mitigate the risks.

We have established an ESG committee to assist our Board to oversee ESG governance, ensure implementation of ESG policies, monitor ESG-related performance and targets, adjust ESG strategies as appropriate and oversee the preparation of the ESG report. Our ESG committee consists of two executive Directors, Mr. Liu Guo Cai and Mr. Sun Pingfu, and a senior management, Mr. Liu Xuebin. All three of our ESG committee members have extensive experience in the fertiliser industry and Mr. Sun Pingfu also heads our professional research and development team. Under his leadership, our research and development department has developed various production methods to reduce pollution to the environment. For further information on the background of the three ESG committee members, please refer to the section headed “Directors and Senior Management” in this prospectus.

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Our management is in charge of implementing our environmental protection and management policies in our daily operations, including production safety, prevention of pollution, training and protection of employees' health. It is also assigned with monitoring materiality assessments conducted to identify material ESG issues and associated risks, such as climate-related issues and associated risks. Our Board then reviews the results from the materiality assessment and concludes on the issues that we shall focus on. Our ESG committee and management would report to our Board on a semi-annual basis via board meetings on the ESG performance of our Group, the effectiveness of these ESG risk management and internal control systems and any applicable recommendations and our management shall provide confirmation to our Board regarding the effectiveness of the ESG risk management and internal control systems. Our internal audit function will also assist in reviewing the adequacy and effectiveness of these ESG systems. Further, we have engaged an independent ESG consultant to assist us to evaluate our ESG risks and review our existing strategy, target and ESG corporate governance, to provide advice to us in relation to ESG matters and to assist us in preparing ESG report with the terms of the engagement to be effective upon Listing and we will continue to engage them for at least two years after Listing. We will also provide trainings to our employees to enable them to acquire the relevant knowledge and experience to assist our Company to comply with the relevant ESG requirements under the Listing Rules.

Furthermore, our Board will closely follow and monitor the latest requirements regarding ESG disclosure and regulatory compliance. For instance, we are highly aware of the Hong Kong Stock Exchange's ESG requirements, and in order to ensure compliance with said requirements, our Board shall review the content and quality of the ESG report after Listing.

Environment

During our production, waste water, waste gas and solid waste are regularly discharged. Our operations are therefore subject to numerous national and provincial environmental laws and regulations governing the discharge of waste water, gas emission, hazardous chemicals and waste management. For example, we are subject to, among others, the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》). Please refer to the section headed "Regulatory Overview – Law Supervision Over Environmental Protection" in this prospectus for details of the applicable PRC laws and regulations.

During the Track Record Period, some of our Group companies were listed as key pollutant discharge units on the relevant local List of Key Pollutant Discharge Units (《重點排污單位名錄》) pursuant to the Measures for the Administration of the Directory of Key Environmental Supervision Units (《環境監管重點單位名錄管理辦法》) issued by the Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部) on 28 November 2022 and effective on 1 January 2023, which replaced the Administrative Provisions

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on the Catalogues of Major Pollutant Discharge Entities (for Trial Implementation) (《重點排污單位名錄管理規定(試行)》) that was abolished on 1 January 2023. Due to such listing, the relevant governmental authorities may come to our production facilities to conduct an inspection from time to time to ensure our discharge of pollutants comply with the relevant pollutant discharge permits that we have obtained. We are required to conduct self-inspection and report to them our amount of pollutants discharged from time to time.

As advised by our PRC Legal Advisers, we had obtained all relevant pollutant discharged permits during the Track Record Period. Please refer to the section headed “Business – Licences and Approvals” in this prospectus for details. As advised by our PRC Legal Advisers, we were in compliance in all material respects with the relevant PRC environmental laws or regulations during the Track Record Period and up to the Latest Practicable Date. If our Group fails to comply with the relevant laws and regulations, we would be subject to fines, suspension of business or cessation of operations. Please refer to the section headed “Risk Factors – Risks Relating to Our Business – Our business is required to comply with environmental protection laws and regulations and changes in social trend and political policies relating to ESG may have a material adverse impact on us” in this prospectus for further information on our risks.

Our management focuses on ensuring that our production emissions, treatment of waste water, waste gas and solid waste are in compliance with the relevant regulations and policies of national and local governments.

We have a management system to reduce, treat and recycle waste water, waste gas and solid waste generated during our production. For example, to ensure that we meet the national exhaust emission standards, we have added and upgraded our production method and equipment to reduce the emission of HCL gas. Also, for the production of our by-product liquid HCL, we have added environmental protection absorption devices to achieve high recycling and reuse rate of liquid HCL.

We also perform regular maintenance on our production facilities to ensure the equipment and systems are in good working condition. Further, we have developed a manual of safety code which specified operational procedures during production. As to our future environmental protection plan, we will continue to adopt advanced technology to upgrade our environmental protection standard.

During the Track Record Period and up to the Latest Practicable Date, we had produced the following waste materials:

Waste Water

Waste water is generated during production in our production facilities. We have installed water treatment facilities to treat the waste water generated in our production facilities. Such treated waste water is discharged according to relevant regulatory standards. Further, we have also established waste water recycling systems at our factories. The treated and recycled waste water is used for road cleaning and other purposes, within the factory areas. This helps us to significantly reduce the consumption of tap water by over 20,000 m³ in FY2023.

Waste Gas

Waste gas is generated at our production facilities. Our waste gas can primarily be categorized as waste gas from combustion processes (i.e. waste gas generated from combustion of resources such as natural gas and heavy oil) and waste gas from production (i.e. waste gas generated from our other production methods such as the Mannheim Method). The waste gas generated includes, among others, sulphur dioxide, nitrogen oxide, ammonia, HCL and smoke plumes.

To reduce the impact of our waste gas on the environment and the climate, we have adopted various measures to reduce and monitor our waste gas (including greenhouse gas) emission such as the following measures:

- The waste gas generated from our production is purified by our desulphurisation or alkaline washing system before emission and we added two sets of comprehensive environmental protection absorption devices to our alkaline washing system at our Guangdong Production Facility in 2020 and 2021.
- We upgraded our natural gas system in 2019 at our Guangdong Production Facility which reduced our emission of sulphur dioxide.
- We also added eight sets of alkaline washing towers to our machinery at our Changchun Production Facility in 2019 to reduce emission of HCL gas.
- Dusts produced during NOP production are filtered out by our dust removal equipment.
- We are equipped with monitoring facilities to control gas emission to ensure compliance with the relevant discharge standards.
- During our production, we would engage third party companies to conduct onsite inspection and prepare relevant reports for submission to local authorities.

Solid Waste

We generate solid waste in our production. The solid waste we generated can be further categorized as hazardous waste and non-hazardous waste. The primary hazardous waste we generated includes, among others, laboratory testing waste liquid, activated carbon and oil sludge and the primary non-hazardous waste we generated includes, among others, solid dust. We dispose our solid waste at waste disposal sites designated by the municipal government department. We also recycle certain of our solid waste. For example, the woven bags are recycled by its manufacturer and certain waste is recycled by the municipal government department. Further, with the use of fully automated packaging technology at our production

facilities, it can effectively reduce consumption of packaging materials and reduce generation of solid waste during the packaging process. For hazardous waste, we engage qualified third party waste disposal service provider to handle such solid waste.

Physical and Transitional Risks

In addition, we acknowledge that climate-related matters pose a certain level of threat to us. Climate-related risks identified by us can be classified into two major categories: physical risk and transitional risk.

We define physical risks as risks that potentially cause physical impact to us. We believe that climate-related issues may bring about the risk of increasingly severe extreme weather events, such as more frequent storms, extreme cold weather, typhoons and flooding. Our business operations could be susceptible to the physical damages resulting from intense precipitation and floods and extreme cold weather. For instance, in January 2020, due to extreme weather at our Daxing Production Facility, some of our employees were unable to attend to work. Further, in August 2020, there was heavy rainstorm in the local area where our Guangdong Production Facility was situated. Due to the heavy rainstorm, the sewage system was not able to drain the water properly and a number of our properties were flooded including a production room, a power room, a maintenance room and a warehouse. We had to suspend production at the relevant production room to inspect and repair the relevant equipment and machinery.

Our Directors consider that physical damages resulting from extreme weather events could result in material adverse effect on our business operations, financial conditions and prospects. Our Group offers various potash fertiliser products and our potash fertiliser products are highly susceptible to water damage. Further, extreme weather conditions could result in damages to our production facility and machinery, resulting in increased maintenance and replacement cost and temporary suspension of production. In addition, the health and safety of employees may also be endangered.

Transitional risks represent risks arising from climate change and climate-related issues resulting in potential changes to our operational practices. Owing to the increasing public awareness on eco-friendliness, customers may shift their preferences for products that are more environmentally friendly, while regulators may require increasing disclosure on emission. Our research and development capability is crucial to the development of potash fertiliser products which utilise environmentally friendly production methods to meet the evolving requirements of our customers. For example, we have been developing a new SOP production method for our SOP manufacturing to eliminate the production of HCL, a toxic substance, as a by-product in the production. However, we cannot guarantee we can successfully commercialise the new SOP production method at our production facilities. Failing to enhance our research and development capabilities to meet the evolving demand of customers may result in a loss of sales and materially and adversely affect our business, results of operations and financial conditions.

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Further, if we fail to comply with the relevant applicable environmental policies and laws and regulations, we may be involved in costly litigation or subject to penalties or other sanctions imposed by the relevant PRC judicial or governmental authorities. Our reputation may also be adversely affected, resulting in a loss of business as our customers may be less inclined to purchase from potash fertiliser company with environmental non-compliance. Regulatory development and changes in social trend in relation to ESG may potentially have significant impacts on our business operations and present transitional risks to us.

In view of the climate related risks, our management has taken and will continue to take adequate steps to build resilience to climate change by identifying and managing climate related risks and opportunities and by development strategies which are in line with global best practices to adapt to and mitigate the impact of climate change on our operations. For example, for extreme weather conditions, we have in place work arrangements for bad weather and/or extreme conditions to mitigate potential injuries to employees thereby reducing the impact of such risk on us. For further details of our other ESG associated risks and our mitigation measures, please refer to the section headed “Business – Environmental, Corporate Social Responsibility and Safety – Identification, Assessment and Management of Environmental, Social and Climate related Risks and Opportunities” in this prospectus.

In order to mitigate the impact of climate change, we intend to reduce our carbon footprint through the establishment and implementation of long-term carbon emissions reduction targets. We encourage our employees, suppliers and customers to reduce carbon emissions in their daily operations wherever practicable. We will adopt industry best practices to improve energy efficiency in our operations.

Corporate Social Responsibility

Caring for the Community

We are committed to the fulfillment of our corporate responsibility. For instance, we donated RMB400,000 to Red Cross in PRC in 2021 to support our communities. We also made donation to the local education association in the amount of RMB20,000 in 2023.

Going forward, our Directors will commission our management to:

- come up with a reasonable budget and action plan to fulfil our corporate responsibility (for example, participate in community volunteering activities);
- promote the “caring for the community” spirit among our workforce; and
- incorporate the “caring for the community” spirit as a KPI in our corporate culture.

Anti-corruption

We strictly abide by the laws and regulations related to anti-corruption, including but not limited to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and the Criminal Law of the PRC (《中華人民共和國刑法》). We uphold a high standard of integrity and have zero tolerance for corruption. We promote clear work ethics to employees, and strictly prohibit bribery, extortion, fraud, money laundering and other unethical behaviours, such as gambling, misappropriation of our Group's assets, provision or acceptance of gifts or other improper benefits. We distribute our code of conduct, which includes anti-corruption provisions, to all employees on the initial orientation and require them to comply with our code of conduct. We require all our new employees to undergo anti-corruption training in their initial orientation and our existing employees are required to attend regular trainings annually. We have established various working committees with members from different departments responsible for receiving reports and complaints on unethical work behaviours and to prepare written records accordingly to report to the management or the Board in a timely manner. Any illegal discrimination or retaliation against whistleblowers or hostile measures against employees assisting in investigations are prohibited.

Safety

We consider occupational health and safety as one of our important responsibilities. We have implemented a system of occupational health and safety measures, details of which are set forth as follows.

We have implemented various measures relating to occupational health and safety. Specifically, we have designated safety personnel at each production facility to oversee our production safety.

We have established our occupational health and safety management system with regular review. We have safety policies to record and handle accidents. We strengthen our employees' safety awareness by providing training programmes on occupational health and safety to our employees. We also regularly provide external professional trainings tailored to each job function to our employees. In addition, we provide our employees with regular body check in order to ensure their occupational health. We have implemented emergency measures to manage, report and investigate any potential incident and organise safety drills regularly.

We also review our production activities in weekly production report meetings. We have arranged personnel with professional qualifications such as registered safety engineers to continue to monitor the safety measures adopted by our production facilities. We have full-time safety management personnel at each production facility, and each production factory has a safety production management department.

In addition, we have arranged special personnel to keep abreast of the changes and updates in laws and regulations in relation to environmental protection, health and safety laws and regulations, and organise internal learning and trainings. In respect of our environmental

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and occupational safety matters, our expenses incurred for FY2021, FY2022, FY2023 and 8MFY2024 were approximately RMB8.6 million, RMB11.1 million, RMB25.9 million and RMB15.6 million, respectively, which accounted for approximately 0.5%, 0.3%, 0.7% and 0.8% of our total cost of goods sold for the same years/periods, respectively. We expect our annual cost of compliance with applicable environmental and occupational safety matters in the near future will not experience significant changes from that of the Track Record Period, subject to any future changes in applicable laws and regulations on environmental and occupational health and safety matters which may arise.

Other than (i) the fine of RMB10,000 for failing to ensure special safety operation training provided to one of our employees and to ensure such employee has obtained the relevant qualifications; and (ii) the fine of RMB5,000 for failing to coordinate and manage the work safety of our contractor as disclosed in the section headed “Risk Factors – Risk Relating to Our Business – Our production and operation are subject to various safety laws and personal injury may result in personal injury claims which may have a negative impact to our business reputation or result in civil and criminal penalties” in this prospectus, we did not receive any other fines or penalty in relation to breach of safety related laws and regulations nor have any major accidents, claims or complaints relating to work safety which had materially and adversely affected our operation during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that we are in material compliance with the current applicable national and local health and safety laws and regulations of the PRC during the Track Record Period and up to the Latest Practicable Date. For risks relating to work accidents, please refer to the section headed “Risk Factors – Risks Relating to Our Business – Our production and operation are subject to various safety laws and personal injury may result in personal injury claims which may have a negative impact to our business reputation or result in civil and criminal penalties” in this prospectus.

Identification, Assessment and Management of Environmental, Social and Climate related Risks and Opportunities

We identify the material ESG issues and associated risks by means of materiality assessment which is performed with reference to the recommendations of Appendix C2 to the Listing Rules. The material assessment includes the consideration of business locations and operations and the following procedures:

- i. stakeholder engagement – the engagement of internal (such as department heads and key staff) and external stakeholders (such as customers and suppliers) through interviews and periodic communications to identify any potential ESG issues and associated risks that are relevant to our Group;
- ii. ESG issues and associated risks assessment – regarding the potential ESG issues and associated risks from stakeholders, our management would discuss and assess the relevance and impact of these issues; and

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- iii. prioritisation of material ESG issues and associated risks – the process where the results of identification and assessment are combined to generate the ESG materiality ranking. Then, our management would present the material ESG issues and associated risks to our Board for further discussion, review and monitoring.

Based on our management’s judgement, we have identified the following ESG associated risks, their potential impacts and our mitigation measures.

ESG Associated Risks	Potential Level of Impact	Impact on our Group	Mitigation Measures
Extreme weather conditions	High	Climate change may lead to risks of more frequent extreme weather conditions. Such risks may lead to potential damage to our properties, disruption of our production facilities and our operations, injuries to employees and increase in insurance premiums.	We provide work arrangements for bad weather and/or extreme conditions to mitigate potential injuries to employees.
Insufficient human capital	High	Insufficient resources devoted towards the development of human capital, such as lack of training and promotion opportunities, may put our Group at risk of higher turnover rates and less competent workforce in medium and long term.	We provide employees with competitive remuneration packages and career development opportunities. Also, strong human capital development may lead to a stronger employee base and improve employee retention and dedication.
Instability of suppliers or substandard suppliers	High	The instability of suppliers or substandard suppliers will have a negative impact on our procurement channels, which will directly affect our operations and production, financial condition, customer satisfaction and our reputation. It may also lead to potential loss of market share.	We have and will continue (i) to evaluate and communicate with upstream suppliers to ensure the stability of supply; (ii) to look to diversify our supplier base; and (iii) to conduct internal training to ensure we can timely evaluate the performance of our suppliers.

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ESG Associated Risks	Potential Level of Impact	Impact on our Group	Mitigation Measures
Ineffective resources and energy management	Medium	Ineffective resources and energy management may potentially lead to excessive energy usage, which leads to increased operational cost.	We have and will continue to promote energy conservation and environmentally friendly practices and review and account for greenhouse gas emissions and resource consumptions.
Occupational health and safety risks	Medium	As we operate in a chemical manufacturing industry, our employees are exposed to occupational risks such as work-related injuries, which may result in penalties from relevant authorities or compensation costs to the injured employees.	We have and will continue to provide training for employees on occupational health and safety and other related topics. We have also purchased insurance for specific types of work. We have and will continue to conduct research and development on our production technologies to improve the safety of our production process such as development of automated production processes and recycling of dust emissions during the production process to protect the occupational health and safety of our employees.
Leakage of data	Medium	The leakage of our internal and third party data may have an impact on our operations and may result in lawsuits and/or penalties from relevant regulatory authorities. It will also significantly affect our reputation.	We have and will continue to provide internal training on data privacy and protection to our employees. We plan to have independent and separate storage of certain of our data and to have real-time monitoring for greater data security and protection by FY2025. We will appoint an independent third party by FY2025 to review, evaluate and enhance our IT security system.

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ESG Associated Risks	Potential Level of Impact	Impact on our Group	Mitigation Measures
Inefficient equipment and machineries	Low	Equipment and machineries at our production facilities may provide opportunities for us to enhance our environmental performance through selecting more energy efficient equipment and machineries. While this may potentially incur greater cost in the short term, it will have long term benefit to our operations and reputation.	We have and will continue to maintain, upgrade and replace old equipment and machineries at our production facilities to ensure we can continue to meet the relevant environmental laws and regulations and to reduce our emissions and resource consumption.
Substandard product quality and services	Low	We have always placed great emphasis on the quality of our products and our after-sales services. If we are unable to provide the quality and level of services our customers need, we may lose our customers or even market shares and our reputation may be damaged.	We have and will continue to conduct quality supervision of our products and actively engage customers to provide their feedbacks to us. If there are any product quality issues, our policy is to handle the relevant issues in a timely manner. We have and will continue to provide trainings to our employees on after-sales service to enhance our customer satisfactions.

Furthermore, we are willing to consult professional entities to improve our compliance and quality on emission disclosures, and regularly communicate with different stakeholders on their views on climate-related issues.

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Metrics and targets on environmental, social and climate-related risks

We have taken into account the quantitative information that reflect our management for environmental, social and climate-related risks, which includes greenhouse gas emissions and resource consumption. Greenhouse gas emissions consists of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the greenhouse gas emissions from our production facilities and vehicles. Scope 2 energy indirect emissions include the greenhouse gas emissions from usage of purchased electricity. The following table sets forth the information of our greenhouse gas emissions and resource consumption for the years/periods indicated:

Emissions	FY2021	FY2022	FY2023	8MFY2024
Greenhouse gas emissions (tonnes CO ₂ equivalent)	115,775	56,138	85,749	65,727
• Scope 1 (direct emissions) (tonnes CO ₂ equivalent)	106,688	48,091	73,270	58,694
• Scope 2 (indirect emissions) (tonnes CO ₂ equivalent)	9,087	8,048	12,479	7,033
Resource consumption	FY2021	FY2022	FY2023	8MFY2024
Water consumption (m ³)	368,936	220,076	204,809	178,901
Electricity consumption (MWh)	14,895	13,190	20,454	11,528
Natural gas consumption (m ³)	6,194,197	7,558,297	7,769,164	7,987,383
Heavy oil (tonnes)	4,214	–	–	–
Coal (tonnes)	573	251	290	67
Liquefied petroleum gas (tonnes)	–	–	2,489	998
Biofuels (tonnes)	1,449	1,213	1,840	279
Emission/consumption per unit⁽¹⁾	FY2021	FY2022	FY2023	8MFY2024
Greenhouse gas emissions per unit (tonne/RMB'000)	0.0531	0.0147	0.0182	0.0288
Water consumption per unit (tonne/RMB'000)	0.16929	0.05729	0.04337	0.07834
Electricity consumption per unit (MWh/RMB'000)	0.00683	0.00343	0.00433	0.00505
Natural gas consumption per unit (m ³ /RMB'000)	2.84231	1.96759	1.64505	3.49749
Heavy oil (tonnes/RMB'000)	0.00193	–	–	–
Coal (tonnes/RMB'000)	0.00026	0.00007	0.00006	0.00003
Liquefied petroleum gas (tonnes/RMB'000)	–	–	0.00053	0.00044
Biofuels (tonnes/RMB'000)	0.00067	0.00032	0.00039	0.00012

Note:

(1) Calculated by emissions/consumptions divided by revenue for the year/period.

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For FY2022, our total greenhouse gas emission and water consumption decreased compared to FY2021 primarily due to the lower production volume of SOP and compound fertiliser in FY2022. Our total natural gas consumption increased in FY2022 compared to FY2021 albeit the reduction in production volume of SOP and compound fertiliser primarily as a result of our Guangdong Production Facility having fully replaced the use of heavy oil with natural gas in FY2022. We have replaced the use of heavy oil with natural gas as natural gas is a more environmentally friendly source of energy than heavy oil.

For FY2023, our total greenhouse gas emission, electricity consumption, and natural gas consumption increased compared to FY2022 primarily as a result of the consolidation of Baoqing Migao and Anda Migao to our Group since 31 March 2022 so we included the emission and consumption data of our Baoqing Production Facility and Anda Production Facility for FY2023. For FY2023, our water consumption decreased compared to FY2022 primarily due to decrease in the manufacturing of SOP at our production facilities.

For 8MFY2024, our natural gas consumption increased compared to FY2023 primarily as a result of the increase manufacturing of SOP at our Guangdong Production Facility.

The Paris Agreement, which was adopted at the 21st Conference of the Parties (COP21) to the United Nations in 2015, established universal standards and ambitious goals to reduce global carbon emissions and mitigate the impact of climate change on the environment. The Chinese government has also announced its commitment to carbon reduction, with the goal of reaching peak emissions by 2030 and achieving carbon neutrality by 2060 (i.e. “30-60 Dual Carbon Goals”).

We actively follow the guidance of the national “30-60 Dual Carbon Goals” by systematically planning and taking proactive actions to integrate the principles of green and low-carbon development into our production and operations. As our production facilities are located in China, we are committed to reducing greenhouse gas emissions and aligning our sustainable development with national climate change agendas to achieve our long term goal of carbon neutrality.

To achieve this, we actively address the challenges of climate change and develop corresponding carbon management and climate change strategies to minimise the potential environmental impact of our daily operations. We collect relevant emission data and maintain a carbon emissions inventory to establish greenhouse gas reduction targets and track progress. As part of our climate change strategy, we are dedicated to implementing various energy and resource-saving initiatives to reduce energy consumption in our daily operations. We also work closely with suppliers to implement green logistics practices, and engage in carbon reduction programs to reduce carbon emissions, thereby supporting the country’s “dual carbon” goals.

Carbon management strategy

Operation:

- Disclose total greenhouse gas emissions (Scope 1 and 2)
- Commit to reducing greenhouse gas emission intensity
- Report our Group's greenhouse gas data and emission reduction progress in the annual environmental, social and governance report
- Regularly review and update climate change policies and projects
- Increase renewable energy usage
- Improve energy conservation by implementing a strategy of utilising energy on a "need-only" basis, resulting in reduced energy consumption

Supply Chain:

- Collaborate closely with our suppliers to encourage them to adopt environmentally-friendly practices and reduce their carbon footprint
- Prioritise suppliers with strong sustainability practices can help minimise the carbon impact of the supply chain
- Improve the efficiency of transportation and logistics operations

Further, to better manage our environmental, social and climate-related risks, we aim to reduce our greenhouse gas emissions and resource consumption in the foreseeable future. Although our total overall greenhouse gas emissions and resource consumption may increase in the future in view of the completion of our new production facilities, warehouse, warehousing and production centre and research development centre, we plan to reduce our greenhouse gas emissions and main resource consumption by emission/consumption per unit by around 10% by the year ending 31 March 2030 based on our emissions and resource consumption in 8MFY2024. We aim to reduce our greenhouse gas emission, electricity consumption, natural gas consumption and coal consumption to less than 0.0259 tonne/RMB'000, 0.00455 MWh/RMB'000, 3.14774 m³/RMB'000 and 0.000027 tonnes/RMB'000 by the year ending 31 March 2030.

We set our targets based on our estimation of the reduction in greenhouse gas emissions and resource consumption brought by the replacement of the existing equipment and machinery in our older production facilities (e.g. Guangdong Production Facility, Changchun Production Facility and Daxing Production Facility), the upgrading of our productions facilities with automatic raw material feeding systems, the use of clean energy and enhancement of our SOP

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production methods. Please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds” in this prospectus on the details of the plan. We will engage independent third party to evaluate and monitor our greenhouse gas emission and resource consumption and provide an update of the status of the implementation of our emission and consumption reduction plans in our period ESG report after Listing.

Although we may incur additional operation costs in the short term in carrying out the above plans, we believe the long term environmental benefits justify the implementation of the plans. Our operation may also be impacted as we may need to temporarily suspend operation of certain of our production lines to replace or upgrade them, we intend to do so during the low season and in batches and therefore we do not expect our operations will be materially affected.

EMPLOYEES

As at the Latest Practicable Date, we had 423 full-time employees. Most of our employees are based in the PRC. The following table sets forth the number of our employees by function as at the Latest Practicable Date:

Function	Number of employees	% of total
Manufacturing	176	41.6
Procurement	19	4.5
Research and Development	72	17.0
Sales and Marketing	18	4.3
Finance	41	9.7
General Administration	97	22.9
Total	423	100.0

Our success depends on our ability to attract, retain and motivate qualified personnel. We have generally been able to attract and retain qualified personnel and maintain a stable key employee team. As at the Latest Practicable Date, our employees consisted of 26 members who were at the manager level or above.

We recruit our employees based on a number of factors, including their work experience, educational background, and the needs of our vacancies. In our recruitment process, we strictly adhere to PRC’s anti-discrimination regulations to ensure all applicants are evaluated based on their merit.

We provide our employees with a variety of trainings. We design and implement in-house training programmes tailored to each job function and a set of responsibilities to enhance performance. Specific training is provided during orientation for new employees to familiarise

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them with our working environment and operational procedures. We also regularly provide to our existing employees with professional trainings, such as trainings on production safety, equipment operation and storage management depending on which department the employee is in.

We compensate our employees with basic salaries and performance-based bonuses. We believe we offer our employees competitive compensation packages. As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance and unemployment insurance. During the Track Record Period and as of the Latest Practicable Date, we made contributions to employee benefit plans for our employees as required by local authorities in accordance with applicable PRC laws and regulations in all material respects.

To ensure equal opportunities for all our employees, we have implemented merit-based promotion mechanism. We examine our employees' performance regularly and promote our employees based on their job performance.

We have established a labour union for our employees. Each production facility has a labour union head to collect feedback from local employees. We also host activities on a regular basis to enhance the connections and relationships among employees across different departments. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any disruption to our business operations due to labour disputes. Our Directors consider that we have maintained good relationships with our employees.

COMPETITION

We face intense competition in the potash fertiliser industry in the PRC. There were over 200 potash fertiliser producers in the PRC in 2022, which included SOEs, private-owned enterprises and foreign-invested enterprises.

For FY2023, our sales volume of KCL and SOP was approximately 1,067,000 tonnes and 124,000 tonnes, respectively, and the sales volume of NOP and compound fertiliser of Yunnan EuroChem for the same year was approximately 32,000 tonnes and 53,000 tonnes, respectively. As such, our Directors and Frost & Sullivan consider that we are in direct competition with large-scale potash fertiliser producers in the PRC. Please refer to the section headed "Industry Overview – Competitive Landscape Analysis" in this prospectus for further information about the competitive landscape of the potash industry in the PRC.

Our Directors are of the view that we have distinguished ourselves in the competitive industry leveraging on our position as an integrated potash fertiliser producer with extensive and strategic market coverage. Our Directors believe that there are significant entry barriers as significant capital investment is required for establishing and maintaining large-scale potash fertiliser production facilities which complies with relevant environmental regulations in the PRC. However, some of our existing and potential competitors may have significantly greater financial, operational and marketing resources, a larger customer base, stronger relationships

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with customers and suppliers, a more diversified and higher quality products, greater development, or more advanced technology than we do. Please refer to the section headed “Risk Factors – Risks Relating to Our Industry – The fierce competition in the fertiliser business may materially and adversely affect our financial performance” in this prospectus for more information on risks relating to competition.

AWARDS AND ACCREDITATIONS

We earned a number of awards and accreditations. The major awards and accreditations are set forth as follows:

Year awarded	Award/Accreditation	Awarding authority
2016 – 2022	China Top 10 Potash Fertiliser Enterprise (中國鉀肥企業10強)	China Chemical Information Centre (中國化工信息中心) ⁽¹⁾ China Chemical Industry Information Association* (中國化工情報信息協會)
2016 – 2023	China Top 100 Chemical Fertiliser Enterprise (中國化肥企業100強)	China Chemical Information Centre (中國化工信息中心) ⁽¹⁾ China Chemical Industry Information Association* (中國化工情報信息協會)
2020	Meritorious Enterprise of China Potash Industry (中國鉀鹽鉀肥工業功勛企業)	China Inorganic Salts Industry Association Potash Industry Sub-Association* (中國無機鹽工業協會鉀鹽鉀肥行業分會)
2020	National Pilot Enterprise for the Production of Eco-friendly and Quality Agricultural Inputs (Fertiliser) (全國生態環保優質農業投入品(肥料)生產試點單位)	Quality and Safety of Agricultural Products Centre, Ministry of Agriculture and Rural Affairs* (農業農村部農產品質量安全中心)
2020	National Leading Manufacturer in Potassium Sulphate Industry (全國硫酸鉀行業質量領先企業)	China Quality Inspection Association* (中國質量檢驗協會)
2021	National Quality Integrity Leading Enterprise (全國質量誠信先進企業)	China Quality Inspection Association* (中國質量檢驗協會)

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Year awarded	Award/Accreditation	Awarding authority
2021	National Leading Manufacturer in Chemical Industry (全國化工行業質量領先品牌)	China Quality Inspection Association* (中國質量檢驗協會)
2021	National Quality Leading Enterprise (全國質量先進企業)	China Quality Inspection Association* (中國質量檢驗協會)

Note:

- (1) For 2016, the awarding authorities were Chemical Fertiliser Professional Committee of China Chemical Society* (中國化工學會化肥專業委員會) and China Chemical Industry Information Association* (中國化工情報信息協會)

LAND AND PROPERTIES

As at the Latest Practicable Date, we owned 12 parcels of land and held interest in 82 properties, leased one parcel of land and ten properties and had one site under construction-in-progress in various regions of the PRC. The properties are mainly used for our production, warehouse, offices and employee residences.

As at the Latest Practicable Date, as none of our properties had a carrying amount of 15% or more of our total assets, pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, we are exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires a valuation report with respect to all of our Group's interests in land or buildings.

Land

As at the Latest Practicable Date, we owned 12 parcels of land in the PRC with an aggregate site area of approximately 898,501 sqm. As advised by our PRC Legal Advisers, we have obtained the land use right certificates for ten parcels of the land with an aggregate site area of approximately 444,087.9 sqm and are entitled to legally occupy, use, transfer, lease, mortgage or dispose of these parcels of land within the scope of use specified in the relevant land use right certificates and in accordance with the relevant PRC laws and regulations regarding the use of land, subject to existing mortgages of the relevant land.

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We have also signed the state-owned construction land use right transfer contracts (國有建設用地使用權出讓合同) for two parcels of the land with an aggregate site area of approximately 454,413.1 sqm. On 22 June 2022, we signed a state-owned construction land use right transfer contract with the local authorities to acquire a parcel of land in Anda City, Heilongjiang Province with a site area of approximately 86,308.4 sqm, which is in close proximity to our Anda Production Facility. The acquisition price for the land use right is RMB13,810,000 and we paid a deposit in the amount of RMB2,770,000 under the agreement. In July 2022, we paid the rest of the acquisition price. We intend to construct warehouse and buildings on the land primarily for the storage of our raw materials and fertiliser products and other industrial purposes, and the construction plan of which shall be subject to approval from the government. We intend to commence construction of the warehouse and buildings in the second half of 2024.

On 21 September 2022, we signed a state-owned construction land use right transfer contract with the local authorities to acquire a parcel of land in Tongjiang City, Heilongjiang Province with a site area of approximately 368,104.7 sqm for the construction of the Heilongjiang Warehousing and Production Centre. The acquisition price for the land use right is RMB60,210,000 and we had paid the acquisition price in September 2022. Please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds – Heilongjiang Warehousing and Production Centre” in this prospectus for further information on the construction plan of the Heilongjiang Warehousing and Production Centre. As advised by our PRC Legal Advisers, the two above state-owned construction land use right transfer contracts are legally valid and enforceable.

In relation to the Heilongjiang Warehousing and Production Centre, we have signed a special designated railway connecting line agreement (“**Railway Cooperation Agreement**”) with a local state-owned enterprise (the “**Railway SOE**”), pursuant to which we are allowed to connect our Heilongjiang Warehousing and Production Centre through our connection lines to the conjunction area of Tongjiang North Station where the Russian railway system and the Chinese railway system are connected. The material terms of the Railway Cooperation Agreement are as follows: (i) the connecting lines will be used primarily for the transport of potash products; (ii) we shall be responsible for the construction of the connecting lines and relevant facilities and the part of the connecting lines and facilities which connects to the conjunction area of Tongjiang North Station shall belong to the Railway SOE upon construction; (iii) the Railway SOE shall lease to us the land (the “**Railway Land**”) of the conjunction area which connects to our connecting lines; (iv) the term of the agreement shall be long term; (v) if the parties decide to terminate the cooperation, a separate agreement shall be signed; and (vi) the Railway SOE may suspend or close off the connecting lines if (a) there is material safety risks to the connecting lines; or (b) there is a breach of the relevant laws and regulations. Further to the Railway Cooperation Agreement, we have also entered into a lease agreement (the “**Railway Lease Agreement**”) with the Railway SOE for lease of the Railway Land. The lease term of the Railway Land is 36 months commencing from 23 August 2022 to 22 August 2025. The total rental fee for entire lease term is approximately RMB252,000 (inclusive of tax) and payable within ten days from the date of the lease agreement. As at the Latest Practicable Date, we have paid the total rental fee to the Railway SOE.

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According to our PRC Legal Advisers, the Railway Land is an allocated land (劃撥用地). Allocated land can only be leased upon obtaining the approval by the relevant land administrative authorities. Based on the interview with the Tongjiang Natural Resources Bureau (同江市自然資源局), which our PRC Legal Adviser has advised is the competent authority for this matter, confirming that it agrees to the lease of the Railway Land to us, our PRC Legal Adviser has advised us that the risk of the Railway Lease Agreement being deemed invalid is low. In relation to our risks of the usage of the Railway Land, please refer to the section headed “Risk Factors – Risks Relating to Our Business – We may face fines in relation to leased properties or may not be able to continue to use certain buildings on the leased properties or use the land we leased” in this prospectus for further information.

Properties

Owned Properties

As at the Latest Practicable Date, we held interest in 82 properties in the PRC with an aggregate gross floor area of approximately 230,917 sqm used primarily for production, warehouse, offices and employee residences. As at the Latest Practicable Date, as advised by our PRC Legal Advisers, save as disclosed below, we held all building ownership certificates for our properties, according to which we are entitled to occupy, use, transfer, lease, mortgage or dispose of these properties, subject to existing mortgages of the relevant properties. As at the Latest Practicable Date, we leased out six warehouses to an Independent Third Party. During the Track Record Period, the relevant fire department authorities had conducted fire safety checks at our production facilities and we had acted on their recommendations to enhance our fire safety measures. Pursuant to the compliance certificates issued by the relevant competent authorities, no penalties have been imposed on us in relation to fire safety during the Track Record Period.

Properties with defective titles

The table below summarises our properties with defective titles as at the Latest Practicable Date:

Properties and nature of title defect	Reasons for title defect	Legal impact	View of our PRC Legal Advisers	Relocation plan
<p>1. Our Changchun Production Facility had not obtained the building ownership certificates for four properties with an aggregate gross floor area of approximately 22,176.32 sqm.</p> <p>Among them:</p> <p>i. one production room with an approximate gross floor area of 1,313 sqm did not obtain the construction work planning permit (《建設工程規劃許可證》), the construction work commencement permit (《建築工程施工許可證》) and the housing completion and acceptance documents (房產竣工驗收文件);</p> <p>ii. one warehouse and one power room with an aggregate approximate gross floor area of 15,598.49 sqm did not obtain the construction work commencement permit and the housing completion and acceptance documents; and</p> <p>iii. one production room, warehouse and change room with an aggregate approximate gross floor area of 5,264.83 sqm did not obtain the housing completion and acceptance documents.</p> <p>Due to failure to obtain the construction work planning permit, the construction work commencement permit and/or the housing completion and acceptance documents, we had not obtained the building ownership certificates for these properties.</p>	<p>The reasons for the incidents were mainly due to</p> <p>(i) administrative oversight; (ii) our employees were unfamiliar with and misunderstood certain property-related laws and regulatory requirements and procedures; and (iii) our relevant employees did not seek proper advice from external advisers or our management team.</p>	<p>According to the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》), for construction work that is carried out without a construction work planning permit, the competent authorities may order the construction to be ceased, and</p> <p>(i) impose a fine ranging from 5% to 10% of the construction cost and order rectification of the impact caused by such construction, if such impact can be rectified; or (ii) impose a fine of not more than 10% of the construction cost and the demolition of such construction, if such can be demolished, or confiscation of the property and/or any income illegally earned from such construction, if such construction cannot be demolished.</p> <p>According to the Measures for the Administration of Construction Licensing of Construction Projects (《建築工程施工許可管理辦法》), for construction work that is carried out without a construction work commencement permit, the competent authorities may (i) order the construction to be suspended; (ii) order rectification within a prescribed time limit; and (iii) impose a fine of not less than 1% and not more than 2% of the construction cost.</p> <p>According to the Construction Engineering Quality Management Regulations (《建設工程質量管理條例》), for construction projects that have put into use without passing the construction project completion acceptance check, the competent authorities may (i) order rectification and payment of compensation where any damage has been caused; and (ii) impose a fine of not less than 2% but not more than 4% of the construction cost.</p> <p>We estimated that the potential maximum penalty for the above incidents relating to our properties at our Changchun Production Facility is approximately RMB1.3 million.</p>	<p>According to the interviews with Changchun Economic and Technological Development Zone Planning and Natural Resource Management Service Centre (長春市經濟技術開發區規劃和自然資源管理服務中心) and Changchun Economic and Technological Development Zone Construction and Development Bureau (長春市經濟技術開發區建設發展局), which are the competent authorities as advised by our PRC Legal Advisers, the authorities advised that they will not require the demolition of the relevant properties and Changchun Migao may continue to operate in those properties.</p> <p>We had obtained written confirmation from Changchun City Economic and Technological Development Zone Construction and Development Bureau, which is the competent authority as advised by our PRC Legal Advisers, that no penalties had been imposed on Changchun Migao with respect to any breach of the Construction Engineering Quality Management Regulations during the Track Record Period.</p> <p>Our PRC Legal Advisers did not find any records of penalties against Changchun Migao on the websites of Changchun City Planning and Natural Resources Bureau (長春市規劃和自然資源局) and Changchun City Urban and Rural Construction Committee (長春市城鄉建設委員會) during the Track Record Period and up to the Latest Practicable Date.</p> <p>In view of the above, our PRC Legal Advisers are of the view that Changchun Migao may continue to use the properties amid the lack of construction work planning permit, the construction work commencement permit and/or the housing completion and acceptance documents and such would not have a material adverse impact to the business operation of Changchun Migao.</p>	<p>In the event that the relevant authorities order us to relocate from the properties, we will be able to relocate to our other buildings in the Changchun Production Facility. Our estimated cost of demolishing the properties and relocating from the properties is approximately RMB990,000 and the expected time required for the demolition and relocation is approximately one month.</p>

Properties and nature of title defect	Reasons for title defect	Legal impact	View of our PRC Legal Advisers	Relocation plan
<p>2. Our Guangdong Production Facility had not obtained the building ownership certificates for 15 properties with an aggregate gross floor area of approximately 38,759.2 sqm.</p>	<p>The reasons for the incidents were mainly due to (i) administrative oversight; (ii) our employees were unfamiliar with and misunderstood certain property-related laws and regulatory requirements and procedures; and (iii) our relevant employees did not seek proper advice from external advisers or our management team.</p>	<p>According to the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》), for construction work that is carried out without a construction work planning permit, the competent authorities may order the construction to be ceased, and (i) impose a fine ranging from 5% to 10% of the construction cost and order rectification of the impact caused by such construction, if such impact can be rectified; or (ii) impose a fine of not more than 10% of the construction cost and the demolition of such construction, if such can be demolished, or confiscation of the property and/or any income illegally earned from such construction, if such construction cannot be demolished.</p>	<p>According to the interview with Gaoming District Engineering Construction Completion Joint Acceptance Leading Group (高明區工程建設竣工聯合驗收領導小組), which is the competent authorities as advised by our PRC Legal Advisers, the authorities advised that they will not penalise Guangdong Migao and will not require the demolition of the relevant properties and the Guangdong Migao may continue to operate in those properties.</p>	<p>In the event that the relevant authorities order us to relocate from the properties, we will be able to relocate to our other buildings in the Guangdong Production Facility. Our estimated cost of demolishing the properties and relocating from the properties is approximately RMB150,000 and the expected time required for the demolition and relocation is less than one month.</p>
<p>Among them:</p> <ol style="list-style-type: none"> i. two warehouses, one power room, one security room, and one water pump room with an aggregate approximate gross floor area of 4,980.49 sqm did not obtain the construction work planning permit, the construction work commencement permit and the housing completion and acceptance documents; 		<p>According to the Measures for the Administration of Construction Licensing of Construction Projects (《建築工程施工許可管理辦法》), for construction work that is carried out without a construction work commencement permit, the competent authorities may (i) order the construction to be suspended; (ii) order rectification within a prescribed time limit; and (iii) impose a fine of not less than 1% and not more than 2% of the construction cost.</p>	<p>We had obtained written confirmation from Foshan City Gaoming District Housing and Urban-Rural Development and Water Conservancy Bureau (佛山市高明區住房城鄉建設和水務局), which is the competent authority as advised by our PRC Legal Advisers, that Guangdong Migao has abided by PRC laws and regulations relating to construction and buildings management and no penalties or investigation had been imposed on Guangdong Migao with respect to any breach of such PRC laws and regulations during the Track Record Period.</p>	
<ol style="list-style-type: none"> ii. security rooms with an aggregate approximate gross floor area of 63.2 sqm did not obtain the construction work commencement permit and the housing completion and acceptance documents; 		<p>According to the Construction Engineering Quality Management Regulations (《建設工程質量管理條例》), for construction projects that have put into use without passing the construction project completion acceptance check, the competent authorities may (i) order rectification and payment of compensation where any damage has been caused; and (ii) impose a fine of not less than 2% but not more than 4% of the construction cost.</p>	<p>In view of the above, our PRC Legal Advisers are of the view that Guangdong Migao may continue to use the properties amid the lack of construction work planning permit, the construction work commencement permit, and/or the housing completion and acceptance documents and such would not have a material adverse impact to the business operations of Guangdong Migao.</p>	
<ol style="list-style-type: none"> iii. two production rooms, two warehouses, two comprehensive buildings, one testing building, one office building, and one power room with an aggregate approximate gross floor area of 33,715.46 sqm did not obtain the housing completion and acceptance documents. 		<p>We estimated that the potential maximum penalty for the above incidents relating to our properties at our Guangdong Production Facility is approximately RMB1.2 million.</p>		

Properties and nature of title defect	Reasons for title defect	Legal impact	View of our PRC Legal Advisers	Relocation plan
<p>3. Our Daxing Production Facility had not obtained the building ownership certificates for one production room with a gross floor area of approximately 5,760 sqm due to the lack of construction work planning permit, the construction work commencement permit and the housing completion and acceptance documents.</p>	<p>The reasons for the incident were mainly due to (i) administrative oversight; (ii) our employees were unfamiliar with and misunderstood certain property-related laws and regulatory requirements and procedures; and (iii) our relevant employees did not seek proper advice from external advisers or our management team.</p>	<p>According to the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》), for construction work that is carried out without a construction work planning permit, the competent authorities may order the construction to be ceased, and (i) impose a fine ranging from 5% to 10% of the construction cost and order rectification of the impact caused by such construction, if such impact can be rectified; or (ii) impose a fine of not more than 10% of the construction cost and the demolition of such construction, if such can be demolished, or confiscation of the property and/or any income illegally earned from such construction, if such construction cannot be demolished.</p> <p>According to the Measures for the Administration of Construction Licensing of Construction Projects (《建築工程施工許可管理辦法》), for construction work that is carried out without a construction work commencement permit, the competent authorities may (i) order the construction to be suspended; (ii) order rectification within a prescribed time limit; and (iii) impose a fine of not less than 1% and not more than 2% of the construction cost.</p> <p>According to the Construction Engineering Quality Management Regulations (《建設工程質量管理條例》), for construction projects that have put into use without passing the construction project completion acceptance check, the competent authorities may (i) order rectification and payment of compensation where any damage has been caused; and (ii) impose a fine of not less than 2% but not more than 4% of the contract price of the construction cost.</p> <p>We estimated that the potential maximum penalty for the above incident relating to our properties at our Daxing Production Facility is approximately RMB1.0 million.</p>	<p>According to the interview with Planning Technology Service Centre of Zunyi Natural Resources Bureau (Bozhou) (遵義市自然資源局規劃技術服務中心(播州)) and Housing and Urban Rural Development Bureau of Bozhou District, Zunyi (遵義市播州區住房和城鄉建設局), which are the competent authorities as advised by our PRC Legal Advisers, the authorities advised that Daxing Migao may continue to operate in such property and they will not require Daxing Migao to demolish the relevant property and will not pursue any penalties against Daxing Migao in such regard.</p> <p>We had obtained written confirmation from Zunyi Real Estate Leasing (遵義房地產租賃), which is the competent authorities as advised by our PRC Legal Advisers, that they acknowledged the aforementioned title defect and confirmed Daxing Migao may continue its operations therein and they will not order Daxing Migao to suspend, restore or relocate from the relevant property nor impose any penalty in such regard.</p> <p>In view of the above, our PRC Legal Advisers are of the view that the likelihood of penalties being imposed by the relevant authorities for the lack of construction work planning permit, the construction work commencement permit and the housing completion and acceptance documents is low.</p>	<p>In the event that the relevant authorities order us to relocate from the properties, we will be able to relocate to our other buildings in the Daxing Production Facility. Our estimated cost of demolishing the properties and relocating from the properties is approximately RMB150,000 and the expected time required for the demolition and relocation is less than one month.</p>

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Considering (i) the total gross floor area of the properties with defective title only accounted approximately 28.9% of the total gross floor area of all our production facilities as at the Latest Practicable Date; (ii) majority of the properties with defective title were not directly required for our manufacturing operations; (iii) the revenue attributable to the properties with defective title directly required for our manufacturing operations only accounted for approximately 3.9%, 2.5%, 1.0% and 1.5% of our total revenue for FY2021, FY2022, FY2023 and 8MFY2024, respectively; (iv) the estimated cost and time for relocation; (v) for our properties with defective title only due to lack of housing completion and acceptance documents, the relevant PRC laws and regulations do not require the demolition of those properties and those properties accounted for the majority of our properties with defective title; (vi) for our properties with defective title only due to lack of housing completion and acceptance documents at our Guangdong Production Facility, we have already made the relevant filings for obtaining such documents; (vii) Mr. Liu having entered into the Deed of Indemnity with and in favour of our Company and each of our subsidiaries to provide indemnities in respect of the aforementioned properties with defective title; and (viii) the views of our PRC Legal Advisers, our Directors are of the view that our properties with defective titles are, individually and collectively, not expected to have material adverse impact to our business operations. Our Directors also confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the government authorities requiring us to demolish and/or relocate from the properties with defective titles.

We have established and implemented entity-level control measures, including both preventive and remedial measures, to ensure its compliance with regulations in relation to obtaining building ownership certificates before occupying our future properties. We have established and implemented written policy and procedures, including:

- i. before carrying out production and operation activities, the acquisition of building ownership certificates for purchased properties are monitored by a designated person, and upon all permits are obtained, approval is required prior to the commencement of production and operation activities in new premises;
- ii. we have assigned a designated person to monitor the status of our permits and certificates of our properties with defective titles;
- iii. we will engage external lawyer and external advisers to provide annual trainings to our relevant employees; and
- iv. we will perform annual review on all existing property related certificates to ensure the completeness, validity and safekeeping of the permits and certificates.

During the Track Record Period and up to the Latest Practicable Date, we had not been penalised by any government authority over safety conditions concern in respect of our properties with defective titles for which we have not obtained the relevant building ownership certificates or construction work planning permits or construction work commencement permits or housing completion acceptance filing documents as required under the relevant PRC

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laws and regulations. We will continuously monitor and maintain safety conditions of our properties with reference to relevant national or local standards for evaluation of a property's safety condition. Where any safety issues are identified, we will immediately repair or take other measures. We have also obtained safety reports (安全鑒定報告) prepared by third party construction advisory company. In addition, our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there had been no material incident to our knowledge that would raise questions as to the safety conditions of all properties we occupied with defective titles. Based on the above, our Directors are of the view that such properties are safe for occupation. Our Directors confirm that the safety condition of the properties with defective titles is in compliance with the relevant safety requirements in material respects during the Track Record Period and up to the Latest Practicable Date.

According to the relevant PRC laws and regulations and as advised by our PRC Legal Adviser, our rights as owner or occupant of these properties may be adversely affected due to the absence of the relevant building ownership certificates. Accordingly, certain rights including our rights to transfer or lease the properties and/or to mortgage the properties may be restricted.

Our Directors are of the view that the costs we incurred for our properties with defective titles would not materially differ from that we would have to pay if these properties did not have defective titles.

Please refer to the section headed "Risk Factors – Risks Relating to Our Business – Our rights to use the properties on our production facilities may be interfered" for further information in relation to the risks of our properties with defective titles.

Leased Properties

As at the Latest Practicable Date, we leased 12 properties, one located in Zunyi City, Guizhou Province, seven located in Tongjiang City, Heilongjiang Province, one located in Harbin City, Heilongjiang Province, one located in Chengdu City, Sichuan Province, one located in Hong Kong and one located in Singapore, with an aggregate gross floor area of approximately 47,493.45 sqm. The following table sets forth a summary of certain information regarding our material leased properties.

No.	Location	Approximate gross floor area	Use	Lease Period
1.	Gezhuang Village, Sanhe Town, Bozhou District, Zunyi City ^{(1)/(2)}	遵義市播州區三 合鎮閣莊村	46,114.04 sqm Production and operation	1 January 2022 to 31 December 2024

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No.	Location	Approximate gross floor area	Use	Lease Period
2.	Shop 5, Building 10, Tongjiang E-Commerce Industrial Park, Tongjiang City	同江市電商產業 園內10號樓5 號門市	136.19 sqm Office	23 April 2022 to 23 April 2024
3.	Shop 4, Puxi Gardens, Tongjiang City	同江市浦西花園 4號門市	121.5 sqm Office	27 May 2023 to 27 May 2025
4.	Garage No. 113, Phase II, Building 10, Urban Mingyuan, Tongjiang City	同江市都市名苑 10號樓二期 113號車庫	21.89 sqm Car park	17 March 2023 to 17 March 2024
5.	Room 601, 11-1, Urban Mingyuan, Tongjiang City	同江市都市名苑 11-1-601室	109.78 sqm Employee residence	17 March 2023 to 17 March 2024
6.	No. 602, Unit 2, Building 11, Lishe Community, Xiang Street, Tongjiang City	同江市香街麗舍 社區11號樓2 單元602號	70.31 sqm Employee residence	23 July 2023 to 22 July 2024
7.	No. 403, Unit 4, Building 5, Lishe Community, Xiang Street, Tongjiang City	同江市香街麗舍 社區5號樓4單 元403號	81.91 sqm Employee residence	29 July 2023 to 28 July 2024
8.	No. 602, Unit 1, Building 2, Binjiang Shanshui Renjia Community, Tongjiang City	同江市濱江山水 人家社區二號 樓1單元602號	76.51 sqm Employee residence	6 September 2023 to 5 September 2024
9.	No. 1, 11th Floor, Unit 4, Building B7, District 2, Shuimu Qinghua Community, No. 288, Wenhui Road, Songbei District, Harbin City	哈爾濱市松北區 文匯路288號 水木清華社區 二區B7棟4單 元11層1號	89.74 sqm Employee residence	1 August 2023 to 31 July 2024
10.	No. 609, 6th Floor, Unit 1, Building 18, No. 266, Jitai 2nd Road, High-tech Zone, Chengdu City	成都市高新區 吉泰二路 266號 18棟 1單元6樓609 號	55.77 sqm Office	1 August 2023 to 31 July 2024

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No.	Location	Approximate gross floor area	Use	Lease Period
11.	Room 801, 8th Floor, COFCO Tower, No. 262 Gloucester Road, Causeway Bay, Hong Kong	香港銅鑼灣告士打道262號中糧大廈8樓801室 2,958 sqf	Office	1 December 2022 to 30 November 2024
12.	8 Temasek Boulevard, #32-03 Suntec Tower Three, Singapore, 038988	– 341 sqm	Office	1 July 2019 to 30 June 2025

Notes:

- (1) The landlord is Zunyi Migao, a connected person of the Company. For details, please refer to the section headed “Connected Transactions – Connected Transaction – Daxing Lease Agreement” in this prospectus.
- (2) As advise by our PRC Legal Advisers, based on the compliance certificates issued by the Zunyi City Bozhou District Fire Rescue Brigade (遵義市播州區消防救援大隊), no penalties have been imposed on us by the Zunyi City Bozhou District Fire Rescue Brigade during the Track Record Period.

As at the Latest Practicable Date, we had not filed the lease agreements in relation to our 10 leased properties in the PRC with the local housing administration authorities as required under the PRC law. As at the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of the failure to file the lease agreements described above. As advised by our PRC Legal Advisers, the non-registration of lease agreements does not affect the validity of such lease agreements. However, we might be ordered to rectify this non-compliance by the competent authorities and if we fail to rectify within the prescribed period, a penalty of RMB1,000 to RMB10,000 per lease agreement may be imposed on us as a result of such non-filing.

During the Track Record Period and as at the Latest Practicable Date, the lessors of our three leased properties (No. 1 to No. 3) in the PRC could not provide us with valid building ownership certificates for some of the buildings with an aggregate gross floor area of 5,729.69 sqm. Such buildings were used by us as production room and offices. As advised by our PRC Legal Advisers, if the lessors do not have ownership or the right to lease these buildings, our leases may be rendered void and we may be required to vacate the buildings and relocate.

However, according to an interview conducted with Zunyi Natural Resources Bureau Planning Technology Service Centre (Bozhou) (遵義市自然資源局規劃技術服務中心(播州)), the current planning procedures for those buildings at our Daxing Production Facility are incomplete but the lessor can reapply after completing those procedures. Before the rectification is completed, the authorities advised that there will be no punishment or order to demolish the buildings, and the buildings can continue to be leased and used. Further, according to an interview conducted with the Housing and Urban-Rural Development Bureau

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of Bozhou District, Zunyi City (遵義市播州區住房和城鄉建設局), the authorities advised that they will not impose penalties or order demolition of the leased buildings, and those buildings can continue to be leased and used.

In relation to our two leased properties (No. 2 and No. 3) in Tongjiang City, Heilongjiang Province, if we are required to relocate to other locations, we believe relocation from such leased properties would not cause any material disruption to our operation since (i) such leased properties are only used as our offices; and (ii) there is sufficient supply of properties for office use in the neighboring area and we believe it will not incur significant time and costs to find and relocate to alternative properties in such area.

In view of the above, our PRC Legal Advisers are of the view that the lack of building ownership certificates of the above buildings would not have any material adverse impact on our business operation.

Construction In-progress

As at the Latest Practicable Date, we had one site under construction in-progress, which is the construction of the Heilongjiang Warehousing and Production Centre in the Heilongjiang Province. For the Heilongjiang Warehousing and Production Centre, site formation and infrastructure works have been commenced and we expect to complete construction of the Heilongjiang Warehousing and Production Centre in the second half of 2025. For further details of the Heilongjiang Warehousing and Production Centre, please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds – Heilongjiang Warehousing and Production Centre” in this prospectus for further information.

INTELLECTUAL PROPERTIES

We rely on a combination of trademarks and patents to protect our intellectual property, which are critical to our business operations. As at the Latest Practicable Date, we had registered 122 trademarks, ten patents and ten software copyrights in the PRC and three trademarks in Hong Kong and we had 13 pending patent applications in the PRC, which are material in relation to our business. Please refer to the section headed “Appendix IV – Statutory and General Information – B. Further Information About Our Business – 2. Intellectual Property Rights of Our Group” to this prospectus for details of our material intellectual properties.

We had not been subject to any material dispute and claims for infringement of third-parties’ trademarks, patents, copyrights and other intellectual property rights during the Track Record Period and up to the Latest Practicable Date. However, please refer to the section headed “Risk Factors – Risks Relating to Our Business – Third parties may claim that we infringe their intellectual property rights or proprietary rights, which could cause us to incur significant legal expense and prevent us from continuing using our existing production methods” in this prospectus for more information.

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LICENCES AND APPROVALS

The following table sets forth the details of our material licences, permits, registrations and approvals for our operation as at the Latest Practicable Date:

Licence and Permit	Issuing Authority	Date of Issue	Date of Expiry	Holder
The Safety Production Permit (安全生產許可證)	Changchun Emergency Management Bureau	9 June 2021	8 June 2024	Changchun Migao
	Heilongjiang Provincial Emergency Management Bureau	6 March 2023	29 September 2025	Baoqing Migao
	Heilongjiang Provincial Emergency Management Bureau	11 December 2023	11 May 2025	Anda Migao
	Zunyi Environment Bureau	19 December 2022	18 December 2027	Daxing Migao
Pollutant Discharge Permit (排污許可證)	Foshan Environment Bureau	12 May 2022	11 May 2027	Guangdong Migao
	Changchun City Ecological Environment Bureau	6 June 2022	5 June 2027	Changchun Migao
	Shuangyashan Environment Bureau	16 March 2023	15 March 2028	Baoqing Migao
	Suihua Environment Bureau	18 May 2021	17 May 2026	Anda Migao
The National Production Licence for Industrial Products (全國工業產品生產許可證)	Guangdong Provincial Market Supervision Administration Bureau	6 May 2021	5 May 2026	Guangdong Migao
	Heilongjiang Provincial Market Supervision Administration Bureau	23 February 2024	8 July 2029	Baoqing Migao
	Zunyi Municipal Market Supervision Administration Bureau	8 July 2019	7 July 2024	Daxing Migao
	Jilin Provincial Market Supervision Administration Bureau	7 July 2020	30 June 2025	Changchun Migao
	Sichuan Provincial Market Supervision Administration Bureau	22 January 2020	12 March 2025	Sichuan Migao
	Heilongjiang Provincial Market Supervision Administration Bureau	1 July 2022	30 June 2027	Anda Migao

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Licence and Permit	Issuing Authority	Date of Issue	Date of Expiry	Holder
Registration Certificate of Hazardous Chemicals (危險化學品登記證)	Emergency Management Department Chemical Registration Centre and Guangdong Provincial Hazardous Chemicals Registration Office	23 March 2021	22 March 2024	Guangdong Migao
	Emergency Management Department Chemical Registration Centre and Heilongjiang Provincial Hazardous Chemicals Registration Management Centre	19 January 2022	24 February 2025	Baoqing Migao
	Emergency Management Department Chemical Registration Centre and Jilin Provincial Hazardous Chemicals Registration Management Centre	18 July 2022	17 July 2025	Changchun Migao
	Emergency Management Department Chemical Registration Centre and Heilongjiang Provincial Hazardous Chemicals Registration Management Centre	19 September 2023	10 November 2026	Anda Migao
	Foshan Emergency Administration Bureau	30 July 2021	29 July 2024	Guangdong Migao
Safety Production Licence for Hazardous Chemicals (危險化學品安全生產許可證)	Foshan Emergency Management Bureau	3 August 2021	29 July 2024	Guangdong Migao
	Changchun Emergency Management Bureau	11 January 2023	10 January 2026	Changchun Migao
	Shuangyashan Emergency Management Bureau	7 December 2021	6 December 2024	Baoqing Migao
	Suihua Emergency Management Bureau	24 May 2022	23 May 2025	Anda Migao
Production Record Certificate of Non-drug Chemicals (非藥品類易製毒化學品生產備案證明)	Foshan Emergency Management Bureau	3 August 2021	29 July 2024	Guangdong Migao
	Changchun Emergency Management Bureau	11 January 2023	10 January 2026	Changchun Migao
	Shuangyashan Emergency Management Bureau	7 December 2021	6 December 2024	Baoqing Migao
	Suihua Emergency Management Bureau	24 May 2022	23 May 2025	Anda Migao

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Licence and Permit	Issuing Authority	Date of Issue	Date of Expiry	Holder
The Registration Certificate of the Customs	Foshan Customs	10 July 2017	/	Guangdong Migao
Declaration Unit (海關報關單位註冊登記證書)	Changchun Customs	27 January 2016	/	Changchun Migao
Registration of Customs Declaration Unit (海關報關單位註冊登記)	Chengdu Customs	9 August 2016	/	Sichuan Migao
	Chengdu Customs	/	31 July 2068	Migao Century (Chengdu)
Entry-exit Inspection and Quarantine Application	Guangdong Entry-Exit Inspection and Quarantine Bureau	11 July 2017	/	Guangdong Migao
Enterprise Record Form (出入境檢驗檢疫報檢企業備案表)	Jilin Entry-Exit Inspection and Quarantine Bureau	20 July 2016	/	Changchun Migao
Record Registration Form for Foreign Trade Operators (對外貿易經營者備案登記表)	Foshan Gaoming Foreign Trade Operator Registration Authority	19 November 2021	/	Guangdong Migao
	Foreign Trade Operator Registration Authority	22 January 2016	/	Changchun Migao
	Foreign Trade Operator Registration Authority	15 April 2022	/	Tongjiang Migao
Urban Drainage Permit (城市排水許可證)	Foshan Gaoming Housing and Urban-Rural Development and Water Conservancy Bureau	30 March 2021	29 March 2026	Guangdong Migao
Fertiliser Official Registration Certificate (肥料正式登記證)	Sichuan Provincial Department of Agriculture	24 December 2019	December 2024	Sichuan Migao
	Guizhou Province Department of Agriculture and Rural Affairs	3 September 2020	September 2025	Daxing Migao
		4 September 2019	September 2024	

In addition to the licenses, permits, registrations and approvals listed above, we also held automatic import licenses during the Track Record Period primarily for our import of KCL. The imports and exports of KCL are subject to control by the PRC government. The MOFCOM has implemented an automatic licensing system for imports and exports of KCL, under which the MOFCOM or its authorised agencies shall grant a licence to the consignee or consignor who applies for automatic licensing prior to completing customs clearance formalities for imports and exports subject to automatic licensing.

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Each automatic import licence of KCL is for a single shipment only and a consignor or consignee is required to apply for another automatic import licence of KCL for each new shipment and is required to submit further documents (such as the relevant KCL purchase contract/order with each application). During the Track Record Period, as we purchased some of our KCL from overseas suppliers either through shipment by sea or transportation by railway through various purchase contracts/orders in various shipments under the framework supply agreements, we are required to apply for an automatic import licence of KCL for each shipment utilising our own automatic import licence. As at the Latest Practicable Date, Guangdong Migao had obtained three KCL automatic import licences for the import of an aggregate of approximately 95.6 million kg of KCL from overseas. The expiry date of the KCL automatic import licences is 11 July 2024. As advised by our PRC Legal advisers, according to their consultation with Trade Management Office of Guangdong Provincial Department of Commerce (廣東省商務廳貿易管理處), which is the competent authority, our business practice with respect to imported KCL are in compliance with the Administrative Measures on Automatic Import Licensing (《貨物自動進口許可管理辦法》).

As advised by our PRC Legal Advisers, save as disclosed in this prospectus, we had obtained all necessary licences, permits, approvals and certificates for our business operations in the PRC during the Track Record Period and as at the Latest Practicable Date. We did not experience any difficulties in renewing the necessary licences, permits, approvals and certificates during the Track Record Period, and we do not expect to have any material difficulty in renewing them when they expire.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

Legal Proceedings

As at the Latest Practicable Date, our Directors confirmed that we were not engaged in any litigation, arbitration or claim of material importance, and there had been no litigation, arbitration, administrative proceedings or claim was known to our Directors to be pending or threatened by or against our Group or any of our Directors which could have a material adverse effect on our Group's financial condition or results of operations.

Our Directors, have confirmed that as at the Latest Practicable Date, there were no breaches or violations of PRC laws applicable to our Group that would have a material adverse effect on our Group's business or financial condition taken as a whole.

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented a series of measures to manage the various types of risks that we face in our operations, including the production and sales of products, daily operations, administration, financial reporting and recording, fund management, production safety and compliance with applicable environmental protection laws and regulations.

Our management team actively monitors and promptly reacts to changes in the industry's laws and regulations that impact our operations. Each of our manufacturing, research and development, sales and marketing and finance team members regularly report to our management with respect to any risks they identify, including product safety and quality risks, product liability risks and compliance risks. Where a potential risk or breach has been identified, responsible team members shall propose risk response plans if necessary for implementation and supervision, in order to minimise damage and prevent any further recurrence. Our Board supervises the implementation of our risk management policy at the corporate level by bringing together each operating department, to collaborate on risk issues among different business functions. We will consider whether measures against risk are being taken appropriately and revise our response plans or internal policies as appropriate.

In preparation for the Listing, we engaged an internal control consultant to perform an internal control review of our Group's internal control system, including but not limited to the areas of financial, information technology, operation and compliance. Our internal control consultant would identify deficiencies in our internal control system, furnish recommendation on enhanced internal control measures established by us to prevent future violations and ensure on-going compliance with applicable laws and regulations, perform testing for the implementation status of such enhanced internal control measures and prepare a report in this regard.

Our Group has implemented or will implement the following internal control measures:

- (i) we will formulate emergency preparation and response management procedures, safe production management system, occupational health management regulations and production safety accident emergency plan to standardise accident response, investigation and handling. We regularly arrange our safety management personnel to attend external training from a third-party organisation to ensure that we are up to date with industry-related health and safety information. Our safety management personnel will arrange regular trainings for our employees on health and safety and we will keep a training record. We will train at least one first aider for every 100 employees, who will be trained by a qualified third-party organisation trains and will obtain a first aid certificate;
- (ii) we will regularly arrange for the identification and assessment of health and safety risks in each department by the responsible personnel of the safety department; establish and regularly update the files of major hazards according to the risk assessment methods of our Safety Risk Management System and Risk Assessment

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Guidelines; and conduct risk assessment and develop risk control measures. We will give relevant support to the evaluation of the occupational disease hazards in our Group and arrange to commission a third-party organisation with appropriate qualifications to conduct an evaluation of the current occupational disease hazards at least once every three years and issue written records;

- (iii) we will pay social security benefits for new employees within one month of their commencement date. The head of human resources will prepare the “Staff Housing Provident Fund Request Report” in accordance with the relevant regulations setting out the base level of the Housing Provident Fund, which will be approved by the general manager and the chairperson of the Board;
- (iv) we have adopted various enhanced internal control and risk management measures in relation to sanctions compliance. For details, please refer to the section headed “Business – Business Dealings with Third Parties Subject to International Sanctions – Sanctions Compliance Measures” in this prospectus for further information;
- (v) we have adopted various enhanced internal control measures in relation to tax return filing and payment. For details, please refer to the section headed “Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income – Income Tax Expense – PRC Tax Re-filings” in this prospectus;
- (vi) we will engage external PRC legal adviser(s) to provide assistance in respect of any legal and compliance matters relating to our operations, where necessary;
- (vii) our Directors have attended trainings conducted by our Company’s legal advisers as to Hong Kong law on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules, and our Directors are aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- (viii) we will establish an audit committee which comprises three independent non-executive Directors. The audit committee will also adopt terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters; and
- (ix) we have appointed Soochow Securities International Capital Limited as our Company’s compliance adviser pursuant to the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Migao BVI directly owned our entire issued share capital. Migao BVI is wholly-owned by Migao Barbados which in turn is wholly-owned by Mr. Liu. Accordingly, Mr. Liu, Migao Barbados and Migao BVI shall be regarded as our Controlling Shareholders under the Listing Rules.

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, Mr. Liu, Migao Barbados and Migao BVI will directly and indirectly hold 75% of our issued share capital, and hence will remain as our Controlling Shareholders. For the background of Mr. Liu, please refer to the section headed “Directors and Senior Management” in this prospectus.

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Apart from our Group, Mr. Liu has interests in several businesses in the PRC, including Huantaiyang Technology (Sichuan) Co., Ltd.* (寰太洋科技(四川)有限公司) (formerly known as Sichuan SQM-Migao Chemical Fertilizer Co., Ltd.* (埃斯科姆米高(四川)化肥有限公司)) (“**SQM Migao**”), Chengdu Aoke Saiya Engineering Technology Corporation Ltd.* (成都奧克賽亞工程技術有限公司) (formerly known as Chengdu Migao Engineering Technology Corporation Ltd.* (成都米高工程技術有限公司)) (“**Chengdu Migao**”) and Beijing Weidesen International Trade Co., Ltd.* (北京威德森國際貿易有限公司) (“**Beijing Weidesen**”) (collectively, the “**Excluded Businesses**”), as well as business in other sectors which mainly include investment in domestic industrial real estate and renewal energy industry.

SQM Migao is a company established in the PRC in September 2009 and its business scopes in the business licence have historically included, among other things, research and development of bio-organic fertiliser. On 17 January 2024, the name of SQM Migao was changed to Huantaiyang Technology (Sichuan) Co., Ltd.* (寰太洋科技(四川)有限公司) and the business scopes were changed to technical service, technology development, consulting, transfer and promotion, and non-residential real estate leasing.

Chengdu Migao is a company established in the PRC in November 2016 and its business scopes in the business licence have historically included, among other things, sales of chemical products. On 11 January 2024, the name of Chengdu Migao was changed to Chengdu Aoke Saiya Engineering Technology Corporation Ltd.* (成都奧克賽亞工程技術有限公司) and the business scopes were changed to technical service, technology development, consulting, transfer and promotion, machinery sales and development, import of goods, engineering management services, and sales of wind power machinery and parts.

Beijing Weidesen is a company established in the PRC in March 2004 and its business scopes in the business licence have historically included, among other things, sales of chemical products. On 19 January 2024, its business scopes were changed to import and export of goods, import and export of technology, and import and export agency.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Mr. Liu has confirmed that during the Track Record Period and up to their respective latest change of name and/or business scopes, the Excluded Businesses and Tianjin Migao did not engage in business that competed with that of our Group.

The Sole Sponsor concurred with the Directors' view based on the information disclosed above and its due diligence regarding the Excluded Businesses and Tianjin Migao including, among others, (i) obtaining and reviewing the list of the Excluded Businesses and Tianjin Migao, as confirmed by Mr. Liu, which sets out their business activities throughout the Track Record Period and up to the Latest Practicable Date; (ii) conducting searches on the entities involved in the Excluded Businesses and Tianjin Migao with the assistance of the Sole Sponsor's PRC legal advisers and reviewing the search results to check for any indication of existing or potential competition with our Group; (iii) obtaining and reviewing the updated business licenses of the entities involved in the Excluded Businesses and Tianjin Migao which had their corporate names and/or business scopes amended as disclosed above; (iv) obtaining and reviewing the underlying documents of the entities involved in the Excluded Businesses and Tianjin Migao, including financial statements and management accounts, to ascertain that their business activities were unrelated to our Group's principal business; and (v) consulting the Sole Sponsor's PRC legal Advisers to understand that the business scopes of the Excluded Businesses and Tianjin Migao would not overlap with that of our Group after the aforementioned amendments to the business licenses of the relevant entities.

Each of our Directors and Controlling Shareholders has confirmed that, as at the date of this prospectus, none of them had any interest in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders (including any associate thereof) after the Global Offering for the reasons set out below.

Management Independence

Our Directors are of the view that our Company is managed independently of our Controlling Shareholders for the following reasons:

- (a) each of our Directors is aware of his/her fiduciary duties as a director which require, among others things, that he/she must act for the benefit of and in the best interests of our Company and our Shareholders as a whole and must not allow any conflict between his/her duties as a Director and his/her personal interest;
- (b) at any meetings held to discuss a matter that gives rise to a conflict with any of our Directors and their respective associates, any conflicted Directors will abstain from voting and will not be counted in the quorum of the relevant Board meeting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) our Board consists of six Directors and three of whom are independent non-executive Directors who have extensive experience in different industries and have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinion; and
- (d) connected transactions between our Group and our Controlling Shareholders or their respective associates, if any, are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement and Shareholders' approval (where applicable).

Based on the above, our Directors are satisfied that they are able to perform their roles as Directors independently and manage our business independently from our Controlling Shareholders after the Listing.

Operational Independence

Our Company makes business decisions independently. Our Company and our subsidiaries hold all relevant licences necessary to carry on our businesses and have sufficient capital, equipment and employees to operate its businesses independently.

Our Directors consider that our operations do not depend on the operation of our Controlling Shareholders for the following reasons:

- (a) there is no competing business between our Group and any of our Controlling Shareholders;
- (b) none of our Directors has an interest in any business which competes or is likely to compete, either directly or indirectly, with our business;
- (c) we have our own independent operation capabilities and independent access to customers; and
- (d) our Company has its own administrative and corporate governance infrastructure (including its own accounting, legal and human resources departments).

Based on the above, our Directors are satisfied that we are able to operate independently from our Controlling Shareholders and their respective associates.

Financial Independence

In addition, our Group is financially independent for the reasons set out below:

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

We have sufficient working capital to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent financial system and makes financial decision according to its own business needs. We are financially independent of our Controlling Shareholders and their respective associates.

For FY2021, FY2022, FY2023 and 8MFY2024, our Group received advances from related companies under financing activities of RMB93.4 million, RMB87.0 million, RMB243.1 million and RMB16.2 million, respectively, among which amounts due to APPH of non-trade nature of RMB72.9 million, RMB158.5 million, RMB175.7 million and RMB16.8 million were derived therefrom as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively.

As at the Latest Practicable Date, the amounts due to APPH of non-trade nature was approximately RMB10.2 million. We expect that the amount due to APPH of non-trade nature will be settled by the Listing.

Save as disclosed above, at the Latest Practicable Date, our Company did not have any outstanding loans, advances and balances due to or from and guarantee provided by any of our Controlling Shareholders and their respective close associates and we do not intend to rely on any of our Controlling Shareholders in the future.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

CORPORATE GOVERNANCE

We have adopted the following measures in order to manage potential conflicts of interest:

- (a) our Articles of Association provide that where a Director or a senior management officer of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement which are made or proposed by the Company (other than his/her service contract with the Company), he/she shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement is otherwise subject to the approval of the Board;
- (b) our Articles of Association also provide that a Director shall not vote on any contract, transaction or arrangement in which such Director or any of his/her associates has a material interest, and such Director shall not be counted in the quorum of the relevant board meeting; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) we have appointed Soochow Securities International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Based on the above, our Board is satisfied that there are sufficient and effective measures in place to manage conflicts of interest. We are committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element on the Board which can effectively exercise independent judgement. We are also committed to the view that our independent non-executive Directors should be of sufficient calibre and number for their views to carry weight. Our independent non-executive Directors are free of any business or other relationships which could interfere in any material manner with the exercise of their independent judgement. Our Company is expected to comply with the Corporate Governance Code which sets our principles of good corporate governance in relation to, among others, Directors, the chairperson, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the Corporate Governance Code, and will provide details of, and reasons for, any deviations from it in our corporate governance report which will be included in our annual report.

CONNECTED TRANSACTIONS

We have entered into certain agreements with parties that will be considered as our connected persons (as defined under Chapter 14A of the Listing Rules). Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

SUMMARY OF OUR CONNECTED PERSONS

Upon the Listing, the following parties, which have entered into certain written agreements with our Group, will be connected persons of our Group:

Name	Connected Relationship
Zunyi Migao	an indirect wholly-owned subsidiary of Elegant Castle, which is in turn owned by Mr. Liu, one of our Controlling Shareholders
Heilongjiang Beidahuang Modern Agricultural Services Group Co., Ltd.* (黑龍江北大荒現代農業服務集團有限公司) (“ Beidahuang Modern Agricultural Services ”)	the immediate holding company of Heilongjiang Beidahuang, which is in turn a substantial shareholder of Baoqing Migao and Anda Migao

CONNECTED TRANSACTION

We have entered into a transaction with a party who is our connected person and such transaction constitutes a connected transaction of our Group under Chapter 14A of the Listing Rules.

Daxing Lease Agreement

Principal Terms

Daxing Migao and Zunyi Migao entered into a lease agreement on 4 January 2022 (the “**Daxing Lease Agreement**”), pursuant to which Zunyi Migao agreed to lease the land and properties on it where the Daxing Production Facility is situated (the “**Daxing Lease Property**”) to Daxing Migao and the terms of which are as follows:

Landlord	Tenant	Term	Leased area (<i>sqm</i>)	Rent per annum (<i>RMB</i>)
Zunyi Migao	Daxing Migao	1 January 2022 to 31 December 2024	land area of 156,049 and property area of 46,114.04	2.61 million for the first year; and a 3% increase in the rent for each subsequent year

CONNECTED TRANSACTIONS

The rent under the Daxing Lease Agreement is determined, with reference to a valuation report prepared by an independent valuer, at arm's length and reflects the market rents. As confirmed by our Directors, (i) the rent charged by Zunyi Migao under the Daxing Lease Agreement represents the prevailing market rent for comparable properties in neighbouring areas at which the Daxing Lease Property is located; (ii) the terms of the Daxing Lease Agreement is fair, reasonable and on normal commercial terms to our Group; and (iii) the Daxing Lease Agreement was entered into in the ordinary and usual course of business of our Group.

During the Track Record Period, the repayment of lease liabilities in relation to the Daxing Lease Property for FY2021, FY2022, FY2023 and 8MFY2024 were approximately RMB2.1 million, RMB2.2 million, RMB2.6 million and RMB1.8 million, respectively.

Reasons for and benefits of the Transactions

As our Daxing Production Facility is situated on the Daxing Leased Property since January 2017, having considered (i) the use of the Daxing Lease Property as one of our production sites; (ii) the continuation of leasing Daxing Lease Property for our Daxing Production Facility will prevent the incurrence of any associated costs and occurrence of any unnecessary interruption of business caused by relocation, our Directors (including our independent non-executive Directors) are of the view that the Daxing Lease Agreement is beneficial to our Group as this would minimise the risk of potential disruption to our business operations. As such, the entering into of the Daxing Lease Agreement is fair and reasonable and in the best interest of our Group and our Shareholders as a whole.

Listing Rules Implications

In accordance with HKFRS 16 "Leases", our Group recognised a right-of-use assets on our balance sheet in relation to the fixed term leases in the form of an asset (representing the right to use the underlying assets during the lease term) and a liability (for the obligation to make lease payment). Therefore, the lease of the Daxing Lease Property from Zunyi Migao under the Daxing Lease Agreement is regarded as an acquisition of a capital asset of our Group and a one-off connected transaction entered into by our Group prior to the Listing, rather than a continuing connected transaction, for the purposes of the Listing Rules. Accordingly, the reporting, announcement, annual review, circular and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

CONNECTED TRANSACTIONS

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Transaction	Applicable Listing Rules	Waiver Sought	Proposed annual caps for the year ending 31 March		
			2024	2025	2026
			<i>(RMB'000)</i>		
Beidahuang Framework Sale Agreement	Rule 14A.101 of the Listing Rules	Waiver from strict compliance with the announcement requirement	838,000	879,000	923,000

Non-exempt Continuing Connected Transactions

We set out below a summary of the continuing connected transactions of our Group which are subject to reporting, annual review and announcement requirements, and are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Beidahuang Framework Sale Agreement

Background and Historical Transaction Amount

In order to establish strategic cooperation with Beidahuang Modern Agricultural Services, one of our major customers during the Track Record Period, we have two joint ventures with its subsidiary, namely, Heilongjiang Beidahuang, where our Company is indirectly interested in 77% and 65% of the equity interest in Baoqing Migao and Anda Migao, respectively, and Heilongjiang Beidahuang is interested in 23% and 35% of the equity interest in Baoqing Migao and Anda Migao, respectively. Baoqing Migao and Anda Migao were consolidated and accounted for as our subsidiaries from 31 March 2022.

During the Track Record Period, the sale of our potash fertiliser products by our Group to Beidahuang Modern Agricultural Services and its subsidiaries ("**Beidahuang Group**") amounted to approximately RMB580.1 million, RMB861.0 million, RMB942.1 million and RMB211.2 million for FY2021, FY2022, FY2023 and 8MFY2024, respectively.

For FY2021, FY2022, FY2023 and 8MFY2024, the sales volume of our KCL to Beidahuang Group was approximately 291,799 tonnes, 281,589 tonnes, 212,331 tonnes and 66,942 tonnes, respectively, and the sales volume of our SOP to Beidahuang Group was approximately 39,034 tonnes, 52,492 tonnes, 52,181 tonnes and 11,381 tonnes, respectively.

CONNECTED TRANSACTIONS

Principal Terms and Pricing Policies

On 29 February 2024, our Company and Beidahuang Modern Agricultural Services entered into a framework sale agreement (“**Beidahuang Framework Sale Agreement**”), pursuant to which, our Group will provide supply of our potash fertiliser products to Beidahuang Group. Major terms of such agreement are summarised below:

Term: The Beidahuang Framework Sale Agreement shall commence from the Listing Date to 31 December 2026.

Supply of potash fertiliser products: Our Group agrees to sell our potash fertiliser products to Beidahuang Group.

Pricing: The price at which our Group will sell our potash fertiliser products shall be determined with reference to (i) our historical selling price of similar potash fertiliser products; (ii) our selling price of similar potash fertiliser products to independent third parties other than our Group and Beidahuang Group during the same period; (iii) the domestic market price of similar potash fertiliser products; and (iv) the requirements of the applicable laws and regulations and the Listing Rules (if any).

For the avoidance of doubt, the selling price of our potash fertiliser products shall be fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of our Group, and in the interests of our Group and our Shareholders as a whole.

Payment terms: All payments in relation to the sale of our potash fertiliser products pursuant to the Beidahuang Framework Sale Agreement shall be payable in accordance to terms of the individual contracts entered into for each transaction.

CONNECTED TRANSACTIONS

Termination: The Beidahuang Framework Sale Agreement shall continue to be in force until (i) the expiry of the Beidahuang Framework Sale Agreement; (ii) termination by mutual agreement of the parties in writing; (iii) termination by laws, regulations, or the determination of a competent court or arbitration institution; (iv) the waiver from the Hong Kong Stock Exchange in relation to the continuing connected transactions under the Beidahuang Framework Sale Agreement having been invalidated, withdrawn or revoked; or (v) the Beidahuang Framework Sale Agreement and the continuing connected transactions therein failed to satisfy the requirements under the Listing Rules.

Reasons for the Transactions

We consider that it is beneficial to enter into the Beidahuang Framework Sale Agreement as the transactions contemplated therein have facilitated, and will continue to facilitate, the overall operations and growth of our Group's business. It is also expected that the transactions contemplated under the Beidahuang Framework Sale Agreement will further deepen our collaboration and ensure efficient cooperation between the our Group and Beidahuang Group. A long-term framework sale arrangement with Beidahuang Group ensures a stable demand of our potash fertiliser products, which provides a great level of certainty in our business growth and future strategic and operational planning.

Estimated Annual Caps

Our Directors estimate that the total annual sale amount to Beidahuang Group by our Group under the Beidahuang Framework Sale Agreement will not exceed RMB888.0 million, RMB933.0 million and RMB979.0 million for each of the three years ending 31 March 2024, 2025 and 2026, respectively. In determining such annual caps, our Directors have considered the following factors:

- (a) the average selling price of our KCL and SOP to Beidahuang Group for 8MFY2024. The Sea Import Master Contract Price increased significantly to US\$590 per tonne in February 2022 (which represented the going price for FY2023) due to global supply shortage of KCL and other factors, and subsequently decreased to US\$307 per tonne in June 2023 mainly due to the decrease in uncertainties on the global supply of potash fertiliser. It is not expected there will be a further decrease in the Sea Import Master Contract Price in the near future as the international market price of KCL has been recovering from its low level in June 2023. As the Sea Import Master Contract Price is a key factor for the determination of our purchase price of KCL, we expect the average selling price of our KCL and SOP to remain at a relatively stable level from FY2024 to FY2026 as compared to 8MFY2024;

CONNECTED TRANSACTIONS

- (b) the historical transaction volume of potash fertiliser products sold to Beidahuang Group by our Group during FY2021, FY2022 and FY2023; and
- (c) the expected rate of growth for both of the sales and overall business of Beidahuang Group. We expect the selling price of both KCL and SOP to remain stable for FY2024, FY2025 and FY2026, and the sales volume for both KCL and SOP to have a year-to-year growth rate of 5% for FY2025 and FY2026.

Listing Rule Implications

As at the Latest Practicable Date, Beidahuang Modern Agricultural Services is the immediate holding company of Heilongjiang Beidahuang, which is in turn a substantial shareholder of our subsidiaries, and therefore, Beidahuang Modern Agricultural Services and its subsidiaries are connected persons of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Beidahuang Framework Sale Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As (i) Beidahuang Modern Agricultural Services and its subsidiaries are connected persons of our Company at the subsidiary level; (ii) our Board has approved the Beidahuang Framework Sale Agreement and the transactions contemplated thereunder; and (iii) all the independent non-executive Directors have confirmed that the terms of the Beidahuang Framework Sale Agreement are fair and reasonable, on normal commercial terms or better and in the interests of our Company and the Shareholders as a whole, the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

Reasons for the Waiver Application

Our Directors (including our independent non-executive Directors) are of the view that the Beidahuang Framework Sale Agreement is fundamental to our businesses' development, given that Beidahuang Modern Agricultural Services is one of our major customers during the Track Record Period.

In addition, given that the Beidahuang Framework Sale Agreement was entered into prior to the Listing and are disclosed in this prospectus, and our potential investors will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement requirement in respect thereof immediately after the Listing would be impractical and unduly burdensome, and would add unnecessary administrative cost to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement requirement in respect of the Beidahuang Framework Sale Agreement.

CONNECTED TRANSACTIONS

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions pursuant to the Beidahuang Framework Sale Agreement, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

SOLE SPONSOR'S AND DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described in this section, including but not limited to terms and annual caps thereof, have been entered into and are conducted: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The Sole Sponsor is of the view that all the continuing connected transactions described in this section, including but not limited to terms and annual caps thereof, have been entered into and are conducted: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

The table below sets forth certain information regarding our Directors:

Name	Age	Position/Title	Date of joining our Group	Date of appointment as Director	Principal responsibilities
Directors					
Mr. Liu Guocai (劉國才)	59	Chairperson, chief executive officer and executive Director	June 2003	21 November 2017	Responsible for the overall strategic planning and day-to-day business operation of our Group
Mr. Sun Pingfu (孫平福)	59	Executive Director and research and development director	June 2007	23 March 2022	Responsible for the research & development aspects of our Group
Mr. Dong Benzi (董本梓)	34	Executive Director and internal control director	July 2010	23 March 2022	Responsible for the management of the internal controls of our Group
Mr. Chen Guofu (陳國福)	73	Independent non-executive Director	February 2024	28 February 2024	Responsible for supervising and providing independent judgement to our Board
Ms. Huang Shasha (黃莎莎)	46	Independent non-executive Director	February 2024	28 February 2024	Responsible for supervising and providing independent judgement to our Board
Ms. Qing Meyerson	58	Independent non-executive Director	February 2024	28 February 2024	Responsible for supervising and providing independent judgement to our Board

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors.

The functions and duties of the Board include, but not limited to, convening the general meetings, reporting on the performance of the Board at the general meetings, implementing the resolutions passed on at the general meetings, formulating business plans and investment plans, preparing the annual budget and final accounts, preparing proposals on profit distributions and change of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

We will enter into service contracts with each of our executive Directors and will issue letters of appointment to each of our independent non-executive Directors. Each of the service contracts and letters of appointment with our Directors is for a term of three years commencing from the Listing Date.

Executive Directors

Mr. Liu Guo Cai (劉國才), aged 59, was appointed as our Director on 21 November 2017 and was re-designated as our chairperson, chief executive officer and executive Director on 23 March 2022. Mr. Liu is primarily responsible for the overall strategic planning and day-to-day business operation of our Group and has also been serving as a director of Sichuan Migao since June 2003, a director of EuroChem Migao since February 2014 and a director of HK Migao since October 2005. He has been serving as a director and the chief executive officer of Singapore Migao since April 2010 and August 2014, respectively. From December 2006 to April 2020, he was a director of Changchun Migao. Mr. Liu has over 15 years of experience in the production, trading, research and development of chemical fertilisers and related projects. Prior to founding our Group in 2003, from September 1993 to June 2003, he served as the general manager of Liaoning Chemical Industry Import and Export Corporation of the Shenyang Branch* (遼寧省化學工業進出口公司瀋陽分公司), a company principally engaged in the import and export of chemical products. He obtained a university diploma in industrial and civil architecture from Jiangnan Petroleum Institute (now known as Yangtze University) in July 1987, and a post-graduate diploma in economics from Liaoning University in June 1999. He also obtained a master of business administration at California American University in January 2002. He was certified as a construction engineer by the Personnel Department of Liaoning Province (遼寧省人事廳) of the PRC in August 1992.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu was the chairperson of the board, a director and/or general manager of the following companies prior to their respective deregistration or revocation of business license:

Name of company	Place of incorporation	Position	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
Ningxia Jiashi Huagong Co., Ltd* (寧夏佳石化工有限公司)	PRC	Executive director	Dormant	5 February 2007	Revocation of business license	The Company was inactive with no substantial business operation
Migao Huagong (Jiangsu) Co., Ltd* (米高化工(江蘇)有限公司)	PRC	Chairperson of the board	Dormant	20 October 2008	Revocation of business license	The Company was inactive with no substantial business operation
Meize New Energy (Dandong) Co., Ltd.* (美澤新能源(丹東)有限公司)	PRC	Executive director	Dormant	5 November 2014	Deregistration	Had not commenced any substantial business
Dandong Border Economic Cooperation Zone Hengxin Trading Co., Ltd.* (丹東邊境經濟合作區恒鑫貿易有限公司)	PRC	Executive director	Dormant	9 May 2004	Deregistration	Had not commenced any substantial business
Dandong Border Economic Cooperation Zone Hengyuan Trading Co., Ltd.* (丹東邊境經濟合作區恒源貿易有限公司)	PRC	Executive director	Dormant	5 January 2000	Deregistration	Had not commenced any substantial business
Erlanhaote Fenghua Economic and Trade Co., Ltd.* (二連浩特豐華經貿有限責任公司)	PRC	Executive director and general manager	Dormant	5 July 2017	Deregistration	Had not commenced any substantial business
Migao New Energy (Sichuan) Co., Ltd.* (米高新能源(四川)有限公司)	PRC	Chairperson of the board and general manager	Dormant	4 November 2015	Deregistration	Had not commenced any substantial business
Meize New Energy (Tieling) Co., Ltd.* (美澤新能源(鐵嶺)有限公司)	PRC	Chairperson of the board	Dormant	12 November 2014	Deregistration	Had not commenced any substantial business
Meize New Energy (Tieling) Co., Ltd.* (美澤新能源(成都)有限公司)	PRC	Chairperson of the board	Dormant	3 June 2011	Deregistration	Had not commenced any substantial business
Migao Real Estate (Jiangsu) Co., Ltd.* (米高置業(江蘇)有限公司)	PRC	Chairperson of the board	Dormant	5 March 2007	Deregistration	Had not commenced any substantial business
Migao Century (Beijing) Chemical Trading Co., Ltd.* (米高世紀(北京)化工貿易有限公司)	PRC	Executive director and manager	Dormant	13 July 2018	Deregistration	Had not commenced any substantial business

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Name of company	Place of incorporation	Position	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
Sumit Trading (Foshan) Co., Ltd.* (蘇密特貿易(佛山)有限公司)	PRC	Executive director	Dormant	20 April 2017	Deregistration	Had not commenced any substantial business
Suifenhe Wancheng International Freight Forwarding Co., Ltd.* (綏芬河萬成國際貨運代理有限公司)	PRC	Executive director	Dormant	18 October 2016	Deregistration	Had not commenced any substantial business
Asia Pacific Potash Holdings Private Limited	Singapore	Director	Dormant	10 October 2017	Struck off	Had not commenced any substantial business
International Fertiliser Private Limited	Singapore	Director	Dormant	5 May 2014	Struck off	Had not commenced any substantial business

Mr. Liu confirmed that he has not been involved in any dispute with the above companies' creditors, shareholders and directors in respect of their respective deregistration, that the above companies have been deregistered with no outstanding liability or claim in relation thereto and were solvent at the time of their respective deregistration, that the deregistration of the above companies had not resulted in any liability or obligation being imposed against him, that his involvement in the above companies was in relation to his appointment as director and/or various positions of each entity, that no misconduct or misfeasance on his part had been involved in the deregistration and that each of the above companies was not a company held by our Group prior to its deregistration or revocation of business license.

Mr. Sun Pingfu (孫平福), aged 59, was appointed as our executive Director on 23 March 2022. Mr. Sun has been serving as the research and development director of our Group since December 2014 and is primarily responsible for supervising domestic and international research collaborations and leading technological development efforts. He served as the head of the technology research and development department of Sichuan Migao from September 2007 to December 2015. He has also been serving as the general manager of Sichuan Migao since January 2016, a director of EuroChem Migao since February 2014 and a director of Migao Century (Chengdu) since August 2022. Mr. Sun has over 30 years of experience in technology development, production management and project management in the chemical industry. Prior to joining our Group, from July 1984 to March 2007, he worked as a research analyst at the Luoyang Economic and Technological Research Centre* (洛陽市經濟技術研究中心), and has worked at chemical plants such as Sichuan General Chemical Plant* (四川化工總廠) and other companies principally engaged in the production of fertiliser products, including Chuanhua Weizhisu Co., Ltd.* (川化味之素有限公司) and Mianyang Vanetta Chemical Industrial Co., Ltd.* (綿陽歲尼達化工有限公司). He graduated from the University of Science and Technology of Chengdu (now known as Sichuan University) with an undergraduate degree in chemical engineering in July 1984. Mr. Sun obtained his chemical engineer qualification from the Personnel Department of Sichuan Province in January 1993.

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Mr. Dong Benzi (董本梓), aged 34, was appointed as our executive Director on 23 March 2022. Mr. Dong has been serving as the internal control director of our Group since January 2019 and is primarily responsible for the management of the internal controls of our Group. He joined our group in July 2010, where he served as an accountant and internal control officer of Sichuan Migao. From May 2013 to September 2016, he served as the head of finance and internal control director at Zunyi Migao. Mr. Dong has been serving as the head of finance at Daxing Migao and internal control director at our Company since October 2016 and January 2019, respectively. He obtained a diploma in accounting from Xihua University in June 2011.

Independent Non-executive Directors

Mr. Chen Guofu (陳國福), aged 73, was appointed as our independent non-executive Director on 28 February 2024 and is primarily responsible for supervising and providing independent judgement to our Board. Mr. Chen has over 40 years of experience in chemical industry. From November 1984 to September 1999, Mr. Chen served at several government departments and SOEs, including as the deputy director of the secretariat, the director of the general office of the Ministry of Chemical Industry of the PRC* (中華人民共和國化學工業部), now known as the State Bureau of Petroleum and Chemical Industry of the PRC* (中華人民共和國國家石油和化學工業局), the deputy secretary of the Committee of the Communist Party of China (the “**CPC Committee**”) of China Chemical Engineering Corporation* (中國化學工程總公司), now known as China National Chemical Engineering Group Corporation Ltd.* (中國化學工程集團有限公司) and the deputy head of the Haixi Mongol Tibetan Autonomous Prefecture of Qinghai Province* (青海省海西蒙古族藏族自治州). From September 1999 to December 2009, he also served as the deputy secretary of the CPC Committee and the deputy general manager of the Sinopec Group Material Equipment Co., Ltd.* (中國石化集團物資裝備公司). Mr. Chen has been working in the China Inorganic Salts Industry Association* (中國無機鹽工業協會) (“**CISIA**”) since August 2013. He was the vice president (協會駐會副會長) of the fourth council of CISIA’s sub-council of Potassium Industry* (鉀鹽鉀肥行業分會) from September 2015 and was the vice president (協會副會長) and secretary general from July 2017 and was re-elected as the honorary president of CISIA in December 2021. Mr. Chen obtained a bachelor of engineering from the East China Institute of Chemical Engineering* (華東化工學院), now known as East China University of Science and Technology (華東理工大學) in January 1977. He is qualified as a senior engineer in December 1995 by the then Ministry of Chemical Industry of the PRC* (中華人民共和國化學工業部).

Mr. Chen served as an independent director of Ji Yao Holding Group Co., Ltd.* (吉藥控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300108), from August 2017 to June 2022. He has also been serving as an independent director of Kingenta Ecological Engineering Group Co., Ltd. (金正大生態工程集團股份有限公司) (“**Kingenta**”), a company listed on the Shenzhen Stock Exchange (stock code: 002470) since February 2020. In June 2020, a disclaimer of opinion was issued in relation to the 2019 financial report of Kingenta due to certain unresolved accounting issues, which constituted a breach of rules 1.4 and 3.1.5 of the listing rules of the Shenzhen Stock Exchange by the directors, supervisor and senior management of Kingenta. Eventually in January 2022, administrative penalties in the form of fine were imposed by the CSRC on Kingenta and certain of its directors and senior management, which did not include Mr. Chen, for the breach of

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applicable securities laws in the PRC as a result of misstatements in certain financial figures in its 2015, 2016, 2017, 2018 and 2019 annual reports and 2018 and 2019 interim reports. Mr. Chen confirmed that there was no wrongful act on his part leading to abovementioned breaches of the listing rules and securities laws, and no penalty was imposed on him in relation to such breaches.

Notwithstanding Kingenta had a historical non-compliance as disclosed above, our Directors are of the view, and the Sole Sponsor concurs that, such non-compliance does not affect the character, experience and integrity of Mr. Chen to act as a director of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules after taking into account the following:

- (a) the non-compliance incident of Kingenta as disclosed above was not related to Mr. Chen's field of expertise. The 2019 annual report of Kingenta stated that Mr. Chen and other independent directors were unable to guarantee the truthfulness, accuracy and completeness of the 2019 annual report because Kingenta's performance materially deteriorated, material deficiencies existed in the internal control system, qualified matters from 2018 audit report remained unresolved and a disclaimer of opinion was issued by the auditor for the 2019 financial report;
- (b) Mr. Chen was only appointed as an independent director of Kingenta after the issue which led to the disclaimer of opinion for the 2019 financial report arose. He did not involve in the issue leading to the abovementioned breaches of applicable listing rules and securities laws, nor any executive functions of Kingenta at the relevant time;
- (c) Mr. Chen has not been disqualified, nor suspended from acting as a director of public companies in the PRC, and he remained as an independent director in two companies listed on the Shenzhen Stock Exchange (including Kingenta) as of the Latest Practicable Date; and
- (d) Mr. Chen has over 40 years of experience in the chemical industry. The appointment of Mr. Chen as one of our independent non-executive Directors enables Mr. Chen to offer his distinctive industry insight to our Group in relation to our strategic development. As such, his appointment is beneficial to the long-term development of our Group.

Mr. Chen was the chairperson of the board and the legal representative of the following company prior to its deregistration:

Name of Company	Place of incorporation	Position	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
Zhongshihua Wuliu Zhunagbei Guijinshu Co., Ltd* (中石化物資裝備貴金屬有限公司)	PRC	Chairperson of the board and legal representative	Dormant	20 August 2009	Deregistration	Cessation of business

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Ms. Huang Shasha (黃莎莎), aged 46, was appointed as our independent non-executive Director on 28 February 2024 and is primarily responsible for supervising and providing independent judgement to our Board. Ms. Huang has substantial experience in equity investments and capital markets. From November 2009 to October 2018, Ms. Huang was employed by ICBC International Holdings Limited and her last position was executive director in the equity capital markets department of the corporate finance and capital market services division. Since November 2018, Ms. Huang has been serving as the managing director of the investments bank department of Mirae Asset Securities. Ms. Huang obtained a bachelor of business administration at the Noordelijke Hogeschool Leeuwarden in the Netherlands in January 2003, a master of environmental business administration MBA at the University of Twente in the Netherlands in June 2004, and a master of business administration at the University of Oxford in June 2009.

Ms. Huang was a director and/or general manager of the following company prior to its dissolution:

Name of the company	Place of incorporation	Position	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
Salience & Fortune International Limited (世楓國際有限公司)	Hong Kong	Director	Dormant	21 August 2015	Dissolved by deregistration pursuant to s.750 of the Companies Ordinance	Had not commenced any substantial operation

Ms. Huang confirmed that she has not been involved in any dispute with the above company's creditors, shareholders and directors in respect of the deregistration, that the above company has been deregistered with no outstanding liability or claim in relation thereto and was solvent at the time of deregistration, that the deregistration of the company had not resulted in any liability or obligation being imposed against her, that her involvement in the above company was in relation to her appointment as a director of the entity and that no misconduct or misfeasance on her part had been involved in the deregistration.

Ms. Qing Meyerson, aged 58, was appointed as our independent non-executive Director on 28 February 2024 and is primarily responsible for supervising and providing independent judgment to our Board. Ms. Meyerson has over 25 years of experience in strategic planning, financial reporting and operation management in various industries, including public accounting, pharmaceutical and automotive industries. From September 1999 to September 2008 and from October 2008 to May 2011, Ms. Meyerson was employed by KPMG LLP in the U.S. and KPMG Huazhen in the PRC, respectively, and her last position was senior manager in the audit department. Ms. Meyerson then joined General Motors Company ("GM") with her last position being the president and chief financial officer of FAW-GM, a joint venture between GM and First Automobile Works, from June 2011 to June 2017. From June 2017 to April 2020, Ms. Meyerson was the head of finance and administration of the PRC and Hong Kong arms of Bristol-Myers Squibb, a multinational pharmaceutical company and she was the

DIRECTORS AND SENIOR MANAGEMENT

global finance leader of Bristol-Myers Squibb – Celgene acquisition integration team from April 2020 to August 2021. From December 2022 to January 2024, Ms. Meyerson served as the chief financial officer of Hasten Biopharmaceutical Co., Ltd., a biopharmaceutical start-up in the PRC. Since February 2024, Ms. Meyerson has been serving as an independent non-executive director of The Planting Hope Company Inc., a foodtech innovation company listed on TSX Venture Exchange (stock code: MYLK) and the OTCQB Venture Market (stock code: MYLKF). Ms. Meyerson obtained a bachelor of science in accounting at Monmouth University in the U.S. in January 1999. Ms. Meyerson has been a certified public accountant of the New Jersey State Board of Accountancy since March 2001, and a member of the American Institute of Certified Public Accountants since December 2002.

Save as disclosed above, each of our Directors has confirmed that he or she has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus and that there is no other information in respect of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention to our Shareholders.

SENIOR MANAGEMENT

The table below sets forth certain information regarding our senior management:

Name	Age	Position/Title	Date of joining our Group	Principal responsibilities
Ms. Liu Yaqin (劉雅琴)	69	Chief financial officer	June 2004	Responsible for the overall financial and capital management of the Group
Mr. Fu Yangmei (付揚美)	59	Sales Director	June 2004	Responsible for the domestic sales of the potash products of our Group
Mr. Liu Xuebin (劉學彬)	50	Head of Production (Northern Region of China)	January 2006	Responsible for the overall production management in the Northern region of China

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Name	Age	Position/Title	Date of joining our Group	Principal responsibilities
Mr. Shi Wenguo (石聞國)	53	Head of Production (Southern Region of China)	January 2016	Responsible for the overall production management in the Southern region of China

Ms. Liu Yaqin (劉雅琴), aged 69, is the chief financial officer of our Group and is primarily responsible for the overall financial and capital management of our Group. Ms. Liu is also responsible for the financial reporting, internal audit and internal control management of the Group. She has been serving as a director of Changchun Migao since October 2015, supervisor of Anda Migao since May 2018 and supervisor of Baoqing Migao since May 2018. She joined our Group in June 2004 and participated in the establishment and development of Guangdong Migao and Changchun Migao. She has been serving as a deputy general manager and the head of finance of Guangdong Migao since June 2004. She has also been serving as a deputy general manager and the head of finance of Changchun Migao since April 2007. Ms. Liu has over 35 years of experience in accounting and financial management. Prior to joining our Group, Ms. Liu was the head of accounting of Liaoning Yongcheng Economy & Trade Development Co., Ltd.* (遼寧永成經貿發展有限公司), a company principally engaged in the import and export of chemicals and fertilisers, from June 2000 to May 2004. She also obtained an assistant accountant qualification certificate issued by the Liaoning Province of the Department of Finance and the Office of Personnel in April 1988.

Mr. Fu Yangmei (付揚美), aged 59, is the sales director of our Group and is primarily responsible for the domestic sales of the potash products of our Group. Mr. Fu is a director of Daxing Migao since October 2015. Mr. Fu joined our Group in June 2004 where he served as a deputy general manager of the sales department of Sichuan Migao. He has been serving as a vice chairperson of the board at Daxing Migao since October 2015. From June 2010 to October 2021, he served as the general manager of Zunyi Migao. From August 2018 to June 2020, he served as a director of Yunnan EuroChem, where he was responsible for the product sales. Mr. Fu has over 11 years of experience in the fertiliser industry. Prior to joining our Group, Mr. Fu served various positions including manager of the sales department of Guizhou Zunyi Soda Plant Zhucheng Chemical Factory* (貴州省遵義鹼廠築城化工廠), a factory engaged in the production of chemical products, from September 1983 to December 2003. Mr. Fu obtained a diploma in administration management from Guizhou University in June 2000.

Mr. Liu Xuebin (劉學彬), aged 50, is the head of production (Northern region of China) of our Group and is responsible for the overall production management in the Northern region of China. Mr. Liu joined our Group in January 2006 as the head of production of Guangdong Migao and was the head of production of Changchun Migao from December 2007 to April 2008. He also has been serving as the general manager of Changchun Migao since November

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2013. Mr. Liu has over 20 years of experience in the production, operation and project management of chemical fertilisers. Prior to joining our Group, he was a production workshop leader of Heilongjiang Qihua Chlor-alkali Plant* (黑龍江省齊化氯鹼廠) from August 1991 to July 2000, and a production workshop leader of Heilongjiang Qihua Potassium Sulphate Plant* (黑龍江省齊化硫酸鉀廠) from July 2000 to June 2006 where he participated in the construction of potassium sulphate plant and equipment installation, and was responsible for formulating the operational plan and procedures of potassium sulphate production. Mr. Liu obtained an instrument professional diploma (儀表專業文憑) in chemical instrument from Heilongjiang Qiqihar Labour Bureau Technical School* (黑龍江齊齊哈爾勞動局技校) in July 1992 and a professional diploma in chemical technology from Heilongjiang Qiqihar Television Broadcasting University* (黑龍江齊齊哈爾電視廣播大學) in August 1992.

Mr. Shi Wenguo (石聞國), aged 53, is the head of production (Southern region of China) of our Group and is responsible for the overall production management in the Southern region of China. Mr. Shi has over 19 years of experience in the production of fertiliser products. From September 1993 to December 2015, he served various position at Luliang Longhai Chemical Co., Ltd.* (陸良龍海化工有限責任公司) (“**Longhai Chemical**”), a company principally engaged in production and sale of fertiliser products, such as the plant manager of a nitrogen fertiliser plant, deputy general manager, general manager and deputy chief of the relocation and construction department. Mr. Shi joined our Group in January 2016 and was seconded to Yunnan EuroChem where he served as the chief engineer and later as the deputy manager of the manufacture department. Since July 2018, he was promoted to and has been working as the general manager in Yunnan EuroChem. Mr. Shi obtained a diploma in mechanical and electrical engineering from Yunnan Radio and Television University* (雲南廣播電視大學) (now known as Yunnan Open University (雲南開放大學)) in July 1993. He also obtained an engineer qualification from the Personnel Department of Qujing city in July 2004.

Each of our senior management members has confirmed that he/she has not held any directorships in any listed companies in the three years immediately prior to the date of this prospectus.

COMPANY SECRETARY

Ms. Fung Wai Sum (馮慧森) was appointed as our company secretary on 23 March 2022. She is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. She has over 15 years of experience in the corporate secretarial field in providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Fung is currently the company secretary of listed companies on the Hong Kong Stock Exchange, namely, FriendTimes Inc. 友誼時光股份有限公司 (stock code: 6820), Tongdao Liepin Group 同道獵聘集團 (stock code: 6100), Greenland Hong Kong Holdings Limited 綠地香港控股有限公司 (stock code: 337), ClouDr Group Limited 智雲健康科技集團 (stock code: 9955) and China ZhengTong Auto Services Holdings Limited 中國正通汽車服務控股有限公司 (stock code: 1728), and the joint company secretary of listed companies on the Hong

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Kong Stock Exchange, namely, Shenzhen Neptunus Interlong Bio-technique Company Limited 深圳市海王英特龍生物技術股份有限公司 (stock code: 8329), YSB Inc. 藥師幫股份有限公司 (stock code: 9885) and Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. 四川科倫博泰生物醫藥股份有限公司 (stock code 6990).

Ms. Fung is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Ms. Fung obtained her master's degree in professional accounting and corporate governance from City University of Hong Kong in November 2008.

OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

Except as disclosed in this prospectus, each of our Directors has confirmed that there are no other matters relating to his appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Except as disclosed in this prospectus, none of our Directors and senior management hold any other positions within our Group.

None of our Directors and senior management is related to other Directors and senior management.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in March 2022 or February 2024 (as applicable), and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

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BOARD COMMITTEE

We have established the following committees in our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board.

Audit Committee

We have established an audit committee of our Company with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the audit committee are to review and approve our Group's financial reporting process and internal control and risk management system.

The audit committee consists of three members, namely Ms. Qing Meyerson, Mr. Chen Guofu (陳國福) and Ms. Huang Shasha (黃莎莎), all of whom are independent non-executive Directors. The chairperson of the audit committee is Ms. Qing Meyerson.

Remuneration Committee

We have established a remuneration committee of our Company with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of our Group.

The remuneration committee consists of three members, namely Ms. Huang Shasha (黃莎莎), Mr. Chen Guofu (陳國福) and Mr. Dong Benzi (董本梓), two of whom are independent non-executive Directors. The chairperson of the remuneration committee is Ms. Huang Shasha (黃莎莎).

Nomination Committee

We have established a nomination committee of our Company with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board on appointment of Directors and the management of the Board succession.

The nomination committee consists of three members, namely Mr. Liu, Mr. Chen Guofu (陳國福) and Ms. Huang Shasha (黃莎莎), two of whom are independent non-executive Directors. The chairperson of the nomination committee is Mr. Liu.

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BOARD DIVERSITY POLICY

Our Board has adopted a diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining our Company's competitive advantage. We seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. We will also take into consideration our business needs and our Board's succession planning from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

After the Listing, the nomination committee of our Company will review the board diversity policy on an annual basis to ensure its continued effectiveness and we will disclose in our corporate governance report details of the implementation of the board diversity policy on annual basis.

CORPORATE GOVERNANCE CODE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Pursuant to Code Provision C.2.1 of the Corporate Governance Code set out in Appendix C1 of the Listing Rules, the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairperson and chief executive officer as Mr. Liu currently performs these two roles. Our Board believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively given that (i) decisions to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises three independent non-executive Directors out of six Directors and we believe there is sufficient check and balance on our Board; (ii) Mr. Liu and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and will make decisions of our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of our Group. Our Board will continue to review and consider splitting the roles of chairperson of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, our Company expects to comply with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors and members of the senior management receive, in their capacity as our employees, compensation in the form of salaries, bonuses, and other employee benefits.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid by our Group to our Directors for FY2021, FY2022, FY2023 and 8MFY2024 were, RMB2.6 million, RMB5.0 million, RMB5.1 million and RMB3.9 million, respectively.

The aggregate amount of remuneration (including salaries, bonus, pension costs-defined contribution plan and other social security costs, housing benefits and other employee benefits) which were paid by our Group to our five highest paid individuals (excluding the remuneration paid to our Directors as disclosed above) for FY2021, FY2022, FY2023 and 8MFY2024 were RMB0.7 million, RMB0.5 million, RMB1.9 million and RMB2.0 million, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period. No Director has waived or has agreed to waive any emoluments during the same period.

Under the arrangements currently in force, the aggregate remuneration (excluding discretionary bonuses) payable to and the benefits in kind receivable by our Directors for FY2024 is estimated to be approximately RMB5.0 million.

COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Soochow Securities International Capital Limited as our compliance adviser. The compliance adviser will advise us on the following matters pursuant to Rule 3A.23 of the Listing Rules:

- i. before the publication of any regulatory announcement, circular or financial report;
- ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including Share issues and Share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- iii. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- iv. where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our securities, or any other matters.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute the annual report of our financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

(A) INTEREST IN THE SHARES OF OUR COMPANY

Name of substantial Shareholder	Nature of interest	Share held as at the Latest Practicable Date		Shares held immediately following the completion of the Global Offering	
		Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company ⁽²⁾
Mr. Liu ⁽³⁾	Interest in controlled corporation	1,000,000 (L)	100%	675,000,000 (L)	75%
Migao Barbados ⁽³⁾	Interest in controlled corporation	1,000,000 (L)	100%	675,000,000 (L)	75%
Migao BVI ⁽³⁾	Beneficial owner	1,000,000 (L)	100%	675,000,000 (L)	75%

Notes:

- (1) The letter "L" denotes long position in the Shares.
- (2) The calculation is based on the total number of 900,000,000 Shares in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option).
- (3) As all the issued shares of Migao BVI are held by Migao Barbados which in turn is held by Mr. Liu, each of Mr. Liu and Migao Barbados is deemed to be interested in the Shares held by Migao BVI by virtue of the SFO.

(B) SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBER OF OUR GROUP

Name of substantial shareholder	Name of member of our Group	Nature of interest	Approximate percentage of interest held by the substantial shareholders
Guizhou Tobacco Investment	Daxing Migao	Beneficial owner	49%
Heilongjiang Beidahuang	Anda Migao	Beneficial owner	35%
Heilongjiang Beidahuang	Baoqing Migao	Beneficial owner	23%

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any persons who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of our authorised and share capital in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised):

	<i>Number of Shares</i>	<i>US\$</i>
<i>Authorised share capital:</i>		
Shares	10,000,000,000	100,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
Shares in issue as of the date of this prospectus	1,000,000	10,000
Shares to be issued pursuant to the Capitalisation Issue	674,000,000	6,740,000
Shares to be issued pursuant to the Global Offering	<u>225,000,000</u>	<u>2,250,000</u>
Total	<u>900,000,000</u>	<u>9,000,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalisation Issue and the Global Offering. The above does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares that may be issued pursuant to the Over-allotment Option will rank pari passu with all Shares currently in issue or to be issued, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its unissued shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or share capital redemption reserve by its shareholders passing a special resolution. For details, see “Appendix III – Summary of Our Constitution and the Cayman Companies Act – 2. Articles of Association – 2.1 Shares – (c) Alteration of Capital”.

Pursuant to the Cayman Companies Act and the terms of the Memorandum and the Articles, all or any of the special rights attached to the shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of special resolution passed at a separate general meeting of the holders of the shares of that class. For details, see “Appendix III – Summary of our Constitution and the Cayman Companies Act – 2. Articles of Association – 2.1 Shares – (b) Variation of rights of existing shares or classes of shares”.

Further, our Company will also hold general meetings from time to time as may be required under the Articles, a summary of which is set out in the section headed “Appendix III – Summary of our Constitution and the Cayman Companies Act” to this prospectus.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandates to issue and repurchase our Shares.

For further details of the general mandates, please refer to the section headed “Appendix IV – Statutory and General Information – A. Further Information about Our Group – 3. Resolutions in Writing of Our Shareholder” to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements, including the notes thereto included in the Accountants' Report set out in Appendix I to this prospectus. The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”), which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ from those anticipated in these forward-looking statements as a result of any of these factors, including those set out in “Forward-looking Statements” and “Risk Factors” in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to FY2021, FY2022 and FY2023 refer to our financial years ended 31 March 2021, 2022 and 2023, respectively; references to 8MFY2022, 8MFY2023 and 8MFY2024 refer to the first eight months of our financial years ended 30 November 2021, 2022 and 2023, and references to 2021, 2022 and 2023 refer to the calendar years ended 31 December of such years.

OVERVIEW

We are a national potash fertiliser company in China with sourcing and procurement and processing and manufacturing capabilities selling various potash fertiliser products. During the Track Record Period, we provided various potash fertiliser products, including KCL, SOP, NOP and compound fertilisers. We ranked the third among potash fertiliser companies in China in terms of sales volume of potash fertilisers in 2022, and we ranked the second among fertiliser companies without its own potash mineral resources (non reserve-based potash fertiliser companies) in China by the same measure. We accounted for approximately 7.1% of the total sales volume of potash fertilisers in China for the same year. In terms of sales revenue of KCL, SOP and NOP in 2022, we ranked the third, the fourth and the fifth, respectively, among potash fertiliser companies in China, and accounted for approximately 7.0%, 4.0% and 0.3% of the total sales revenue of KCL, SOP and NOP, respectively, in China for the same year.

For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our revenue amounted to RMB2,081.6 million, RMB3,841.4 million, RMB4,722.7 million, RMB2,727.2 million and RMB2,283.7 million, respectively, and our gross profit amounted to RMB250.7 million, RMB633.4 million, RMB767.5 million, RMB460.7 million and RMB329.6 million, respectively.

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From FY2021 to FY2023, we achieved significant growth in our revenue. However, the level of growth from FY2021 to FY2023 was not indicative of our historical financial performance. For example, for FY2020, we recorded a significantly lower gross profit and profit for the year than FY2021, FY2022 and FY2023. We cannot assure you that we can continue to record the same level of growth or will not record net loss in the future. Please refer to the section headed “Risk Factors – Risks Relating to Our Business – We have historically recorded lower gross profit and net profit prior to the Track Record Period” for further information.

BASIS OF PREPARATION

The business of our Group commenced in 2003 when our founder established Sichuan Migao, our first PRC operating subsidiary. For the purpose of the Listing of our Shares on the Main Board of the Hong Kong Stock Exchange, our Group underwent certain Reorganisation steps, including incorporating our Company in the Cayman Islands on 21 November 2017 as an exempted company with limited liability. For further details of our Reorganisation, please refer to the section headed “History, Reorganisation and Corporate Structure – The Reorganisation” in this prospectus and Note 2 to the Accountants’ Report in Appendix I to this prospectus.

Upon completion of the Reorganisation, our Company has become the holding company of the companies now comprising our Group. Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity; accordingly, the historical financial information of our Group has been prepared as if our Company has always been the holding company of our Group.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial position and results of operations have been, or are expected to be in the future, significantly affected by a number of factors, many of which may be beyond our control. A discussion of certain of these key factors is set out below.

Price of Major Raw Material

KCL is our major raw material. Among our cost of goods sold, the cost of direct materials constituted approximately 95.9%, 97.9%, 97.5%, 97.2% and 96.4% of our total cost of goods sold, for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively. Among all direct materials, the purchase costs of KCL accounted for approximately 77.7%, 86.6%, 90.4%, 90.3% and 92.2% of our total purchase of all direct materials for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively. Therefore, our costs of KCL affect our gross profit margin.

The costs of KCL we purchased are subject to market conditions and import price fluctuations. The sea import master contract price (“**Sea Import Master Contract Price**”) is negotiated by a consortium of PRC state-owned enterprises with overseas KCL producers and suppliers usually each year in an annual master contract which specifies the price term. Our

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purchase price of KCL is generally determined with reference to the Sea Import Master Contract Price and/or the Land Import Price depending on the mode of purchase. Our purchase price of KCL from domestic suppliers is commercially negotiated between us and domestic KCL suppliers. Such price under normal circumstances is generally higher than the price with overseas suppliers. The Sea Import Master Contract Price increased from US\$220 per tonne in April 2020 to US\$247 per tonne in February 2021, and further increased significantly to US\$590 per tonne in February 2022, and subsequently decreased to US\$307 per tonne in June 2023. The increase in 2022 was largely due to the supply shortage brought about by various factors, including the international sanctions targeting the Belarus Producer since mid-2021, the Russia-Ukraine conflict starting in February 2022 and the resulting sweeping sanctions imposed against Russia by the Western countries, the repeated COVID-19 outbreaks, the supply chain interruptions and the rising costs in logistics and transportation. Our historical operations and margins have been and will continue to be affected by price fluctuations of KCL. Please refer to the section headed “Risk Factors – Risk relating to our Business – We are exposed to global KCL supply uncertainty, as well as challenges in logistics and delivery; if we fail to effectively deal with these issues, our business and financial conditions could be adversely affected” of this prospectus for further information.

For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our unit cost of goods sold of KCL was RMB1,546.0 per tonne, RMB2,438.9 per tonne, RMB3,126.2 per tonne, RMB3,394.1 per tonne and RMB2,248.4 per tonne, respectively. Assuming all other variables remain constant, the following sensitivity analysis illustrates the impact of hypothetical fluctuations in the unit cost of goods sold of our KCL per tonne on our profit before tax for the years/periods indicated. Based on the historical fluctuation of the unit cost of goods sold of our KCL and the Sea Import Master Contract Price during the Track Record Period up to the Latest Practicable Date, fluctuations are assumed to be 10%, 20% and 100% for the relevant indicated years/periods:

	For the year ended 31 March			For the eight months ended 30 November	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>				
Change in profit before tax if unit					
cost of goods sold of KCL	(112,147)/	(270,493)/	(333,555)/	(196,238)/	(168,612)/
increases/ (decreases) by 10% . . .	112,147	270,493	333,555	196,238	168,612
Change in profit before tax if unit					
cost of goods sold of KCL	(224,294)/	(540,986)/	(667,109)/	(392,475)/	(337,224)/
increases/ (decreases) by 20% . . .	224,294	540,986	667,109	392,475	337,224
Change in profit before tax if unit					
cost goods sold of KCL increases/	(1,121,468)/	(2,704,932)/	(3,335,547)/	(1,962,376)/	(1,686,118)/
(decreases) by 100%	1,121,468	2,704,932	3,335,547	1,962,376	1,686,118

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Our Directors believe our purchase prices of KCL and thus our unit cost of goods sold of KCL will continue to fluctuate and we do not hedge our exposure to the fluctuation in the Sea Import Master Contract Price. In the event that the purchase price of KCL continues to rise due to external factors, which are out of our control and if we are not able to pass on the cost increase to our customers, our profits and financial performance could be materially and adversely affected.

Price of Products

Our major products are KCL and SOP. During FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, KCL accounted for approximately 60.1% to 87.2% of our total revenue, whereas SOP accounted for approximately 7.8% to 25.1% of our total revenue. According to the Pricing Law of the PRC, the price of most of commodities and services (including fertiliser products) is subject to market conditions and decided by market participants. As a result, any changes in the domestic market price of imported KCL and SOP, and to a less extent, the domestic market price of our other products, will affect our revenue and financial performance. For example, the average selling price of our KCL increased significantly by approximately 66.3% in FY2022 comparing to FY2021, which contributed to the significant increase in our total gross profit by RMB382.7 million, or approximately 152.6%, from RMB250.7 million for FY2021 to RMB633.4 million for FY2022, as well as the increase in our gross profit margin from approximately 12.0% for FY2021 to approximately 16.5% for FY2022.

The domestic market price of imported KCL in China increased from RMB1,785.7 per tonne in FY2021 to RMB3,339.4 per tonne in FY2022 and further to RMB3,914.9 per tonne in FY2023; whereas the domestic market price of SOP in China increased from RMB2,399.5 per tonne in FY2021 to RMB3,653.7 per tonne in FY2022 and further to RMB4,141.9 per tonne in FY2023. The domestic market price of imported KCL in China decreased to RMB2,523.8 per tonne in 8MFY2024; whereas the domestic market price of SOP in China decreased to RMB3,062.8 per tonne in the same period.

The following table sets forth the average selling prices per tonne of our products for the years/periods indicated:

	For the year ended 31 March			For the eight months ended 30 November	
	2021	2022	2023	2022	2023
	<i>RMB per tonne</i>				
Average selling price⁽¹⁾					
KCL	1,723.9	2,867.7	3,771.6	4,112.8	2,598.2
SOP	2,328.4	3,281.5	3,850.3	4,030.4	3,065.8
NOP	3,726.6	4,006.1	6,097.7	5,691.4	6,043.7
Compound Fertilisers	2,364.5	2,275.7	2,501.8	2,701.8	2,397.2
By-Products and Others ⁽²⁾	310.7	430.5	674.6	848.8	423.1

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Notes:

- (1) Value added tax is excluded.
- (2) Our other products include floating seed (漂盤), which we sold to our tobacco company customers by pieces (and not weight) since FY2021. Thus, we excluded the revenue contributed by the sales of floating seed and the sales volume of floating seed from the average selling price calculation of by-products and other products sold by us.

Since the fourth quarter of 2021, we adopted a new business arrangement with Guizhou Tobacco Investment (one of our overlapping customers and suppliers) with respect to certain compound fertiliser. Under the new arrangement, Guizhou Tobacco Investment provides the principal raw materials to us for manufacturing into such compound fertiliser; in return, we charge them production fees, as opposed to the old arrangement under which we sourced raw materials according to Guizhou Tobacco Investment's requirements, manufactured the raw materials into compound fertiliser and then sold the products to Guizhou Tobacco Investment. In FY2022, FY2023, 8MFY2023 and 8MFY2024, the average production fee for compound fertiliser under this new business arrangement was RMB454.4 per tonne, RMB519.5 per tonne, RMB512.6 per tonne and RMB395.2 per tonne, respectively.

The average selling prices of our KCL and SOP as set out in the table above during the Track Record Period generally correlated the fluctuations of the domestic market price. The average selling price of our KCL and SOP were below domestic market price of imported KCL and SOP in the PRC during FY2021, FY2022 and FY2023 primarily due to the competitive pricing we offered to our key customers such as large agricultural reclamation companies and agribusiness companies for their relatively large sales orders during the same years, so as to develop and maintain a strategic cooperation network with these key customers.

As our compound fertiliser is a multi-component providing phosphorus and potassium, the changes in average selling price of our compound fertiliser for each of the financial years/periods during the Track Record Period can generally be attributed to the differences in types of our compound fertiliser sold for the relevant years/periods. For example, the increase in average selling price of our compound fertiliser from RMB2,275.7 per tonne for FY2022 to RMB2,501.8 per tonne for FY2023 was primarily due to the increasing trend in the sales volume of certain types of our compound fertiliser with higher selling price for the relevant years.

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Assuming all other variables remain constant, the following sensitivity analysis illustrates the impact of hypothetical fluctuations in the average selling price of our KCL and SOP on our profit before tax for the years/periods indicated. Based on the historical fluctuation of our average selling price and the domestic market price of imported KCL and SOP during the Track Record Period and up to Latest Practicable Date, fluctuations are assumed to be 10%, 20% and 60% during the relevant years/periods:

	For the year ended 31 March			For the eight months ended 30 November	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>				
Change in profit before tax if average selling price of KCL	125,049/	318,057/	402,409/	237,789/	194,841/
increases/(decreases) by 10%	(125,049)	(318,057)	(402,409)	(237,789)	(194,841)
Change in profit before tax if average selling price of KCL	250,098/	636,115/	804,818/	475,578/	389,682/
increases/(decreases) by 20%	(250,098)	(636,115)	(804,818)	(475,578)	(389,682)
Change in profit before tax if average selling price of KCL	750,293/	1,908,345/	2,414,453/	1,426,735/	1,169,047/
increases/(decreases) by 60%	(750,293)	(1,908,345)	(2,414,453)	(1,426,735)	(1,169,047)
Change in profit before tax if average selling price of SOP	52,204/	53,357/	47,606/	21,376/	25,039/
increases/(decreases) by 10%	(52,204)	(53,357)	(47,606)	(21,376)	(25,039)
Change in profit before tax if average selling price of SOP	104,408/	106,714/	95,212/	42,752/	50,077/
increases/(decreases) by 20%	(104,408)	(106,714)	(95,212)	(42,752)	(50,077)
Change in profit before tax if average selling price of SOP	313,223/	320,141/	285,635/	128,255/	150,232/
increases/(decreases) by 60%	(313,223)	(320,141)	(285,635)	(128,255)	(150,232)

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Product Mix

During the Track Record Period, we sold KCL, SOP, NOP, compound fertiliser, and by-products and other products which mainly consist of HCL and fertiliser additive. The sales of KCL contributed the largest portion of our revenue, accounting for approximately 60.1%, 82.8%, 85.2%, 87.2% and 85.3% of our total revenue for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively. The second largest portion of our revenue has been derived from the sales of SOP, which accounted for approximately 25.1%, 13.9%, 10.1%, 7.8% and 11.0% of our total revenue for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively.

The following table sets forth the sales volume of our products in absolute amount and as a percentage of our total sales volume for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November				
	2021		2022		2023		2022		2023		
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	
Sales volume											
KCL.	725,405	58.1	1,109,099	74.5	1,066,950	73.9	578,170	74.3	749,913	74.1	
SOP.	224,201	18.0	162,599	10.9	123,642	8.6	53,036	6.8	81,670	8.1	
NOP.	13,167	1.1	2,230	0.1	2,520	0.2	2,177	0.3	388	0.0	
Compound Fertilisers											
– By sales	81,892	6.6	10,982	0.7	19,085	1.3	3,632	0.5	3,489	0.3	
– By provision of production services ⁽¹⁾	–	–	45,787	3.1	57,826	4.0	19,459	2.5	13,724	1.4	
By-Products and Others ⁽²⁾	<u>204,137</u>	<u>16.3</u>	<u>158,633</u>	<u>10.7</u>	<u>173,605</u>	<u>12.0</u>	<u>121,648</u>	<u>15.6</u>	<u>162,410</u>	<u>16.1</u>	
Total	<u>1,248,802</u>	<u>100.0</u>	<u>1,489,330</u>	<u>100.0</u>	<u>1,443,628</u>	<u>100.0</u>	<u>778,122</u>	<u>100.0</u>	<u>1,011,594</u>	<u>100.0</u>	

Notes:

- (1) It represents the volume of compound fertiliser we manufactured for Guizhou Tobacco Investment under the new business arrangement since the fourth quarter of 2021 for which we only charge production fees.
- (2) Our other products include floating seed (漂盤), which we sold to our tobacco company customers by pieces (and not weight) since FY2021. Thus, we excluded floating seed from the volume calculation of by-products and others sold by us. Floating seed is a container used by our tobacco company customers for cultivating the seedlings of tobacco and is a non-fertiliser product of our Group. Floating seed was only sold together with our fertiliser products to tobacco companies as a value-added product. During FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, revenue from sales of floating seed was RMB2.9 million, RMB4.2 million, RMB12.3 million, RMB0.1 million and RMB0.1 million respectively, representing only approximately 0.1%, 0.1%, 0.3%, 0.1% and less than 0.1% of the total revenue for the same years/periods.

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The change in the product mix has had, and will continue to have, an impact on our financial performance. Generally, our SOP have higher average selling price than our KCL, and our NOP have higher average selling price than our SOP. Thus, historically NOP commanded higher gross profit margin than SOP, and SOP had higher gross profit margin than KCL. However, we recorded a lower gross profit margin for our NOP during the Track Record Period as we purchased NOP from external suppliers following the discontinuation of NOP production at our own facility since 2019 which increased the unit cost of goods sold of NOP. Under normal circumstance and after we resume NOP production to a normal commercial production scale when our New Sichuan Production Facility is completed, we expect that the higher proportion of SOP and NOP sold, the higher of the gross profit margin we might achieve. Please refer to the section headed “Business – Expansion Plan – New Sichuan Production Facility Plan” in this prospectus for further details. In addition, in view of the relatively low demand of our SOP during the non-peak season in FY2023, we adopted a temporary marketing strategy to offer competitive pricing to certain customers of our SOP during such year so as to promote sales of our SOP. As such, we recorded a lower gross profit margin for our SOP for FY2023 as compared to the gross profit margin for our KCL for the same year.

In FY2022, the average selling price of our KCL surged by approximately 66.3% compared to that in FY2021, which has the highest increase in average selling price among all of our other products for the same year. In such a case, the higher proportion of KCL we sold in our product portfolio, the higher gross profit margin we can achieve. In FY2022, we sold a total of approximately 1,109,099 tonnes of KCL compared to a total of approximately 725,405 tonnes in FY2021, representing an increase of approximately 52.9% in the sales volume of KCL. Accordingly, the proportion of sales volume of KCL to our total sales volume increased from approximately 58.1% for FY2021 to approximately 74.5% for FY2022. As a result, the increase in the proportion of KCL sales contributed to the increase of our gross profit margin from approximately 12.0% for FY2021 to approximately 16.5% for FY2022.

Production capacity, production volume and utilisation rate

Our results of operations depend on our production capacity, production volume and utilisation rate. As at the Latest Practicable Date, we had five key production facilities. We are planning to construct the New Sichuan Production Facility and plan to resume production of NOP, SOP and compound fertiliser at the New Sichuan Production Facility. As at the Latest Practicable Date, we had 40 SOP production lines, three KCL granulating lines and three compound fertilisers production lines.

In general, higher our production capacity will enable us to have more products for sales to satisfy our customers’ demand and therefore may achieve higher revenue. In addition, a higher production capacity and better utilisation of our production facilities will allow us to achieve a better economy of scale, resulting in the reduction of the fixed costs to be assigned to each unit of our products and increase in the profitability of our products. Following the

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inclusion of Baoqing Migao and Anda Migao as our subsidiaries on 31 March 2022, our estimated annual production capacity for SOP increased by approximately 144,000 tonnes as at the Latest Practicable Date, which is expected to contribute to the expected increase in revenue in the near future.

Seasonality

The sales of our fertiliser products is seasonal because the use of crop nutrients is seasonal. Farmers tend to apply crop nutrients during two short application periods, the strongest one in the spring, before planting, and the other in the fall, after harvest. As a result, the strongest demand for our products typically occurs during the spring planting season (January to March), with a second period of demand in the post harvest fertilising season (October to December). These two demand seasons fall into the second half of our financial year, with the non-peak season (April to September) falling into the first half of our financial year. The seasonality of crop nutrient demand results in our sales volume and sales revenue typically being the highest during the second half of our fiscal year and our working capital requirements typically being the highest just prior to the start of the fall season.

Accordingly, our sales in the second half of our financial year are typically significantly higher than those in the first half of our financial year. In each of FY2021, FY2022 and FY2023, revenue generated from the first half of the financial year only accounted for approximately 33.6%, 41.6% and 35.7% of our total revenue, respectively. We recorded a higher proportion of revenue in the first half of FY2022 as compared to the first half of FY2021 and the first half of FY2023, as our customers had increased their potash fertiliser reserve in the first half of FY2022 for use in the upcoming harvest and planting seasons in view of the potential risk of adverse domestic market price fluctuation of imported KCL due to the global supply uncertainty.

In addition, the degree of seasonality of our business can change significantly from year to year due to conditions in the agricultural industry and other factors, which makes it difficult for us to predict the level of demand with precision. If seasonal demand exceeds our expectation, we will not have enough products to sell to customers, which would affect our sales performance. If seasonal demand is less than what we expect, we will be left with excess inventory, higher working capital and liquidity requirements, as well as the risk of impairment losses on our inventory.

Market demand of Potash Fertiliser products

The demand for our product and services is primarily driven by the plantation activities of our customers.

Since the second half of 2020, domestic plantation activities recovered as a result of the governmental policy on promoting agricultural activities and stabilising agricultural products supplies, such as the Notice of the Central Leading Group against COVID-19 on Printing and Distributing the Current Spring Ploughing Production Guidelines (中央應對新型冠狀病毒感

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肺炎疫情工作領導小組關於印發當前春耕生產工作指南的通知), the Notice on Effectively Supporting the Stable Production and Supply of Agricultural Products During the Prevention and Control of the New Coronary Pneumonia Epidemic (關於切實支持做好新冠肺炎疫情防控期間農產品穩產保供工作的通知) and the Notice on Doing a Good Job in the Production, Supply and Price Stabilisation of Fertilisers for Spring Ploughing in 2021 (關於做好2021年春耕化肥生產供應和價格穩定工作的通知) implemented. As a result, our sales volume increased from approximately 1,248,802 tonnes for FY2021 to approximately 1,489,330 tonnes for FY2022, resulting in the profit after tax of RMB206.5 million for FY2021 and RMB396.6 million for FY2022.

MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Results may differ from these estimates under different assumptions and conditions.

Our management continually evaluates such estimates, assumptions and judgments based on historical experience and other assumptions which our management believes to be reasonable under the circumstances.

We set forth below the accounting policies that we believe involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policy information, as well as our key source of estimation uncertainties, which are important for understanding our financial condition and results of operations, are set forth in Notes 4 and 5 of Appendix I to this prospectus.

Impairment of Financial Assets

We perform impairment assessment under expected credit loss (“ECL”) model on financial assets, which include trade and other receivables, amount due from a related company, amounts due from joint ventures, loans to joint ventures, amount due from a shareholder, and restricted cash and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Assessment are done based on our 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 conditions at the reporting date as well as the forecast of future conditions.

We use both lifetime ECL model and 12-month ECL (“12m ECL”) model to recognise our financial assets. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

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The provision of ECL is sensitive to changes in estimates. We recognise lifetime ECL for trade receivables and trade related balances with related parties. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings. For all other instruments, our Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case we recognise lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

For trade receivables which are individually insignificant, we use collective assessment to calculate ECL. The ECL rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The collective assessment is based on our Group's historical default rates, taking into consideration forward-looking information that is reasonable, supportable, and available without undue costs or effort. At every reporting date, our management also reassessed the historical observed default rates and considered changes in the forward-looking information.

For the non-trade related balances with related parties, our Directors have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of these balances. Accordingly, the loss allowance for non-trade related balances with related parties are measured at an amount equal to 12-month ECL. Assessment are done based on our Group's historical credit loss experience, adjusted for factors that are specific to the related parties, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Impairment on Plant and Equipment, and Right-of-Use Assets

We have a number of product facilities hosting various plants and equipment. At the end of each reporting year/period, we review the carrying amounts of our plant and equipment, and right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, our Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. In testing a CGU for impairment, we allocated assets to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not to exceed the carrying amount determined in prior years. An impairment loss or a reversal of an impairment loss is recognised immediately in profit or loss. During the Track Record Period, no impairment loss was recognised for our plant and equipment and right-of-use assets.

Impairment on Goodwill

Our goodwill was arising from our acquisition of Daxing Migao during the year ended 31 March 2017 and our acquisition of Baoqing Migao on 31 March 2022. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, our goodwill is allocated to Daxing Migao and Baoqing Migao, i.e. our CGUs that are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting year/period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting year/period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). The recoverable amounts of our relevant CGUs, namely, Daxing Migao and Baoqing Migao, have been determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by our management covering a 5-year period, and pre-tax discount rate of 18%. The cash flows beyond the 5-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, and such estimation is based on the CGU's past performance and our management's expectations for the market development. During the Track Record Period, our Directors determine that there is no impairment on our relevant CGUs.

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Our Group performed sensitivity test on Baoqing Migao CGU as at 31 March 2023 and 30 November 2023 by increasing 1% of pre-tax discount rate or decreasing 1% of long-term growth rate or decreasing 5% of budgeted sales or decreasing 1% of budgeted gross margin, which are the key assumptions for determining the recoverable amount of Baoqing Migao CGU, with all other variables held constant.

Based on the sensitivity test performed, no material impairment issue was noted. The headroom of Baoqing Migao CGU as at 31 March 2023 and 30 November 2023 is not less than 22%.

Our Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of a CGU to exceed the recoverable amount of that CGU.

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Ownership Interests in Leasehold Land and Building

When we purchase properties which includes both leasehold land and building elements, we allocate the consideration between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets”. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as plant and equipment. During the Track Record Period, all of our interest in leasehold land was presented as “right-of-use assets”.

We recognise depreciation so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year/period, with the effect of any changes in estimate accounted for on a prospective basis.

Investments in Joint Ventures

We have a 50%-50% joint venture with EuroChem International, namely, EuroChem Migao, which in turn holds 70% of equity interest in Yunnan EuroChem. In addition, since the establishment of Baoqing Migao and Anda Migao and up to 31 March 2022, our Group was able to exercise joint control over them as decisions on certain matters would require consent of all shareholders of Baoqing Migao and Anda Migao under their respective articles of association, and accordingly, Baoqing Migao and Anda Migao were treated as joint ventures of our Group. Our investments in joint ventures are accounted for using the equity method from the respective date on which each investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over our share of the net fair value of the identifiable assets and liabilities of the investee are recognised as goodwill,

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which is included within the carrying amount of the investment. Any excess of our share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the year/period in which each relevant investment is acquired.

Following the amendments to the respective articles of association of Baoqing Migao and Anda Migao by removing specific terms which would require consent of all shareholders of Baoqing Migao and Anda Migao on certain matters, our Group has obtained control over Baoqing Migao and Anda Migao and they have become our subsidiaries since 31 March 2022. When our Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, our Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, our Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

We assess whether there is an objective evidence that the interest in the joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases. During the Track Record Period, no impairment loss was recognised for our investments in joint ventures. In particular, although our Group had shared loss from EuroChem Migao in FY2021 and 8MFY2024, no impairment loss was recognised for our investment in EuroChem Migao for the same year/period. Our Directors considered that the losses incurred by EuroChem Migao for FY2021 and 8MFY2024 were temporary, as (i) the loss incurred by EuroChem Migao for FY2021 was primarily due to the outbreak of COVID-19 and the adverse changes in the economic environment during the same year; and (ii) the loss incurred by EuroChem Migao for 8MFY2024 was primarily due to the temporary decrease in sales volume of their NOP and the decrease in gross profit margin of their compound fertilisers for the same period due to the impact of seasonality. As such, there was no objective evidence that our investment in EuroChem Migao as at 31 March 2021 and 30 November 2023 may be impaired and no impairment assessment was carried out.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which our Group must incur to make the sales. During the Track Record Period, no impairment loss was recorded for our inventories.

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RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss data and each item as a percentage of our total revenue for the years/periods indicated, which is derived from our consolidated statements of profit or loss set out in the Accountants' Report included in Appendix I to this prospectus:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Revenue	2,081,579	100.0	3,841,400	100.0	4,722,749	100.0	2,727,223	100.0	2,283,747	100.0
Cost of goods sold	(1,830,838)	(88.0)	(3,207,977)	(83.5)	(3,955,216)	(83.7)	(2,266,532)	(83.1)	(1,954,164)	(85.6)
Gross profit	250,741	12.0	633,423	16.5	767,533	16.3	460,691	16.9	329,583	14.4
Other income	15,545	0.7	17,416	0.5	6,847	0.1	4,304	0.2	6,309	0.3
Other gains and losses	126,982	6.1	12,055	0.3	(16,908)	(0.4)	(12,907)	(0.5)	4,133	0.2
Impairment losses, net of reversal	2,954	0.1	(11,181)	(0.3)	1,655	0.0	(4,441)	(0.2)	2,931	0.1
Distribution and selling expenses	(28,304)	(1.4)	(74,768)	(1.9)	(61,716)	(1.3)	(34,924)	(1.3)	(17,311)	(0.8)
General and administrative expenses	(62,800)	(3.0)	(63,607)	(1.7)	(105,689)	(2.2)	(60,188)	(2.2)	(63,511)	(2.8)
Research and development expenses	(24,515)	(1.2)	(38,854)	(1.0)	(31,037)	(0.7)	(21,681)	(0.8)	(26,299)	(1.2)
Listing expenses	(1,744)	(0.1)	(22,066)	(0.6)	(20,887)	(0.4)	(12,831)	(0.5)	(15,356)	(0.7)
Other expenses	(1,424)	(0.1)	-	-	-	-	-	-	-	-
Share of results of joint ventures	(2,038)	(0.1)	28,287	0.7	11,267	0.2	(298)	(0.0)	(11,142)	(0.5)
Finance costs	(10,471)	(0.5)	(9,661)	(0.3)	(17,651)	(0.4)	(12,240)	(0.4)	(12,729)	(0.6)
PROFIT BEFORE TAX	264,926	12.7	471,044	12.3	533,414	11.3	305,485	11.2	196,608	8.6
Income tax expense	(58,401)	(2.8)	(74,464)	(1.9)	(111,900)	(2.4)	(68,642)	(2.5)	(34,482)	(1.5)
PROFIT FOR THE YEAR/PERIOD	<u>206,525</u>	<u>9.9</u>	<u>396,580</u>	<u>10.3</u>	<u>421,514</u>	<u>8.9</u>	<u>236,843</u>	<u>8.7</u>	<u>162,126</u>	<u>7.1</u>
Profit (loss) for the year/period attributable to:										
Owners of our Company	202,294	9.7	396,337	10.3	405,089	8.6	237,552	8.7	157,235	6.9
Non-controlling interests	4,231	0.2	243	0.0	16,425	0.3	(709)	(0.0)	4,891	0.2
	<u>206,525</u>	<u>9.9</u>	<u>396,580</u>	<u>10.3</u>	<u>421,514</u>	<u>8.9</u>	<u>236,843</u>	<u>8.7</u>	<u>162,126</u>	<u>7.1</u>

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KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue mainly consists of sales of our products. Since the fourth quarter of 2021, we started to generate production fees through the provision of production services. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our revenue amounted to RMB2,081.6 million, RMB3,841.4 million, RMB4,722.7 million, RMB2,727.2 million and RMB2,283.7 million, respectively. The major source of our revenue during the Track Record Period was generated from the sales of KCL, and secondly from the sales of SOP. The following table sets forth the breakdown of our total revenue by source for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of products	2,081,579	100.0	3,820,596	99.5	4,692,708	99.4	2,717,248	99.6	2,278,323	99.8
Provision of production services	-	-	20,804	0.5	30,041	0.6	9,975	0.4	5,424	0.2
Total	2,081,579	100.0	3,841,400	100.0	4,722,749	100.0	2,727,223	100.0	2,283,747	100.0

Revenue from Sales of Products

The following table sets forth the breakdown of our revenue by sales of each type of products and each type as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue from sales of products										
- KCL	1,250,489	60.1	3,180,575	82.8	4,024,088	85.2	2,377,891	87.2	1,948,412	85.3
- SOP	522,039	25.1	533,569	13.9	476,058	10.1	213,759	7.8	250,386	11.0
- NOP	49,068	2.4	8,933	0.2	15,366	0.3	12,391	0.5	2,347	0.1
- Compound Fertilisers	193,629	9.3	24,992	0.7	47,747	1.0	9,812	0.3	8,363	0.4
- By-Products and Others ⁽¹⁾	66,354	3.2	72,527	1.9	129,449	2.7	103,395	3.8	68,815	3.0
Total	2,081,579	100.0	3,820,596	99.5	4,692,708	99.4	2,717,248	99.6	2,278,323	99.8

Note:

(1) By-products and others mainly consists of HCL and fertiliser additive.

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Sales of KCL

KCL are the products from which we derived most of our revenue. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, revenue from our sales of KCL was RMB1,250.5 million, RMB3,180.6 million, RMB4,024.1 million, RMB2,377.9 million and RMB1,948.4 million, respectively, which contributed to approximately 60.1%, 82.8%, 85.2%, 87.2% and 85.3% of our total revenue during the same years/periods, respectively.

Our revenue from the sale of KCL increased by RMB1,930.0 million or approximately 154.3% from RMB1,250.5 million for FY2021 to RMB3,180.6 million for FY2022 primarily due to (i) the significant increase in the average selling price of our KCL by approximately 66.3% from RMB1,723.9 per tonne in FY2021 to RMB2,867.7 per tonne in FY2022 as a result of the shortage in supply of KCL in China, as well as globally, due to the uncertainty in global potash supply; and (ii) the substantial increase in sales volume of our KCL by approximately 52.9% from approximately 725,405 tonnes in FY2021 to approximately 1,109,099 tonnes in FY2022 driven by the increased demand in China due to increasing plantation and agricultural activities as the economic and market conditions in China continued to recover from COVID-19.

Our revenue from the sale of KCL increased by RMB843.5 million or approximately 26.5% from RMB3,180.6 million for FY2022 to RMB4,024.1 million for FY2023, primarily due to the significant increase in the average selling price of our KCL by approximately 31.5% from RMB2,867.7 per tonne in FY2022 to RMB3,771.6 per tonne in FY2023 as a result of the uncertainty in global potash supply, partially offset by the decrease in sales volume of our KCL by approximately 3.8% from approximately 1,109,099 tonnes in FY2022 to approximately 1,066,950 tonnes in FY2023 due to the additional demand of our KCL in FY2022 as our agricultural reclamation customers had increased their potash fertiliser reserve for use in the upcoming harvest and planting seasons in view of the potential risk of adverse domestic market price fluctuation of imported KCL due to the global supply uncertainty, while a general decreasing trend was recorded for the domestic market price of imported KCL by month in China within FY2023.

Our revenue from the sale of KCL decreased by RMB429.5 million or approximately 18.1% from RMB2,377.9 million for 8MFY2023 to RMB1,948.4 million for 8MFY2024, primarily due to (i) the decrease in average selling price of our KCL by approximately 36.8% from RMB4,112.8 per tonne in 8MFY2023 to RMB2,598.2 per tonne in 8MFY2024. Such decrease was attributable to the reducing uncertainties on the global supply of potash fertiliser as the U.S. Department of Treasury had clarified in the third quarter of 2022 that agricultural commodities (including fertilisers) were not targets of the sanctions imposed by the U.S. on Russia, and the U.S. had not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia. It is not expected there will be a further decrease in the Sea Import Master Contract Price in the near future as the international market price of KCL has been recovering from its low level in June 2023, and therefore, we expect that the average selling price of our KCL will not further decrease, partially offset by (ii) the increase in sales volume of our KCL by approximately 171,742 tonnes from 8MFY2023 to 8MFY2024, due to

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the increase in demand of KCL in 8MFY2024 as a result of the decrease in domestic market price of imported KCL in 8MFY2024. In addition, as the Sea Import Master Contract Price has been determined in June 2023 and the further decrease in domestic market price of imported KCL has eased and the domestic market price of imported KCL has been recovering in the second half of 2023, a considerable amount of customers, who had previously took a more conservative approach in their purchases of our KCL in view of the magnitude of the decrease in domestic market price of imported KCL in the first half of 2023, had commenced their purchases of remaining planned purchase volume of KCL from July 2023 to November 2023.

The sales volume of our KCL was approximately 1,007,000 tonnes for the ten months ended 31 January 2024, which already represented approximately 94.3% of our total sales volume of KCL for FY2023. Therefore, we expect the sales volume of our KCL for FY2024 would exceed FY2023.

Our Group recorded a significant revenue growth for the sales of our KCL as compared to the industry average during the Track Record Period, primarily due to the product mix of our Group and the customer portfolio for our KCL. First of all, the sales of our KCL is the primary source of our revenue, and its sales volume contributed approximately 58.1% to 74.5% of our total sales volume during Track Record Period. As such, the significant increase in average selling price of our KCL from RMB1,723.9 per tonne for FY2021 to RMB3,771.6 per tonne for FY2023 as a result of factors as highlighted in the paragraph headed “Key Factors Affecting our Results of Operations – Price of Major Raw Material” above had led to the higher revenue growth as compared to the industry average during the Track Record Period. In addition, in response to government policies on promoting agricultural activities and stabilising agricultural products supplies implemented since FY2021, our SOE customers, who were the major customers for our KCL and contributed more than a majority of our revenue during the Track Record Period, had significantly increased their demands in our KCL in FY2022. As such, our revenue derived from SOE customers increased from RMB1,212.8 million for FY2021 to RMB2,608.4 million for FY2022, which also led to the higher growth in our revenue as compared to the industry average during the Track Record Period.

Sales of SOP

For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, revenue from our sale of SOP amounted to RMB522.0 million, RMB533.6 million, RMB476.1 million, RMB213.8 million and RMB250.4 million, respectively, which contributed to approximately 25.1%, 13.9%, 10.1%, 7.8% and 11.0% of our total revenue during the same years/periods, respectively.

Our revenue from the sale of SOP increased by RMB11.5 million or approximately 2.2% from RMB522.0 million for FY2021 to RMB533.6 million for FY2022, mainly due to the substantial increase in the average selling price of our SOP by approximately 40.9%, partially offset by the decrease in the sales volume of our SOP by approximately 27.5%. The potash fertiliser market was relatively volatile in FY2022 due to the shortage in supply of KCL, which led to a substantial increase in domestic market price of SOP, as KCL is the principal raw

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material for manufacturing SOP. In addition, SOP as crop nutrients can be replaced by KCL to some extent. As such, when the domestic market price of SOP continued to increase, as an alternative, customers are inclined to purchase KCL, which has a lower price generally. As a result, the demand of our SOP decreased in FY2022.

Our revenue from the sale of SOP decreased by RMB57.5 million or approximately 10.8% from RMB533.6 million for FY2022 to RMB476.1 million for FY2023, primarily due to the decrease in sales volume of our SOP by approximately 24.0% from approximately 162,599 tonnes in FY2022 to approximately 123,642 tonnes in FY2023 due to the negative impact of the increase in the average selling price of our SOP on the demand of our SOP, partially offset by the increase in the average selling price of our SOP by approximately 17.3% from RMB3,281.5 per tonne in FY2022 to RMB3,850.3 per tonne in FY2023 as a result of the increase in the purchase costs of KCL for use as raw material for manufacturing our SOP.

Our revenue from the sale of SOP increased by RMB36.6 million or approximately 17.1% from RMB213.8 million for 8MFY2023 to RMB250.4 million for 8MFY2024, primarily due to the increase in sales volume of our SOP by approximately 54.0% from approximately 53,036 tonnes in 8MFY2023 to approximately 81,670 tonnes in 8MFY2024 due to the positive impact of the decrease in the average selling price of our SOP on the demand of our SOP, partially offset by the decrease in the average selling price of our SOP by approximately 23.9% from RMB4,030.4 per tonne in 8MFY2023 to RMB3,065.8 per tonne in 8MFY2024 as a result of the decrease in purchase costs of KCL for use as raw material for manufacturing our SOP due to the decrease in the uncertainties on the global supply of potash fertiliser from the third quarter of 2022.

Sales of NOP

For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, revenue from our sale of NOP amounted to RMB49.1 million, RMB8.9 million, RMB15.4 million, RMB12.4 million and RMB2.3 million, respectively, which contributed to approximately 2.4%, 0.2%, 0.3%, 0.5% and 0.1% of our total revenue during the same years/periods, respectively.

Our revenue from the sale of NOP remained low during the Track Record Period because we discontinued manufacturing of NOP since January 2019 in our Chengdu Production Facility, which was the only production line of NOP within our Group, as a result of change of zoning policy by the local government. Since then, we purchased finished NOP mostly from Yunnan EuroChem, an indirect joint venture of our Company, at domestic market price, leaving us with little or no profits on our sales of NOP. As a result, we mainly sold NOP during the Track Record Period to satisfy long-term customers' ad hoc demand. For example, in FY2021, we secured a relatively large order from a tobacco company for NOP, which contributed approximately 63.3% of overall revenue derived from the sales of NOP in FY2021 and led to the higher revenue for the sales of our NOP of RMB49.1 million for the same year as compared to FY2022 and FY2023.

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Sales of Compound Fertiliser

For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, revenue from our sale of compound fertiliser amounted to RMB193.6 million, RMB25.0 million, RMB47.7 million, RMB9.8 million and RMB8.4 million, respectively, which contributed to approximately 9.3%, 0.7%, 1.0%, 0.3% and 0.4% of our total revenue during the same years/periods, respectively.

Most of our compound fertilisers are customised based on tobacco companies' requests, and therefore the volume of sales order could vary from time to time based on the annual soil nutrition testing results and other factors taken into account by tobacco companies.

In addition, we began to adopt a new type of business arrangement with Guizhou Tobacco Investment for the tobacco compound fertiliser we manufacture for them since the fourth quarter of 2021, under which we derived production fees, as opposed to revenue from sales of compound fertiliser under the old arrangement. As such, such new arrangement contributed further to the lower proportion of revenue from sales of compound fertiliser in FY2022 and FY2023 as compared to FY2021. For details, please refer to the paragraph headed "Revenue from Provision of Production Services" below.

The revenue contribution of our compound fertiliser remained relatively low in both 8MFY2023 and 8MFY2024, primarily due to the low demand for compound fertiliser from our tobacco company customers during the non-peak season.

Sales of By-products and Other Products

Our by-products and other products mainly consist of HCL, which is a by-product from the manufacturing of SOP, and fertiliser additive. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, revenue from our sale of by-products and other products was RMB66.4 million, RMB72.5 million, RMB129.4 million, RMB103.4 million and RMB68.8 million, respectively, which contributed to approximately 3.2%, 1.9%, 2.7%, 3.8% and 3.0% of our total revenue during the same years/periods, respectively.

The sales of our by-products and other products are primarily relating to the production volume of our SOP. Our revenue from the sale of by-products and other products increased by RMB6.2 million, or approximately 9.3% from RMB66.4 million for FY2021 to RMB72.5 million for FY2022 primarily due to the increase in sales of HCL which contributed RMB59.2 million and RMB63.1 million of revenue for the years ended 31 March 2021 and 2022, respectively. The increase in revenue contributed by sales of HCL was mainly due to the increase in selling price of our HCL driven by the increasing demand in South China region. In addition, we recorded a slight increase in revenue contributed by sales of floating seed and other processing fees of RMB4.2 million and RMB5.0 million respectively in FY2022, as compared to RMB2.9 million and RMB2.7 million in FY2021, which, to a lesser extent, led to the increase in revenue from sales of by-products and other products in FY2022.

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Our revenue from the sale of by-products and other products increased by RMB56.9 million, or approximately 78.5%, from RMB72.5 million for FY2022 to RMB129.4 million for FY2023, primarily due to (i) the additional revenue derived from the sales of our new fertiliser additive introduced in FY2023 of RMB54.6 million; and (ii) the additional revenue derived from the disposal of unused auxiliary raw materials for the manufacturing of compound fertiliser of RMB15.5 million to Guizhou Tobacco Investment in FY2023 as a result of the change in our business arrangement with Guizhou Tobacco Investment regarding tobacco compound fertiliser, partially offset by the decrease in sales of HCL from RMB63.1 million for FY2022 to RMB46.7 million for FY2023 as a result of the decrease in sales volume of HCL from approximately 147,362 tonnes for FY2022 to approximately 128,434 tonnes for FY2023 due to the decrease in production and sales volume of our SOP in FY2023 as well as the decrease in average selling price of our HCL from RMB428.0 per tonne for FY2022 to RMB363.9 per tonne for FY2023.

Our revenue from the sale of by-products and other products decreased by RMB34.6 million, or approximately 33.4%, from RMB103.4 million for 8MFY2023 to RMB68.8 million for 8MFY2024, primarily due to (i) the decrease in average selling price of our HCL from RMB447.3 per tonne in 8MFY2023 to RMB120.2 per tonne in 8MFY2024; and (ii) the decrease in revenue derived from the sales of our fertiliser additive from RMB54.6 million in 8MFY2023 to RMB42.4 million in 8MFY2024, which was mainly contributed by the demand from oversea customers in 8MFY2024, partially offset by (iii) the increase in sales volume of HCL from approximately 79,144 tonnes in 8MFY2023 to approximately 130,157 tonnes in 8MFY2024.

Revenue from Provision of Production Services

Since the fourth quarter of 2021, we began to adopt a new type of business arrangement with Guizhou Tobacco Investment for certain tobacco compound fertiliser we manufacture for them. Under the new arrangement, Guizhou Tobacco Investment would provide us with the principal raw materials and we would only charge them a production fee for manufacturing certain tobacco compound fertiliser.

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The following table sets forth the breakdown of our revenue derived from Guizhou Tobacco Investment by source of revenue and each item as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November					
	2021		2022		2023		2022		2023			
	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	(unaudited)	
Revenue from Guizhou Tobacco Investment⁽¹⁾												
- Sales of tobacco compound												
fertiliser	158,728	7.6	1,161	0.0	18,121	0.4	1,628	0.1	1,594	0.1		
- Provision of production												
services	-	-	20,804	0.5	30,041	0.6	9,975	0.4	5,424	0.2		
Total	158,728	7.6	21,965	0.6	48,161	1.0	11,603	0.4	7,018	0.3		

Note:

- (1) During the Track Record Period, value-added tax rate of 9% was applicable to the sales of our tobacco compound fertiliser to Guizhou Tobacco Investment and value-added tax rate of 6% to 13% was applicable to our provision of production services to Guizhou Tobacco Investment.

The decrease in revenue derived from Guizhou Tobacco Investment from RMB158.7 million in FY2021 to RMB22.0 million in FY2022 was primarily due to (i) the lower average production fees in FY2022 of RMB454.4 per tonne, as compared to the average selling price for our sales of tobacco compound fertiliser to Guizhou Tobacco Investment in FY2021 of RMB2,496.0 per tonne, as it is not necessary to take into account the costs of raw materials as well as the labour costs for raw material sourcing for the determination of production fees under the new business arrangement; and (ii) the decrease in volume of tobacco compound fertiliser supplied to Guizhou Tobacco Investment from approximately 63,593 tonnes for FY2021 to approximately 46,127 tonnes in FY2022. The revenue contributed by Guizhou Tobacco Investment increased by RMB26.2 million, or approximately 119.3%, from RMB22.0 million for FY2022 to RMB48.2 million for FY2023, primarily due to the (i) increase in revenue from our sales of compound fertiliser to Guizhou Tobacco Investment from RMB1.2 million for FY2022 to RMB18.1 million for FY2023 as a result of the increase in sales volume of compound fertiliser to Guizhou Tobacco Investment from approximately 340 tonnes for FY2022 to approximately 8,170 tonnes for FY2023; and (ii) the increase in revenue from our provision of production services from RMB20.8 million for FY2022 to RMB30.0 million for FY2023 as a result of the increase in production service volume from approximately 45,787 tonnes for FY2022 to approximately 57,826 tonnes for FY2023 as well as the increase in average production fee from RMB454.4 per tonne for FY2022 to RMB519.5 per tonne for FY2023.

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Our revenue from Guizhou Tobacco Investment was RMB11.6 million and RMB7.0 million for 8MFY2023 and 8MFY2024, respectively, representing 0.4% and 0.3% of our total revenue for the same periods.

Revenue by SOE/non-SOE Customers

A majority of our customers are state-owned enterprises (“SOE”). The following table sets forth the breakdown of our revenue by SOE/non-SOE customers and each item as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Revenue by SOE/non-SOE customers										
- SOE	1,212,761	58.3	2,608,427	67.9	2,660,983	56.3	1,368,215	50.2	1,069,594	46.8
- Non-SOE	868,818	41.7	1,232,973	32.1	2,061,766	43.7	1,359,008	49.8	1,214,153	53.2
Total	<u>2,081,579</u>	<u>100.0</u>	<u>3,841,400</u>	<u>100.0</u>	<u>4,722,749</u>	<u>100.0</u>	<u>2,727,223</u>	<u>100.0</u>	<u>2,283,747</u>	<u>100.0</u>

SOE customers

Our customers from SOE customers primarily consist of agricultural reclamation companies, agribusiness companies and tobacco companies, such as, Customer A, Company B, Hulunbuir Agricultural, Anhui Huilong and Guizhou Tobacco Investment. For details of our key SOE customers during the Track Record Period, please refer to the section headed “Business – Customers and Sales and Marketing – Top Five Customers” in this prospectus.

Our revenue from SOE customers increased by RMB1,395.7 million or approximately 115.1% from RMB1,212.8 million for FY2021 to RMB2,608.4 million for FY2022 and accounted for approximately 58.3% and 67.9% of our total revenue during the same year, respectively. Our revenue from SOE customers remained stable for FY2023, and accounted for approximately 56.3% of our total revenue during the same year, respectively. Our revenue from SOE customers decreased by RMB298.6 million or approximately 21.8% from RMB1,368.2 million for 8MFY2023 to RMB1,069.6 million for 8MFY2024, and accounted for approximately 50.2% and 46.8% of our total revenue during the same period. The decrease in the percentage of revenue from SOE customers from approximately 50.2% for 8MFY2023 to approximately 46.8% for 8MFY2024 was primarily due to the decrease in the average selling price of our potash fertiliser to SOE customers from RMB3,549.7 per tonne in 8MFY2023 to RMB2,215.5 per tonne in 8MFY2024, which was generally in line with the market trend, partially offset by the increase in sales volume of our potash fertiliser to SOE customers from approximately 385,441 tonnes in 8MFY2023 to approximately 482,775 tonnes in 8MFY2024, due to the positive impact of the decrease in the average selling price of our potash fertiliser to SOE customers on the demand of our potash fertiliser, and the additional sales to new SOE customers in 8MFY2024.

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Non-SOE

Our customers from non-SOE primarily consist of fertiliser production and supply companies, such as, Customer E, Company H and Yunnan EuroChem. For details of our key non-SOE customers during the Track Record Period, please refer to the section headed “Business – Customers and Sales and Marketing – Top Five Customers” in this prospectus.

Our revenue from non-SOE increased by approximately 41.9% and 67.2% for FY2022 and FY2023, respectively, and accounted for approximately 41.7%, 32.1% and 43.7% of our total revenue during FY2021, FY2022 and FY2023, respectively. Our revenue from non-SOE customers decreased by approximately 10.7% from 8MFY2023 to 8MFY2024, and accounted for approximately 49.8% and 53.2% of our total revenue during the same period. The increase in percentage of revenue from non-SOE customers from approximately 49.8% for 8MFY2023 to approximately 53.2% for 8MFY2024 was primarily due to (i) the decrease in percentage of revenue from SOE customers for 8MFY2024 as discussed above; and (ii) the increase in revenue from one of our non-SOE customers, namely, Yunnan EuroChem, in 8MFY2024. For further analysis, please refer to the paragraph headed “Selected Balance Sheet Items – Related Party Transactions – (b) Amounts Due from (to) Joint Ventures/Loans to Joint Ventures” in this section.

Revenue by Types of Customers

The major source of our revenue during the Track Record Period was from agribusiness companies, and secondly from agricultural reclamation companies. The following table sets forth the breakdown of our revenue by each type of customers and each item as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November				
	2021		2022		2023		2022		2023		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
											<i>(unaudited)</i>
<i>Revenue by types of customers</i>											
– Agribusiness companies . . .	818,978	39.3	2,425,590	63.1	3,220,948	68.2	2,080,232	76.3	1,884,981	82.5	
– Agricultural reclamation companies	844,200	40.6	1,202,222	31.3	1,275,895	27.0	537,349	19.7	320,498	14.0	
– Tobacco companies	233,364	11.2	71,020	1.8	81,055	1.7	31,868	1.2	19,695	0.9	
– Others	185,038	8.9	142,568	3.7	144,851	3.1	77,773	2.9	58,574	2.6	
Total	<u>2,081,579</u>	<u>100.0</u>	<u>3,841,400</u>	<u>100.0</u>	<u>4,722,749</u>	<u>100.0</u>	<u>2,727,223</u>	<u>100.0</u>	<u>2,283,747</u>	<u>100.0</u>	

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The following table sets forth the sales volume of our products by each type of our customers for the years/period indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	(tonnes)	%	(tonnes)	%	(tonnes)	%	(tonnes)	%	(tonnes)	%
<i>Sales volume by each type of customers</i>										
- Agribusiness companies . . .	426,506	34.2	781,997	52.5	815,304	56.5	488,034	62.7	704,581	69.7
- Agricultural reclamation companies	476,282	38.1	463,072	31.1	357,897	24.8	137,704	17.7	119,899	11.9
- Tobacco companies ⁽¹⁾	90,583	7.3	68,432	4.6	112,840	7.8	61,614	7.9	44,978	4.4
- Others.	255,431	20.5	175,829	11.8	157,586	10.9	90,770	11.7	142,137	14.1
Total	1,248,802	100.0	1,489,330	100.0	1,443,628	100.0	778,122	100.0	1,011,594	100.0

Note:

- (1) We sold floating seed (漂盤), which is a container used for cultivating the seedlings of tobacco, to our tobacco company customers by pieces (and not weight). As such, we excluded floating seed from the sales volume calculation for tobacco companies.

Agribusiness Companies

The revenue from agribusiness companies increased from RMB819.0 million for FY2021 to RMB2,425.6 million for FY2022, primarily due to the increase in sales volume of our fertiliser products to agribusiness companies from approximately 426,506 tonnes for FY2021 to approximately 781,997 tonnes for FY2022 mainly as result of the increase in sales volume of our KCL to agribusiness companies from approximately 294,886 tonnes in FY2021 to approximately 699,563 tonnes in FY2022, and the increase in average selling price of our KCL and SOP in FY2022 due to the global supply uncertainty of KCL.

The revenue from agribusiness companies increased from RMB2,425.6 million for FY2022 to RMB3,220.9 million for FY2023, primarily due to the increase in sales volume of our KCL to agribusiness companies from approximately 699,563 tonnes in FY2022 to approximately 748,204 tonnes in FY2023 and the increase in the average selling price of our KCL in FY2023 compared to FY2022 due to the global supply uncertainty of KCL.

The revenue from agribusiness companies decreased from RMB2,080.2 million for 8MFY2023 to RMB1,885.0 million for 8MFY2024, primarily due to the decrease in the average selling price of our KCL in 8MFY2024 compared to 8MFY2023 as a result of the decrease in the uncertainties on the global supply of potash fertiliser as the U.S. Department of Treasury has clarified in the third quarter of 2022 that agricultural commodities (including fertilisers) are not targets of the sanctions imposed by the U.S. on Russia and the U.S. has not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia, partially offset by the increase in sales volume of our KCL to agribusiness companies from approximately 488,034 tonnes for 8MFY2023 to approximately 704,581 tonnes for 8MFY2024.

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Agricultural Reclamation Companies

The revenue from agricultural reclamation companies increased from RMB844.2 million for FY2021 to RMB1,202.2 million for FY2022, primarily due to the increase in average selling price of our KCL and SOP due to the global supply uncertainty of KCL.

The revenue from agricultural reclamation companies increased slightly from RMB1,202.2 million for FY2022 to RMB1,275.9 million for FY2023, primarily due to the increase in average selling price of our KCL due to the global supply uncertainty of KCL.

The revenue from agricultural reclamation companies decreased from RMB537.3 million for 8MFY2023 to RMB320.5 million for 8MFY2024, primarily due to the decrease in sales volume of our KCL to agricultural reclamation companies from approximately 137,704 tonnes for 8MFY2023 to approximately 119,899 tonnes for 8MFY2024 and the decrease in the average selling price of our KCL in 8MFY2024 compared to 8MFY2023 as a result of the decrease in the uncertainties on the global supply of potash fertiliser as the U.S. Department of Treasury has clarified in the third quarter of 2022 that agricultural commodities (including fertilisers) are not targets of the sanctions imposed by the U.S. on Russia and the U.S. has not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia.

Cost of Goods Sold

Our cost of goods sold primarily consists of direct materials, direct labour and manufacturing overhead. The following table sets forth a breakdown of our cost of goods sold by amount and their corresponding percentage to our cost of goods sold and our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November					
	2021		2022		2023		2022		2023			
	% of cost of goods	% of total sold revenue	% of cost of goods	% of total sold revenue	% of cost of goods	% of total sold revenue	% of cost of goods	% of total sold revenue	% of cost of goods	% of total sold revenue	% of cost of goods	% of total sold revenue
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
			(unaudited)		(unaudited)		(unaudited)		(unaudited)			
Cost of goods sold												
Direct materials . . .	1,755,059	95.9	3,141,276	97.9	3,857,343	97.5	2,203,599	97.2	1,882,837	96.4	1,882,837	82.4
Direct labour	14,021	0.8	12,418	0.4	16,381	0.4	9,657	0.4	18,836	1.0	18,836	0.8
Manufacturing overhead	61,758	3.3	54,283	1.7	81,492	2.1	53,276	2.4	52,490	2.7	52,490	2.3
Total	1,830,838	100.0	3,207,977	100.0	3,955,216	100.0	2,266,532	100.0	1,954,164	100.0	1,954,164	85.6

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Direct materials consist primarily of the purchase costs of raw materials, such as KCL, SOP and NOP, and ancillary costs incurred in purchase of these raw materials, such as transport and storage costs. Among all direct materials, the purchase costs of KCL accounted for approximately 77.7%, 86.6%, 90.4%, 90.3% and 92.2% of our total purchase of all direct materials for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024 respectively.

Our costs of direct materials increased substantially by approximately 79.0% from RMB1,755.1 million for FY2021 to RMB3,141.3 million for FY2022 primarily due to the increase in our overall sales volume by approximately 19.3% and the substantial increase in our purchase price of KCL as a result of the increase in the Sea Import Master Contract Price from US\$220 per tonne and US\$247 per tonne as applied to FY2021 to US\$247 per tonnes as primarily applied to FY2022. Our costs of direct materials increased by RMB716.1 million, or approximately 22.8%, from RMB3,141.3 million for FY2022 to RMB3,857.3 million for FY2023, primarily due to the substantial increase in our purchase price of KCL as a result of the increase in the Sea Import Master Contract Price from US\$247 per tonne as primarily applied to FY2022 to US\$590 per tonne as applied to FY2023, partially offset by the decrease in our overall sales volume by approximately 3.1%. Our costs of direct materials decreased by RMB320.8 million, or approximately 14.6%, from RMB2,203.6 million for 8MFY2023 to RMB1,882.8 million for 8MFY2024, primarily due to (i) the decrease in the Sea Import Master Contract Price to US\$307 per tonne in June 2023, partially offset by (ii) the increase in overall sales volume by approximately 30.0%, mainly due to the positive impact of the decrease in the average selling price of KCL and SOP to the demand of KCL and SOP.

Costs of direct labour primarily consist of wages, salaries and social welfare for our employees directly involved in our production. Such costs only accounted for approximately less than 1% of our total cost of goods sold during the Track Record Period.

Manufacturing overhead primarily consists of certain fixed costs directly attributable to the production and sales of our products such as depreciation expenses. Our manufacturing overhead accounted for approximately between 1.7% to 3.3% of our total cost of goods sold during the Track Record Period.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of goods sold. Our gross profit margin represents our gross profit as a percentage of our revenue.

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The following table sets out the gross profit/(loss) by source of revenue for the years/periods indicated:

	For the year ended 31 March			For the eight months ended 30 November	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Gross profit (loss)					
Sales of products					
– KCL	129,021	475,643	688,541	415,515	262,294
– SOP	81,552	125,576	49,848	28,852	55,027
– NOP	1,399	(102)	1,311	1,287	175
– Compound Fertilisers	22,814	423	7,278	1,349	1,275
– By-Products and Others	15,955	25,899	10,634	11,348	8,755
Provision of production services . .	–	5,984	9,921	2,339	2,057
Overall	250,741	633,423	767,533	460,691	329,584

For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our gross profit was RMB250.7 million, RMB633.4 million, RMB767.5 million, RMB460.7 million and RMB329.6 million, respectively.

The following table sets out the gross profit/(loss) margin by source of revenue for the years/periods indicated:

	For the year ended 31 March			For the eight months ended 30 November	
	2021	2022	2023	2022	2023
	%	%	%	%	%
				<i>(unaudited)</i>	
Gross profit (loss) margin					
Sales of products					
– KCL	10.3	15.0	17.1	17.5	13.4
– SOP	15.6	23.5	10.5	13.5	22.0
– NOP	2.9	(1.1)	8.5	10.4	7.4
– Compound Fertilisers	11.8	1.7	15.2	13.8	15.2
– By-Products and Others	24.0	35.7	8.2	11.0	12.7
Provision of production services . .	–	28.8	33.0	23.4	37.9
Overall	12.0	16.5	16.3	16.9	14.4

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Sales of KCL

We recorded a significant increase in gross profit for sales of KCL by approximately 268.7% from RMB129.0 million in FY2021 to RMB475.7 million in FY2022 due to the significant increase in sales volume by approximately 52.9%. The increase in gross profit margin for sales of KCL from approximately 10.3% for FY2021 to approximately 15.0% for FY2022 was primarily due to the significant increase in average selling price of our KCL of approximately 66.3% as the pricing of our KCL in FY2022 had taken into account the substantial increase in average domestic market price of imported KCL of RMB1,785.7 per tonne for FY2021 to RMB3,339.4 per tonne for FY2022, which outpaced the increase in unit cost of goods sold of KCL of approximately 57.8% during FY2022 as a result of the substantial increase in our average purchase price of KCL. In particular, approximately 58.5% of our revenue derived from sales of KCL was recorded during the peak season from October 2021 to March 2022 when the average domestic market price of imported KCL was RMB3,768.5 per tonne which had significantly contributed to the increase in gross profit margin for sales of KCL in FY2022.

We recorded an increase in gross profit for sales of KCL by RMB212.8 million, or approximately 44.7%, from RMB475.7 million in FY2022 to RMB688.5 million in FY2023, primarily due to the increase in revenue from sales of KCL of approximately 26.5% in FY2023. We recorded an increase in gross profit margin for sales of KCL from approximately 15.0% for FY2022 to approximately 17.1% for FY2023, primarily due to the increase in average selling price of our KCL of approximately 31.5% from RMB2,867.7 per tonne in FY2022 to RMB3,771.6 per tonne in FY2023 as a result of the increase in average domestic market price of imported KCL of RMB3,339.4 per tonne for FY2022 to RMB3,914.9 per tonne for FY2023, which outpaced the increase in unit cost of goods sold of our KCL of approximately 28.2% as a result of the relatively high inventory reserve of KCL of approximately 191,000 tonnes carried forward from FY2022 and subsequently sold in FY2023, whereas the average purchase price of KCL of RMB2,448.8 per tonne for FY2022 was lower than that of RMB2,996.4 per tonne for FY2023.

We recorded a decrease in gross profit for sales of KCL by RMB153.2 million, or approximately 36.9%, from RMB415.5 million in 8MFY2023 to RMB262.3 million in 8MFY2024, primarily due to (i) the decrease in average selling price of our KCL by approximately 36.8% from RMB4,112.8 per tonne in 8MFY2023 to RMB2,598.2 per tonne in 8MFY2024. Such decrease was attributable to the reducing uncertainties on the global supply of potash fertiliser as the U.S. Department of Treasury had clarified in the third quarter of 2022 that agricultural commodities (including fertilisers) were not targets of the sanctions imposed by the U.S. on Russia, and the U.S. had not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia, partially offset by (ii) the increase in sales volume of our KCL by approximately 171,742 tonnes from 8MFY2023 to 8MFY2024, due to the increase in demand of KCL in 8MFY2024 as a result of the decrease in domestic market price of imported KCL in 8MFY2024. In addition, as the Sea Import Master Contract Price has been determined in June 2023 and the further decrease in domestic market price of imported KCL has eased and the domestic market price of imported KCL has been recovering in the second

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half of 2023, a considerable amount of customers, who had previously took a more conservative approach in their purchases of our KCL in view of the magnitude of the decrease in domestic market price of imported KCL in the first half of 2023, had commenced their purchases of remaining planned purchase volume of KCL from July 2023 to November 2023. The decrease in gross profit margin for sales of KCL from approximately 17.5% for 8MFY2023 to approximately 13.4% for 8MFY2024 was primarily due to higher gross profit margin for our sale of our KCL in 8MFY2023, as the average selling price of our KCL had increased to RMB4,112.8 per tonne in 8MFY2023 based on average domestic market price of imported KCL at its recent peak of RMB4,665.4 per tonne for the same period, which outpaced the increase in the unit cost of goods sold. As it is not expected there will be a further decrease in the Sea Import Master Contract Price in the near future as the international market price of KCL has been recovering from its low level in June 2023, we expect that the average selling price and the gross profit margin for our KCL to be relatively stable in the near future, and there will not be any material decrease in our overall gross profit margin for FY2024 compared to the Track Record Period.

Sales of SOP

We recorded an increase in gross profit for sales of SOP by approximately 54.0% from RMB81.6 million in FY2021 to RMB125.6 million in FY2022 and an increase in gross profit margin for sales of SOP from approximately 15.6% for FY2021 to approximately 23.5% for FY2022. These are primarily due to the higher increase in the average selling price of our SOP by approximately 40.9% as a result of the increase in average domestic market price of SOP of RMB2,399.5 per tonne for FY2021 to RMB3,621.2 per tonne for FY2022, which outpaced the increase in the unit cost of goods sold for SOP of approximately 27.7%. In particular, approximately 56.8% of our revenue derived from sales of SOP was recorded during the peak season from October 2021 to March 2022 when the average domestic market price of SOP was RMB3,876.5 per tonne which had significantly contributed to the increase in gross profit for the sales of SOP in FY2022. The gross profit margin for our sales of SOP for FY2022 increased by a rate of approximately 50.6% compared to that for FY2021, while the gross profit margin for our sales of KCL for FY2022 increased by a rate of approximately 45.6% compared to that for FY2021. As such, the rate of change of gross profit margin for both products was comparable for the relevant year.

We recorded a decrease in gross profit for sales of SOP by approximately 60.3% from RMB125.6 million in FY2022 to RMB49.8 million in FY2023, primarily due to the significant decrease in sales volume of our SOP by approximately 24.0% in FY2023 as a result of the negative impact of our increase in average selling price of our SOP on the demand of our SOP during the same year. We recorded a decrease in gross profit margin for sales of SOP from approximately 23.5% for FY2022 to approximately 10.5% for FY2023, primarily due to the higher increase in the unit cost of goods sold of our SOP by approximately 37.4% as a result of the increase in our average purchase price of KCL from RMB2,448.8 per tonne in FY2022 to RMB2,996.6 per tonne in FY2023, whereas the average selling price of our SOP had increased at a less significant pace of approximately 17.3% in FY2023. The gross profit margin for our sales of SOP for FY2023 decreased by a rate of approximately 55.3% compared to that

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for FY2022, while the gross profit margin for our sales of KCL for FY2023 increased by a rate of approximately 14.0% as compared to that for FY2022, primarily because when the purchase price of KCL increases, the headroom for the increase in selling price of our SOP is generally more limited as compared to that of our KCL, due to the higher selling price of our SOP in general, and it is consistent with the general market trend.

We recorded an increase in gross profit for sales of SOP by approximately 90.7% from RMB28.9 million in 8MFY2023 to RMB55.0 million in 8MFY2024, primarily due to the increase in sales volume of our SOP by approximately 54.0% from approximately 53,036 tonnes in 8MFY2023 to approximately 81,670 tonnes in 8MFY2024 due to the positive impact of the decrease in the average selling price of our SOP on the demand of our SOP, partially offset by the decrease in the average selling price of our SOP by approximately 23.9% from RMB4,030.4 per tonne in 8MFY2023 to RMB3,065.8 per tonne in 8MFY2024 as a result of the decrease in purchase costs of KCL for use as raw material for manufacturing our SOP. The gross profit margin for sales of SOP increased from approximately 13.5% for 8MFY2023 to approximately 22.0% for 8MFY2024, primarily due to the higher decrease in the unit cost of goods sold of our SOP by approximately 31.4% as a result of the decrease in purchase costs of KCL for use as raw material for manufacturing our SOP due to the decrease in the uncertainties on the global supply of potash fertiliser from the third quarter of 2022, which outpaced the decrease in the average selling price for our SOP of approximately 23.9%. The gross profit margin for our sales of SOP for 8MFY2024 increased by a rate of approximately 63.0% compared to that for 8MFY2023, while the gross profit margin for our sales of KCL for 8MFY2024 decreased by a rate of approximately 23.0% as compared to that for 8MFY2023, primarily due to the higher decrease in the average selling price of our KCL of approximately 36.8% for 8MFY2024, as compared to the decrease in the average selling price of our SOP of approximately 23.9% for the same period, which was in line with the market trend. The lower decrease in average selling price of our SOP as compared to our KCL in 8MFY2024 was primarily due to the higher increase in demand of our SOP for the same period.

Sales of NOP

We kept offering NOP to our customers despite recording a gross loss margin in FY2022, because we considered it is important to maintain our diversified product portfolio, as well as to retain our long-term customers and maintain good relationship with them. For the majority of the NOP we sold to our customers during the Track Record Period, we purchased them from Yunnan EuroChem. Given that Yunnan EuroChem was not our subsidiary but only a joint venture invested by our direct joint venture, we purchased the NOP from them at domestic market price which did not give us much room for additional markup margins. As such, we generally recorded lower gross profit margin (or even gross loss margin) for NOP compared to the gross profit margins of our other products. We therefore planned to construct the New Sichuan Production Facility to resume self-production of NOP, which is expected to enable us to regain profitability for this product as we can better control our costs when we manufacture our own NOP. Further, given that NOP is generally the type of our fertiliser products with the highest selling price, we expect we can achieve higher gross profit from our sales of NOP than from our sales of compound fertilisers after we have regained our ability to manufacture NOP

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ourselves at our New Sichuan Production Facility. For further information of the New Sichuan Production Facility, please refer to the section headed “Business – Expansion Plan – New Sichuan Production Facility Plan” in this prospectus.

According to our PRC Legal Advisers, there were no laws or regulations enacted in the PRC which restricted the manufacturing of tobacco products during the Track Record Period. The gross profit for sales of NOP had decreased from a gross profit of RMB1.4 million for FY2021 to a gross loss of RMB0.1 million for FY2022, and the gross profit margin for sales of NOP had decreased from a gross profit margin of approximately 2.9% for FY2021 to a gross loss margin of approximately 1.1% for FY2022. It was because we had secured a relatively large contract of NOP from a tobacco company in FY2021 for delivery in FY2021 and FY2022 with a selling price determined based on the prevailing market price of NOP in FY2021 and our expectation that the purchase price of NOP would remain stable in FY2022. However, the purchase price of NOP from Yunnan EuroChem had actually increased in FY2022 when we purchased NOP for the above contract in the same year. As such, a gross loss and a gross loss margin were recorded for sales of NOP in FY2022.

The gross profit for sales of NOP had increased from a gross loss of RMB0.1 million for FY2022 to a gross profit of RMB1.3 million for FY2023, and the gross profit margin for sales of NOP had increased from a gross loss margin of approximately 1.1% for FY2022 to a gross profit margin of approximately 8.5% for FY2023. It is because we had sales of NOP to certain overseas customers in FY2023 with higher selling price determined with reference to international market conditions. As our NOP delivered to these overseas customers was purchased from Yunnan EuroChem with purchase price determined with reference to the domestic market price of NOP. As such, a gross profit and a gross profit margin were recorded for sales of NOP in FY2023.

Sales of Compound Fertiliser

The decrease in gross profit for sales of compound fertiliser from RMB22.8 million for FY2021 to RMB0.4 million for FY2022 and gross profit margin for sales of compound fertiliser from approximately 11.8% for FY2021 to approximately 1.7% for FY2022 was primarily due to the decrease in revenue derived under the new type of business arrangement with Guizhou Tobacco Investment, our major customer for compound fertiliser, since the fourth quarter of 2021 under which we derive production fees, instead of revenue from sales of compound fertiliser.

Under the new business arrangement, we shall provide production services to Guizhou Tobacco Investment and manufacture compound fertiliser with principal raw materials provided by them. As such, the working capital requirement under this arrangement is lower. For FY2022, FY2023, 8MFY2023 and 8MFY2024, the gross profit and gross profit margin for such provision of production services was RMB6.0 million, RMB9.9 million, RMB2.3 million and RMB2.1 million and approximately 28.8%, 33.0%, 23.4% and 37.9%, respectively.

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The following table sets forth the breakdown of our gross profit derived from Guizhou Tobacco Investment by source of revenue and the corresponding gross profit margin for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>(unaudited)</i>										
<i>Gross profit and gross profit margin from Guizhou Tobacco Investment</i>										
- Sales of tobacco compound fertiliser	26,081	16.4	450	38.8	2,392	13.2	277	17.0	339	34.3
- Provision of production services	-	-	5,984	28.8	9,921	33.0	2,339	23.4	2,057	37.9
Overall	26,081	16.4	6,435	29.3	12,313	25.6	2,616	22.5	2,396	34.1

Generally speaking, the provision of production services is more profitable than the sales of relevant tobacco compound fertiliser to Guizhou Tobacco Investment, as evidenced by the higher gross profit margin for the provision of production services in FY2022, FY2023 and 8MFY2024 as compared to the gross profit margin for the sales of tobacco compound fertiliser to Guizhou Tobacco Investment in FY2021, primarily because the working capital requirement of and the inventory risk associated with the provision of production services are lower. A relatively higher gross profit margin for the sales of tobacco compound fertiliser to Guizhou Tobacco Investment of approximately 38.8% was recorded in FY2022, as it was derived from the sales of our remaining tobacco compound fertiliser reserve of an insignificant amount to Guizhou Tobacco Investment during the non-peak season before the change of business arrangement in FY2022, which was non-recurring in nature.

We recorded an increase in gross profit for sales of compound fertiliser from a gross profit of RMB0.4 million in FY2022 to a gross profit of RMB7.3 million in FY2023, primarily due to the increase in sales volume of certain types of compound fertiliser with higher selling price and gross profit in FY2023. The increase in gross profit margin for the sales of our compound fertiliser from approximately 1.7% for FY2022 to approximately 15.2% for FY2023 was primarily due to the combined effect of the increase in average selling price of our compound fertiliser of approximately 9.9% and the decrease in unit cost of goods sold of our compound fertiliser of approximately 5.2% for FY2023.

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Our gross profit for sales of compound fertiliser was only RMB1.3 million and RMB1.3 million for 8MFY2023 and 8MFY2024, respectively, due to the low demand for compound fertiliser from our tobacco company customers during the non-peak season.

Sales of By-Products and Other Products

The increase in gross profit for sales of our by-products and other products from RMB16.0 million in FY2021 to RMB25.9 million in FY2022, with gross profit margin of approximately 24.0% and 35.7% recorded respectively, was mainly due to the increase in average selling price of our HCL from RMB299.3 per tonne in FY2021 to RMB428.0 per tonne in FY2022. The average selling price of our HCL increased in FY2022 due to the decrease in the market supply of HCL as a result of certain government control policies on energy consumption implemented in the same year. We recorded a decrease in gross profit for sales of by-products and other products by approximately 58.8% from RMB25.9 million in FY2022 to RMB10.6 million in FY2023 and a decrease in gross profit margin for sales of by-products and other products from approximately 35.7% for FY2022 to approximately 8.2% for FY2023, primarily due to (i) the increase in the unit cost of goods sold of HCL from RMB276.0 per tonne in FY2022 to RMB369.6 per tonne in FY2023 due to the increase in purchase price of KCL, while the average selling price of our HCL products decreased from RMB428.0 per tonne in FY2022 to RMB363.9 per tonne in FY2023 due to the resumption of market supply of HCL in FY2023; and (ii) the gross loss derived from our disposal of unused auxiliary raw materials for the manufacturing of compound fertiliser to Guizhou Tobacco Investment in FY2023 as a result of the change in our business arrangement with Guizhou Tobacco Investment. We recorded a decrease in gross profit for sales of by-products and other products by approximately 22.8% from RMB11.3 million in 8MFY2023 to RMB8.8 million in 8MFY2024, primarily due to the gross loss of RMB1.6 million derived from the sales of our HCL in 8MFY2024, partially offset by the increase in gross profit derived from the sales of a fertiliser additive from RMB9.5 million in 8MFY2023 to RMB12.6 million in 8MFY2024. The increase in gross profit margin for sales of by-products and other products from approximately 11.0% for 8MFY2023 to approximately 12.7% for 8MFY2024 was primarily due to the higher gross profit margin contributed by a fertiliser additive in 8MFY2024.

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Gross Profit and Gross Profit Margin by Types of Customers

The following table sets forth the breakdown of our gross profit and gross profit margin by each type of customers for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>(unaudited)</i>										
<i>Gross profit and gross profit margin by each type of customers</i>										
- Agribusiness companies	105,094	12.8	519,174	21.4	610,537	19.0	385,344	18.5	274,513	14.6
- Agricultural reclamation companies	86,272	10.2	68,334	5.7	139,252	10.9	68,326	12.7	46,982	13.7
- Tobacco companies	36,480	15.6	15,874	22.4	11,691	14.4	4,294	13.5	1,496	7.6
- Other	22,895	12.4	30,040	21.1	6,052	4.2	2,727	3.5	6,592	11.3
Overall	<u>250,741</u>	<u>12.0</u>	<u>633,423</u>	<u>16.5</u>	<u>767,533</u>	<u>16.3</u>	<u>460,691</u>	<u>16.9</u>	<u>329,583</u>	<u>14.4</u>

During the Track Record Period, our gross profit was principally derived from the sale of KCL and SOP to agribusiness companies and agricultural reclamation companies.

Agribusiness Companies

We recorded an increase in gross profit and gross profit margin of agribusiness companies from FY2021 to FY2022, which is generally in line with the general increasing trend of the overall gross profit and gross profit margin of our KCL and SOP for the same years as discussed above.

The increase in gross profit of agribusiness companies from FY2022 to FY2023 was mainly due to the increase in gross profit contributed by the sales of our KCL to agribusiness companies from RMB460.5 million for FY2022 to RMB556.0 million for FY2023 as a result of the increase in sales volume and average selling price of our KCL to agribusiness companies. The decrease in gross profit margin of agribusiness companies from FY2022 to FY2023 was mainly due to the decrease in gross profit margin for the sales of our SOP to agribusiness companies, which is generally in line with the general decreasing trend of the overall gross profit margin of our SOP for the same year.

We recorded a decrease in gross profit and gross profit margin of agribusiness companies from 8MFY2023 to 8MFY2024, primarily due to the general decreasing trend of the overall gross profit and gross profit margin of our KCL for the same periods as discussed above.

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Agricultural Reclamation Companies

The decrease in gross profit and gross profit margin of agricultural reclamation companies from FY2021 to FY2022 was primarily due to the decrease in gross profit and gross profit margin for the sales of KCL to agricultural reclamation companies in FY2022 as a result of the relatively higher unit cost of goods sold for KCL for the sale orders of our KCL to agricultural reclamation companies (mainly placed during the peak season in FY2022) due to global supply uncertainty of KCL.

The increase in gross profit of agricultural reclamation companies from FY2022 to FY2023 was primarily due to the increase in gross profit and gross profit margin for the sales of KCL to agricultural reclamation companies in FY2023.

We recorded a decrease in gross profit of agricultural reclamation companies from 8MFY2023 to 8MFY2024, primarily due to the decrease in gross profit contributed by the sales of our KCL to agricultural reclamation companies from RMB59.8 million for 8MFY2023 to RMB28.0 million for 8MFY2024 as a result of the decrease in sales volume and average selling price of our KCL to agricultural reclamation companies. The slight increase in gross profit margin of agricultural reclamation companies from 8MFY2023 to 8MFY2024 was mainly due to the increase in gross profit margin for the sales of our SOP to agricultural reclamation companies.

Other Income

Our other income consists of bank interest income, interest income from joint ventures, government grants, rental income and others. Bank interest income refers to the interest derived from our bank deposits. Interest income from joint ventures was derived from our loans to Anda Migao and Baoqing Migao, our joint ventures during the Track Record Period up to 31 March 2022, in support of their working capital requirements.

Government grants have been received from local government (i) as subsidies towards the cost of construction of Anda Production Facility and Baoqing Production Facility; and (ii) as a support to the manufacturing industry during the impact of COVID-19. Rental income refers to the rent derived primarily from our renting out of warehouses located in our Sichuan Production Facility and Daxing Production Facility.

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The following table sets forth the breakdown of our other income by amount and as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Other Income										
Bank interest income . . .	4,691	0.2	2,916	0.1	3,539	0.1	1,965	0.1	2,980	0.1
Interest income from joint ventures	7,160	0.3	12,729	0.3	-	-	-	-	-	-
Government grants	415	0.0	249	0.0	2,007	0.0	1,381	0.1	2,144	0.1
Rental income	2,799	0.1	1,473	0.0	1,127	0.0	819	0.0	679	0.0
Others	480	0.0	49	0.0	174	0.0	139	0.0	506	0.0
Total.	15,545	0.7	17,416	0.5	6,847	0.1	4,304	0.2	6,309	0.3

Other Gains and Losses

Our other gains and losses consist of gain or loss on disposal of plant and equipment, gain on disposal of right-of-use assets, net foreign exchange gains or losses, gain on deemed disposal of joint ventures, surcharges and others, and others. Gain or loss on disposal of plant and equipment refers to the gain or loss on disposal of buildings, production machinery and equipment. Gain on disposal of right-of-use assets was primarily derived from the sum received from the PRC government for its resumption of our land held by Sichuan Migao and constituted the primary other gain item in FY2021. Gain on deemed disposal of joint ventures represents the gain derived from the acquisition of subsidiaries through obtaining control over two former joint ventures of our Group, namely, Anda Migao and Baoqing Migao, on 31 March 2022. Surcharges and others represent the provision for the surcharges and others for late tax filings of the PRC subsidiaries of our Group.

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The following table sets forth the breakdown of our other gains and losses by amount and as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Other Gains and (Losses)										
Gain (loss) on disposal of plant and equipment . .	30,319	1.5	(117)	(0.0)	(12)	(0.0)	15	0.0	170	0.0
Gain on disposal of right-of-use assets	94,363	4.5	-	-	-	-	-	-	-	-
Net foreign exchange gains (losses) . .	11,630	0.6	(485)	(0.0)	(16,357)	(0.3)	(12,197)	(0.4)	4,900	0.2
Gain on deemed disposal of joint ventures . .	-	-	12,962	0.3	-	-	-	-	-	-
Surcharges and others	(9,330)	(0.4)	(10)	(0.0)	(88)	(0.0)	-	-	-	-
Others	-	-	(295)	(0.0)	(451)	(0.0)	(725)	(0.0)	(937)	(0.0)
Total	126,982	6.1	12,055	0.3	(16,908)	(0.4)	(12,907)	(0.5)	4,133	0.2

Impairment Losses, Net of Reversal

Our impairment losses net of reversal consist of impairment losses recognised on trade receivables.

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The following table sets forth the breakdown of our impairment losses, net of reversal, by amount and as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Impairment										
Losses, Net of										
Reversal										
Impairment losses recognised on:										
– Trade										
receivables . . .	(2,954)	(0.1)	11,181	0.3	(1,655)	(0.0)	4,441	0.2	(2,931)	(0.1)
Total	(2,954)	(0.1)	11,181	0.3	(1,655)	(0.0)	4,441	0.2	(2,931)	(0.1)

Distribution and Selling Expenses

Our distribution and selling expenses primarily consist of transportation charge, and other distribution and selling expenses. The following table sets forth a breakdown of our distribution and selling expenses, by amount and as a percentage of our total revenue, for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Distribution and										
Selling Expenses										
Transportation										
charge	26,722	1.3	69,049	1.8	57,666	1.2	33,119	1.2	16,027	0.7
Other distribution										
and selling										
expenses	1,582	0.1	5,719	0.1	4,049	0.1	1,805	0.1	1,284	0.1
Total	28,304	1.4	74,768	1.9	61,716	1.3	34,924	1.3	17,311	0.8

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General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) payroll and welfare for administrative employees; (ii) depreciation and amortisation, which primarily consist of depreciation of office buildings and office equipment and amortisation of right-of-use assets; (iii) other taxes; (iv) travelling and entertainment expense; (v) professional fees mainly for our subsidiaries' local audits and legal fees; (vi) office supplies; and (vii) others which primarily consist of miscellaneous office expense, employees' training, insurance, maintenance and other expenses.

The following table sets forth a breakdown of our general and administrative expenses, by amount and as a percentage of our total revenue, for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							<i>(unaudited)</i>			
General and Administrative Expenses										
Payroll and welfare.	19,049	0.9	22,314	0.6	29,897	0.6	17,973	0.7	24,350	1.1
Depreciation and amortisation . . .	13,489	0.6	13,158	0.3	15,753	0.3	9,772	0.4	9,234	0.4
Other taxes	5,191	0.2	5,314	0.1	8,670	0.2	5,528	0.2	5,604	0.2
Travelling and entertainment expense	6,285	0.3	7,702	0.2	14,208	0.3	8,436	0.3	11,460	0.5
Professional fees . .	9,271	0.4	1,131	0.0	9,865	0.2	7,977	0.3	2,078	0.1
Office supplies . . .	3,202	0.2	3,724	0.1	4,741	0.1	5,324	0.2	4,139	0.2
Other	6,313	0.3	10,264	0.3	22,555	0.5	5,178	0.2	6,646	0.3
Total	62,800	3.0	63,607	1.7	105,689	2.2	60,188	2.2	63,511	2.8

Research and Development Expenses

Our research and development expenses are derived from our research and development activities to improve our production methods. For details of our research and development activities, please refer to the section headed “Business – Research and Development” in this prospectus. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our research and development expenses amounted to RMB24.5 million, RMB38.9 million, RMB31.0 million, RMB21.7 million and RMB26.3 million, respectively.

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Other Expenses

Our other expenses mainly consist of professional service fees incurred in relation to a previous potential listing exercise that has fully expensed during the Track Record Period. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our other expenses amounted to RMB1.4 million, nil, nil, nil and nil, respectively.

Share of Results of Joint Ventures

Our share of results of joint ventures relates to our share of profit or loss from our joint ventures during the Track Record Period, namely, EuroChem Migao, Baoqing Migao and Anda Migao. EuroChem Migao invests in a joint venture, Yunnan EuroChem, which is primarily involved in operating the business of production and sale of fertilisers and related chemical product. Baoqing Migao and Anda Migao, our joint ventures during the Track Record Period and up to 31 March 2022, hold and operate our Baoqing Production Facility and Anda Production Facility, respectively. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our share of results of joint ventures amounted to a loss of RMB2.0 million, a gain of RMB28.3 million, a gain of RMB11.3 million, a loss of RMB0.3 million and a loss of RMB11.1 million, respectively. For details of the financial position and profitability of each of our joint ventures, please refer to Note 19 to the Accountants' Report included in Appendix I to this prospectus.

Finance Costs

Our finance costs primarily consist of (i) interest expenses on bank borrowings; (ii) interest expenses on loans from related companies, namely, a related company of Heilongjiang Beidahuang and the immediate holding company of Heilongjiang Beidahuang, to Anda Migao. For details, please refer to the paragraph headed "Indebtedness – Loans from Related Companies" below; and (iii) interest expenses on lease liabilities representing the present value of the lease payments correspond to our right-of-use assets (i.e. our leased properties primarily used as office or production facility during the Track Record Period).

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The following table sets forth a breakdown of our finance costs and each item as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							<i>(unaudited)</i>			
Finance Costs										
Interest expenses										
on bank										
borrowings	10,197	0.5	9,362	0.2	11,203	0.2	8,005	0.3	8,936	0.4
Interest expenses										
on loans from										
related companies	-	-	-	-	5,825	0.1	3,843	0.1	3,442	0.2
Interest expenses										
on lease										
liabilities	274	0.0	299	0.0	623	0.0	392	0.0	351	0.0
Total	10,471	0.5	9,661	0.3	17,651	0.4	12,240	0.4	12,729	0.6

Income Tax Expense

Our income tax expense consist of PRC enterprise income tax (“EIT”) and deferred income tax. We are subject to income tax or profit tax at various rates under different jurisdictions.

The following table sets forth the breakdown of our income tax expense and each item as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							<i>(unaudited)</i>			
Income tax										
 expense										
 comprised:										
Current tax										
EIT	50,286	2.4	77,783	2.0	111,785	2.4	70,585	2.6	34,415	1.5
Deferred tax	8,115	0.4	(3,319)	(0.1)	115	0.0	(1,943)	(0.1)	67	0.0
Total	58,401	2.8	74,464	1.9	111,900	2.4	68,642	2.5	34,482	1.5

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The following summarises certain tax laws and regulations applicable to us in the Cayman Islands, Hong Kong and the PRC.

Cayman Islands

Our Company is incorporated in the Cayman Islands. Our Group is not subject to any income tax in the Cayman Islands pursuant to the rules and regulations in the jurisdiction.

Hong Kong

We have a Hong Kong subsidiary within our Group. Hong Kong currently adopts a two-tiered profits tax rates regime, under which the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

No provision for Hong Kong profits tax was made for the Track Record Period as our Hong Kong subsidiary did not record assessable profit subject to Hong Kong profits tax for the relevant years.

PRC

We have a number of PRC subsidiaries that are subject to EIT. EIT is calculated at the applicable rates of tax prevailing in the areas in which our Group operates, based on the existing legislation, interpretations and practices.

Pursuant to the PRC EIT law and its detailed implementation rules, the tax rate is at 25%. Besides, if the subsidiaries are qualified as high-technology companies (under the applicable PRC EIT law), the subsidiaries are entitled to a reduced rate of 15% and such qualification is subject to renewal every three years. Certain of our group entities in the PRC are entitled to the reduced tax rate of 15% during the Track Record Period.

According to the PRC EIT Law and its implementation rules, withholding income tax at a rate of 10% would be imposed on dividends to foreign investors for companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise; otherwise, the withholding rate remains at 10%.

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PRC Tax Re-filings

Two of our operating subsidiaries in the PRC had voluntarily re-filed their tax filings involving prior year adjustments with the PRC tax authorities in 2022. Specifically, Guangdong Migao adjusted its profit for calendar years prior to 2019 as well as its profit by RMB24.6 million, RMB69.8 million and RMB210.8 million in its EIT annual settlement returns for 2019, 2020 and 2021, respectively, due to the accounting treatment on (i) the timing difference in recognising rebates from suppliers of RMB24.6 million, RMB42.0 million and RMB51.5 million for 2019, 2020 and 2021, respectively; (ii) the timing difference in recognising profits generated from consignment sales of RMB27.9 million and RMB61.9 million for 2020 and 2021, respectively; and (iii) the over-provision of transportation and operating expenses of RMB97.5 million for 2021, primarily due to the provision for transportation costs in connection with the purchases, internal transfers and sales of certain batches of shipments expected to be arrived in 2021, but the actual transfers and delivery were delayed and only completed in early 2022 or cancelled due to the impact of the global supply uncertainty of KCL during the relevant time (the “**Adjustment Items**”); whereas Sichuan Migao adjusted its profits for RMB17.3 million in its EIT annual settlement returns for 2019 due to the accounting treatment on one of the Adjustment Items, namely, the timing difference in recognising rebates from suppliers.

We became aware of the possible historical shortfall relating to the accounting treatment on the Adjustment Items during the preparation for the Global Offering. We then sought to gain a better understanding of the relevant tax regulations and practices, with an aim to rectify and discharge any possible tax obligations. As a result, we engaged a tax consultant, which is an international accounting firm, to review our tax filings and took the appropriate rectification actions.

Although Guangdong Migao had already known the circumstances leading to the over-provision of transportation and operating expenses at the time of the filing of its original EIT annual settlement return for 2021, the quantum of the resulting adjustments was yet to be finalised. To ensure the accuracy and consistency of the financial figures presented in the tax accounts of Guangdong Migao and the accountants’ report of our Group for FY2020, FY2021 and FY2022 included in the application proof of the prospectus of our Company (the “**Draft Accountants’ Report**”) for our listing application, Guangdong Migao had intended to make the relevant adjustments through making subsequent tax re-filing after the finalisation of the Draft Accountants’ Report, instead of making such adjustments directly in the original EIT annual settlement return for 2021 by May 2022. The tax accounts of Guangdong Migao for 2021 and the Draft Accountants’ Report were only finalised in mid-2022. As such, Guangdong Migao made the relevant adjustments in its tax re-filing for 2021 in July 2022.

To rectify the EIT positions of Guangdong Migao due to the accounting treatment on the Adjustment Items for the relevant years, Guangdong Migao submitted revised EIT annual settlement returns for 2019, 2020 and 2021 (as well as the relevant prior years) to the competent PRC tax authority on a voluntarily and proactive basis, and the competent PRC tax authority had duly accepted the EIT re-filings by means of issuing the tax demand notes to

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Guangdong Migao. As a result, Guangdong Migao paid additional EIT for the relevant prior years, as well as RMB3.8 million, RMB14.9 million and RMB27.1 million for 2019, 2020 and 2021, respectively, to the competent PRC tax authority. In compliance with the Detailed Rules for the Implementation of Law on Administration of Taxation of the People's Republic of China (《中華人民共和國稅收徵收管理法實施細則》) (the “**Collection Rules**”), Guangdong Migao settled late payment surcharges of RMB1.3 million, RMB2.3 million and RMB0.5 million for the late payments of additional EIT for 2019, 2020 and 2021, respectively.

Guangdong Migao had included an additional net profit of RMB30.0 million in its tax re-filing for 2020 in March 2022, which consisted of (i) RMB23.3 million of additional net profit for the timing difference in recognising profits generated from consignment sales; and (ii) RMB7.0 million of additional net profit for the timing difference in recognising rebates from suppliers, but (iii) partially offset by relevant provision of VAT surcharges amounted RMB0.3 million, to avoid risk of underpayment of EIT as a result of possible accounting adjustment(s) that were subsequently identified during the preparation of the Draft Accountants' Report for our listing application. According to HKFRSs, such amount shall be recognised as the net profit of Guangdong Migao for 2021. As Guangdong Migao had further reported net profit in the tax re-filing for 2021 in July 2022, such net profit was partially offset by the over-adjustment amount for 2020.

To rectify the EIT positions of Sichuan Migao due to the accounting treatment on one of the Adjustment Item, namely, the timing difference in recognising rebates from suppliers, in 2019, Sichuan Migao submitted revised EIT annual settlement returns for 2019 and 2020 to the competent PRC tax authority on a voluntarily and proactive basis, and the competent PRC tax authority had duly accepted the EIT re-filings by means of issuing tax demand notes to Sichuan Migao. As a result, Sichuan Migao paid additional EIT amounted to nil and RMB5.4 million, for 2019 and 2020, respectively. As Sichuan Migao had been in loss position prior to 2019, it did not incur any additional taxes due to the accounting treatment on the relevant Adjustment Item. Similarly, in compliance with the Collection Rules, Sichuan Migao settled late payment surcharges of RMB0.8 million for 2020.

As at the Latest Practicable Date, Guangdong Migao and Sichuan Migao had already paid the above additional EIT and the late payment surcharge in full to the competent PRC tax authorities. Our Directors confirm that the competent authority only imposed late payment surcharge in accordance with Article 32 the Collection Rules, without imposing any penalty. Our Directors are of the view that the chance for the competent PRC tax authority to institute penalty action against Guangdong Migao and Sichuan Migao for the Track Record Period is remote based on their discussions with our tax consultant and on the ground that:

- (i) Guangdong Migao and Sichuan Migao had re-prepared and re-submitted its respective EIT annual settlement returns to the competent PRC tax authorities, and such EIT annual settlement returns had all been duly accepted by the competent PRC tax authorities. The competent PRC tax authorities did not challenge the accounting treatment on the Adjustment Items as well as the basis for re-calculating the additional EIT;

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- (ii) all additional EIT payables derived from the tax re-filings had been accepted and settled by the competent PRC tax authorities, and Guangdong Migao and Sichuan Migao have obtained valid tax payment certificates from the competent PRC tax authorities with respect to the additional EIT after the settlement of such additional EIT payables;
- (iii) the competent PRC tax authorities had only imposed late payment surcharges in accordance with the Collection Rules on Guangdong Migao and Sichuan Migao with respect to the additional EIT payables for the relevant period. As if the competent PRC tax authorities had intended to impose penalty on Guangdong Migao and Sichuan Migao, it would have issued penalty notices before it issued the valid tax payment certificates to these two subsidiaries. Guangdong Migao and Sichuan Migao did not receive any penalty notices up to the Latest Practicable Date; and
- (iv) there is no objective evidence of our Group that had engaged in actions of tax evasion.

We have adopted certain internal control measures to prevent recurrence of similar incidents. For example:

- we have designated employees to periodically check and review government's latest tax laws, regulation and policies to ensure our compliance with them. We will also arrange trainings for relevant employees to ensure they are aware of the relevant tax laws, regulations and policies;
- we have established internal procedure whereby the accounting departments of our subsidiaries will prepare tax settlement returns, which shall only be uploaded to the tax system after review by the local financial controllers of our respective subsidiaries;
- we have adopted a tax management policy covering areas such as tax provision, and other tax-related matters;
- we have established internal procedures in relation to the selection and engagement of external tax consultancy service providers to enhance our communications with them to avoid recurrence of similar incidents; and
- we have prepared a compliance checklist and designated one of our Directors to monitor and review our compliance with the items on the checklist, and update such checklist in accordance with the applicable laws and regulations on a quarterly basis. Our chief financial officer shall also review such checklist on a quarterly basis.

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We have conducted follow-up internal control reviews from December 2021 to October 2022 and from June 2023 to July 2023, which covered the review of the above internal control measures, and no material internal control deficiencies were identified from these follow-up internal control reviews. Based on the confirmation and interview with the competent PRC tax authorities, our PRC Legal Advisers are of the view that: (a) the competent PRC tax authorities will not impose any administrative penalty on Guangdong Migao and Sichuan Migao for their respective Adjustment Item(s) in their original tax filings, as the tax liabilities in connection with the Adjustment Items had been paid in full; (b) the likelihood for higher level of authorities to challenge the relevant tax payment certificates issued by the competent PRC tax authorities is low; and (c) the competent PRC tax authorities had full knowledge of the details of all Adjustment Items when issuing the relevant tax payment certificates. Further, based on the confirmation of the competent PRC tax authority, our PRC Legal Advisers are of the view that the over-provision of transportation costs and operating expenses by Guangdong Migao in its tax filing in January 2021 would not constitute any tax evasion or refusal to pay tax or fraud in tax payment under applicable PRC tax laws and regulations.

Please refer to the section headed “Risk Factors – Risks Relating to Our Business – Tax authorities could challenge our allocation of taxable income or adoption of different accounting principles which could increase our overall tax liability or penalty” in this prospectus for further details about the risks and uncertainties associated with our PRC tax re-filings.

Other jurisdictions

We have subsidiaries incorporated in Singapore and Malaysia. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. We did not record any assessable profit subject to any income tax in other jurisdictions during the Track Record Period.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year Ended 31 March 2022 Compared to Year Ended 31 March 2021

Revenue

Our total revenue increased by RMB1,759.8 million, or approximately 84.5%, from RMB2,081.6 million for FY2021 to RMB3,841.4 million for FY2022, primarily due to the increase in revenue from the sale of KCL driven by its substantial increase in both (i) sales volume by approximately 52.9% due to the increased demand in China caused by increasing plantation and agricultural activities as the economic and market conditions in China continued to recover from COVID-19, and (ii) our average selling price by approximately 66.3% in the same year as a result of the shortage in supply of KCL in China due to the uncertainty in global potash supply, which was partially offset by a decrease in revenue from the sale of compound fertiliser due to the new business arrangement with Guizhou Tobacco Investment for the tobacco fertiliser products we manufacture for them since the fourth quarter of 2021.

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Cost of Goods Sold

Our total cost of goods sold increased by RMB1,377.1 million, or approximately 75.2%, from RMB1,830.8 million for FY2021 to RMB3,208.0 million for FY2022, which was broadly in line with our revenue growth largely attributable to the significant increase in the costs of direct materials as a result of the increase in amount of KCL used to support the substantial increase in our overall sales volume, as well as an increase of approximately 57.8% in the unit cost of goods sold for KCL comparing to FY2021.

Gross Profit and Gross Profit Margins

Our total gross profit increased by RMB382.7 million, or approximately 152.6%, from RMB250.7 million for FY2021 to RMB633.4 million for FY2022, and our gross profit margin increased from approximately 12.0% for FY2021 to approximately 16.5% for FY2022. The increase in gross profit was primarily due to the increase in gross profit from sales of KCL by RMB346.6 million or approximately 268.7% from RMB129.0 million for FY2021 to RMB475.6 million for FY2022. The increase in gross profit margin was mainly due to (i) an increase in gross profit contributed by sales of our SOP from RMB81.6 million for FY2021 to RMB125.6 million for FY2022; (ii) an increase in gross profit margin of SOP from approximately 15.6% for FY2021 to approximately 23.5% for FY2022; and (iii) the said increase in gross profit contributed by our KCL in FY2022 and the corresponding increase in gross profit margin from approximately 10.3% for FY2021 to approximately 15.0% for FY2022.

Other Income

Our other income increased by RMB1.9 million or approximately 12.0% from RMB15.5 million for the FY2021 to RMB17.4 million for FY2022, primarily due to the increase in interest income from joint ventures of RMB5.6 million primarily due to the increase in interest income derived from the loans to Anda Migao and Baoqing Migao in support of their working capital requirements in FY2022, offset by the decrease in bank interest income derived from our bank deposit of RMB1.8 million and the decrease in rental income derived from our renting out a warehouse in our Daxing Production Facility in FY2022 of RMB1.3 million.

Other Gains and Losses

Our other gains and losses decreased by RMB114.9 million, from a net gain of RMB127.0 million for FY2021 to a net gain of RMB12.1 million for FY2022, primarily due to the one-off gain on (i) disposal of plant and equipment of RMB30.3 million as a result of our disposal of buildings owned by Sichuan Migao; and (ii) disposal of right-of-use assets of RMB94.4 million recorded in FY2021 for the sum of RMB96.9 million received from the local PRC government for its resumption of our leasehold land held by Sichuan Migao, in FY2021. The net gain of

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RMB12.1 million recorded in FY2022 was mainly attributable to the gain on deemed disposal of joint ventures of RMB13.0 million derived from the acquisition of subsidiaries through obtaining control over two former joint ventures of our Group, namely, Anda Migao and Baoqing Migao.

Impairment Losses, Net of Reversal

We recorded net impairment losses of RMB11.2 million for FY2022 as compared to the net reversal of impairment losses of RMB3.0 million for FY2021 mainly due to the net impairment allowance of RMB11.0 million recognised for trade receivables based on collective assessment.

Distribution and Selling Expenses

Our distribution and selling expenses increased by RMB46.5 million, or approximately 164.2%, from RMB28.3 million for FY2021 to RMB74.8 million for FY2022, primarily due to the increase in transportation charge as a result of the increase in the sales volume of our KCL by approximately 52.9% in FY2022. As a percentage of revenue, our distribution and selling expenses increased from approximately 1.4% for FY2021 to approximately 1.9% for FY2022.

General and Administrative Expenses

Our general and administrative expenses increased slightly by RMB0.8 million, or approximately 1.3%, from RMB62.8 million for FY2021 to RMB63.6 million for FY2022, primarily due to (i) the increase in payroll and welfare paid to our employees of RMB3.3 million; (ii) the increase in travelling and entertainment expenses of RMB1.4 million due to the increase in numbers of business trips attended by our management team; and (iii) the increase in others of RMB4.0 million due to the increase in miscellaneous office expense, employees' training, insurance, maintenance and other expenses in FY2022, partially offset by (iv) the decrease in professional expenses of RMB8.1 million in FY2022 mainly due to the aggregated additional accounting and consulting fees of RMB7.4 million incurred for application of preferential tax treatment and other financing matters in FY2021, which were one-off in nature. As a percentage of revenue, our general and administrative expenses decreased from approximately 3.0% for FY2021 to approximately 1.7% for FY2022.

Research and Development Expenses

Our research and development expenses increased by RMB14.3 million, or approximately 58.5%, from RMB24.5 million for FY2021 to RMB38.9 million for FY2022, primarily due to the increase in expenses in relation to testing material consumption from RMB15.4 million for FY2021 to RMB30.4 million for FY2022 as a result of increase in costs of potash fertilisers for testing purposes. As a percentage of revenue, our research and development expenses decreased from approximately 1.2% for FY2021 to approximately 1.0% to FY2022.

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Listing Expenses

Our Listing expenses increased from RMB1.7 million for FY2021 to RMB22.1 million for FY2022 mainly due to the increase in professional fees paid to professional parties in connection with the application for the listing of our Shares on the Main Board.

Share of Results of Joint Ventures

Our share of results of joint ventures increased from a loss of RMB2.0 million for FY2021 to a gain of RMB28.3 million for FY2022, primarily as a result of the profit and total comprehensive income recognised by EuroChem Migao of RMB6.1 million in FY2022, as compared to the loss and total comprehensive expense of RMB11.8 million in FY2021, due to the increase in profitability of the sales of NOP attributable to the increase in selling price.

Finance Costs

Our finance costs decreased by RMB0.8 million, or approximately 7.7%, from RMB10.5 million for FY2021 to RMB9.7 million for FY2022, primarily due to a decrease of RMB0.8 million in interest expense incurred on bank borrowings for FY2022 as the decrease in effective interest rate from 5.4% in FY2021 to 4.9% in FY2022 as a result of the lower interest rate of several new loans obtained by our Group in late FY2022 ranging from 3.3% to 4.1%.

Income Tax Expense

Our income tax expense increased by RMB16.1 million, or approximately 27.5%, from RMB58.4 million for FY2021 to RMB74.5 million for FY2022, primarily as a result of an increase in EIT from RMB50.3 million for FY2021 to RMB77.8 million for FY2022 due to the increase in profit before tax from RMB264.9 million for FY2021 to RMB471.0 million for FY2022, partially offset by the decrease in deferred tax assets charged to profit or loss in FY2022 as most of the tax losses previously recognised had been utilised in FY2021.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB190.1 million, or approximately 92.0%, from RMB206.5 million for FY2021 to RMB396.6 million for FY2022.

Year Ended 31 March 2023 Compared to Year Ended 31 March 2022

Revenue

Our total revenue increased by RMB881.3 million, or approximately 22.9%, from RMB3,841.4 million for FY2022 to RMB4,722.7 million for FY2023, primarily due to the substantial increase in the average selling price of our KCL by approximately 31.5% in FY2023, partially offset by the decrease in overall sales volume of our products by approximately 3.1%.

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Cost of Goods Sold

Our total cost of goods sold increased by RMB747.2 million, or approximately 23.3%, from RMB3,208.0 million for FY2022 to RMB3,955.2 million for FY2023, primarily due to the increase in costs of direct materials in FY2023 due to the increase in our average purchase price of KCL as a result of the increase in the Sea Import Master Contract Price from US\$247 per tonne as applied to FY2022 to US\$590 per tonne as applied to FY2023, partially offset by the decrease in overall sales volume of our products by approximately 3.1%.

Gross Profit and Gross Profit Margins

Our total gross profit increased by RMB134.1 million, or approximately 21.2%, from RMB633.4 million for FY2022 to RMB767.5 million for FY2023, primarily due to the increase in gross profit from sales of KCL by RMB212.9 million from RMB475.6 million for FY2022 to RMB688.5 million for FY2023, partially offset by the decrease in gross profit from sales of SOP by RMB75.7 million from RMB125.6 million for FY2022 to RMB49.8 million for FY2023. Our gross profit margin remained stable at approximately 16.5% and 16.3% for FY2022 and FY2023, respectively.

Other Income

Our other income decreased by RMB10.6 million or approximately 60.7% from RMB17.4 million for FY2022 to RMB6.8 million for FY2023, primarily due to the decrease in interest income derived from our loans to our then joint ventures, namely, Baoqing Migao and Anda Migao from RMB12.7 million for FY2022 to nil for FY2023, as Baoqing Migao and Anda Migao have become our subsidiaries since 31 March 2022.

Other Gains and Losses

Our other gains and losses decreased by RMB29.0 million from a net gain of RMB12.1 million for FY2022 to a loss of RMB16.9 million for FY2023, primarily due to (i) the increase in net foreign exchange losses from net foreign exchange losses of RMB0.5 million for FY2022 to net foreign exchange losses of RMB16.4 million for FY2023 as a result of the foreign exchange losses derived from our settlements of monetary liabilities denominated in US dollar in FY2023, and (ii) the decrease in gain on deemed disposal of joint ventures from a gain of RMB13.0 million for FY2022 to nil for FY2023 as a result of the acquisition of subsidiaries of Anda Migao and Baoqing Migao in FY2022 which was one-off in nature.

Impairment Losses, Net of reversal

We recorded a net reversal of impairment losses of RMB1.7 million for FY2023 as compared to the impairment losses of RMB11.2 million for FY2022 as a result of the improvement in our trade receivables turnover for FY2023.

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Distribution and Selling Expenses

Our distribution and selling expenses decreased by RMB13.1 million or approximately 17.5% from RMB74.8 million for FY2022 to RMB61.7 million for FY2023, primarily due to the decrease in sales volume of our products in FY2023. As a percentage of revenue, our distribution and selling expenses decreased from approximately 1.9% for FY2022 to approximately 1.3% for FY2023.

General and Administrative Expenses

Our general and administrative expenses increased by RMB42.1 million or approximately 66.2% from RMB63.6 million for FY2022 to RMB105.7 million for FY2023, primarily due to (i) the inclusion of the general and administrative expenses of Baoqing Migao and Anda Migao in our total general and administrative expenses for FY2023 as they have become our subsidiaries since 31 March 2022 following the amendments to their respective articles of association; and (ii) the increase in travelling and entertainment expense in late FY2023 as the PRC government substantially lifted its COVID-19 prevention and control policies. As a percentage of revenue, our general and administrative expenses increased from approximately 1.7% for FY2022 to approximately 2.2% for FY2023.

Research and Development Expenses

Our research and development expenses decreased by RMB7.8 million or approximately 20.1% from RMB38.9 million for FY2022 to RMB31.0 million for FY2023, primarily due to the decrease in expenses in relation to testing material consumption from RMB30.4 million for FY2022 to RMB22.7 million for FY2023, as a result of a decrease in the number of research and development projects, partially offset by the inclusion of research and development expenses incurred by Baoqing Migao for FY2023 as it has become our subsidiary since 31 March 2022 following the amendments to its articles of association. As a percentage of revenue, our research and development expenses decreased from approximately 1.0% for FY2022 to approximately 0.7% for FY2023.

Listing Expenses

Our Listing expenses remained stable at RMB20.9 million for FY2023 compared to RMB22.1 million for FY2022.

Share of Results of Joint Ventures

Our share of results of joint ventures decreased by RMB17.0 million from a gain of RMB28.3 million for FY2022 to a gain of RMB11.3 million for FY2023, primarily due to the recognition of Baoqing Migao and Anda Migao as our subsidiaries since 31 March 2022, which ceased to share their results as our joint ventures on the same date.

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Finance Costs

Our finance costs increased by RMB8.0 million or approximately 82.7% from RMB9.7 million for FY2022 to RMB17.7 million for FY2023, primarily due to (i) the increase in interest expenses on bank borrowings from RMB9.4 million for FY2022 to RMB11.2 million for FY2023, as a result of the additional interest expenses in FY2023 derived from the outstanding advance from banks on discounted bills receivables with full recourse of RMB153.2 million as at 31 March 2022 as compared to the outstanding advance of RMB12.0 million as at 31 March 2021; and (ii) the increase in interest expenses on loans from related companies from nil for FY2022 to RMB5.8 million for FY2023, as a result of Anda Migao becoming our subsidiary since 31 March 2022 and its interest expenses on loans from a related company of Heilongjiang Beidahuang and the immediate holding company of Heilongjiang Beidahuang became our interest expenses on loans from related companies for FY2023.

Income Tax Expense

Our income tax expense increased by RMB37.4 million or approximately 50.3% from RMB74.5 million for FY2022 to RMB111.9 million for FY2023, primarily as a result of an increase in EIT from RMB77.8 million for FY2022 to RMB111.8 million for FY2023 due to the increase in profit before tax from RMB471.0 million for FY2022 to RMB533.4 million for FY2023.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB24.9 million or approximately 6.3% from RMB396.6 million for FY2022 to RMB421.5 million for FY2023.

8MFY2024 Compared to 8MFY2023

Revenue

Our total revenue decreased by RMB443.5 million, or approximately 16.3%, from RMB2,727.2 million for 8MFY2023 to RMB2,283.7 million for 8MFY2024, primarily due to (i) the decrease in average selling price of our KCL and SOP by approximately 36.8% and 23.9%, respectively, partially offset by (ii) the increase in overall sales volume of our products by approximately 30.0%.

Cost of Goods Sold

Our total cost of goods sold decreased by RMB312.4 million, or approximately 13.8%, from RMB2,266.5 million for 8MFY2023 to RMB1,954.2 million for 8MFY2024, primarily due to (i) the decrease in costs of direct material in 8MFY2024 due to the decrease in our average purchase price of KCL as a result of the decrease in the Sea Import Master Contract Price to US\$307 per tonne in June 2023, partially offset by (ii) the increase in overall sales volume by approximately 30.0%.

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Gross Profit and Gross Profit Margins

Our total gross profit decreased by RMB131.1 million, or approximately 28.5%, from RMB460.7 million for 8MFY2023 to RMB329.6 million for 8MFY2024, primarily due to the decrease in gross profit from sales of our KCL from RMB415.5 million for 8MFY2023 to RMB262.3 million for 8MFY2024. Our gross profit margin decreased from approximately 16.9% for 8MFY2023 to approximately 14.4% for 8MFY2024, primarily due to the decrease in gross profit margin of our KCL from approximately 17.5% for 8MFY2023 to approximately 13.4% for 8MFY2024.

Other Income

Our other income increased by RMB2.0 million, or approximately 46.6%, from RMB4.3 million for 8MFY2023 to RMB6.3 million for 8MFY2024, primarily due to (i) the increase in bank interest income as a result of the general increase in bank interest rate and the increase in average bank balances and cash in 8MFY2024; and (ii) the increase in government grants in 8MFY2024 as a result of an one-off government grant of RMB2.0 million received by Baoqing Migao during the same period.

Other Gains and Losses

Our other gains and losses increased by RMB17.0 million from a net loss of RMB12.9 million for 8MFY2023 to a net gain of RMB4.1 million for 8MFY2024, primarily due to the significant foreign exchange losses of RMB12.2 million mainly derived from our settlements of monetary liabilities denominated in US dollar in 8MFY2023, as compared to the foreign exchange gain of RMB4.9 million in 8MFY2024 mainly derived from the prepayment made to our suppliers denominated in US dollar during the same period.

Impairment Losses, Net of reversal

We recorded a net reversal of impairment losses of RMB2.9 million for 8MFY2024 as compared to the impairment losses of RMB4.4 million for 8MFY2023 mainly due to the improvement in the recoverability of our trade receivables in 8MFY2024, as evidenced by the decrease in trade and bills receivables turnover days from approximately 35.4 days for FY2023 to approximately 25.0 days for 8MFY2024.

Distribution and Selling Expenses

Our distribution and selling expenses decreased by RMB17.6 million, or approximately 50.4%, from RMB34.9 million for 8MFY2023 to RMB17.3 million for 8MFY2024, primarily due to the decrease in transportation charge in 8MFY2024 as a result of the decrease in inventory management activities between the subsidiaries of our Group during the same period. As a percentage of revenue, our distribution and selling expenses decreased from approximately 1.3% for 8MFY2023 to approximately 0.8% for 8MFY2024.

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General and Administrative Expenses

Our general and administrative expenses increased by RMB3.3 million, or approximately 5.5%, from RMB60.2 million for 8MFY2023 to RMB63.5 million for 8MFY2024, primarily due to (i) the increase in payroll and welfare of certain subsidiaries in 8MFY2024; and (ii) the increase in travelling and entertainment expense in 8MFY2024 due to the increase in business trips and meetings for the same period as the PRC Government had substantially lifted its COVID-19 prevention and control policies. As a percentage of revenue, our general and administrative expenses increased from approximately 2.2% for 8MFY2023 to approximately 2.8% for 8MFY2024.

Research and Development Expenses

Our research and development expenses increased by RMB4.6 million, or approximately 21.3%, from RMB21.7 million for 8MFY2023 to RMB26.3 million for 8MFY2024, primarily due to (i) the increase in expenses in relation to testing material consumption for 8MFY2024 as a result of the increase in testing material consumption for our research and development activities during the same period; and (ii) the additional research and development expenses incurred by Migao Century (Chengdu), our subsidiary newly established in August 2022, in 8MFY2024. As a percentage of revenue, our research and development expenses increased from approximately 0.8% to approximately 1.2%.

Listing Expenses

Our listing expenses increased by RMB2.5 million, or approximately 19.7% from RMB12.8 million for 8MFY2023 to RMB15.4 million for 8MFY2024, primarily due to the increase in professional fees incurred in connection with the application for listing of our Shares on the Main Board.

Share of Results of Joint Ventures

Our share results of joint ventures increased by RMB10.8 million from a loss of RMB0.3 million for 8MFY2023 to a loss of RMB11.1 million for 8MFY2024, primarily due to the decrease in sales volume and gross profit margin of NOP of EuroChem Migao for 8MFY2024.

Finance Costs

Our finance costs increased by RMB0.5 million, or approximately 4.0%, from RMB12.2 million for 8MFY2023 to RMB12.7 million for 8MFY2024, primarily due to (i) the increase in interest expenses on bank borrowings from RMB8.0 million for 8MFY2023 to RMB8.9 million for 8MFY2024 as a result of the increase in bank borrowings during the same period, partially offset by the decrease in interest expenses on loans from related companies from RMB3.8 million for 8MFY2023 to RMB3.4 million for 8MFY2024 as a result the decrease in the interest rate applicable to the relevant loans from related companies from 6.0% for 8MFY2023 to 5.0% for 8MFY2024.

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Income Tax Expense

Our income tax expenses decreased by RMB34.2 million, or approximately 49.8%, from RMB68.6 million for 8MFY2023 to RMB34.5 million for 8MFY2024, primarily due to the decrease in EIT of our Group from RMB70.6 million for 8MFY2023 to RMB34.4 million for 8MFY2024, as a result of the decrease in profit before tax of our Group from RMB305.5 million for 8MFY2023 to RMB196.6 million for 8MFY2024.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by RMB74.7 million, or approximately 31.5%, from RMB236.8 million for 8MFY2023 to RMB162.1 million for 8MFY2024.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operating activities and, to a lesser extent, we raised bank borrowings to support our general working capital needs.

Cash Flow

The following table is a condensed summary of our consolidated statements of cash flows and analysis of balances of cash and cash equivalents for the years/periods indicated:

	For the year ended 31 March			For the eight months ended 30 November	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Operating cash flows					
before movements in					
working capital	152,030	448,978	552,370	332,573	228,445
Decrease (increase) in					
trade and other					
receivables and					
prepayments	68,187	(535,338)	(154,662)	30,004	(495,278)
(Increase) decrease in					
inventories	(68,750)	(522,668)	625,271	211,443	(268,222)

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	For the year ended 31 March			For the eight months ended 30 November	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
(Decrease) increase in trade and other payables	(246,513)	256,630	(504,437)	(431,288)	(52,088)
Increase (decrease) in contract liabilities	271,656	189,658	(275,995)	85,583	493,038
(Increase) decrease in amount due from a related company	(21,575)	21,575	–	(27,000)	–
Increase (decrease) in amounts due to related companies	1,790	(14,575)	(421)	(421)	–
Increase (decrease) in amounts due to joint ventures	101,852	227,262	(33,061)	(25,071)	–
Decrease (increase) in amounts due from joint ventures	25,665	(15,187)	929	(26,945)	292
Decrease in amount due to a non-controlling interest	<u>(23,409)</u>	<u>(22,951)</u>	<u>(6,168)</u>	<u>–</u>	<u>–</u>
Cash generated from (used in) operations	260,933	33,384	203,826	148,878	(93,813)
Income taxes refunded (paid)	<u>303</u>	<u>(33,716)</u>	<u>(69,771)</u>	<u>(38,585)</u>	<u>(31,307)</u>
Net cash from (used in) operating activities	261,236	(332)	134,055	110,293	(125,120)
Net cash (used in) from investing activities	(79,655)	(6,243)	(91,270)	(65,693)	71,845

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	For the year ended 31 March			For the eight months ended 30 November	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in) from financing activities	(132,118)	232,393	37,548	(11,045)	(99,397)
Net increase (decrease) in cash and cash equivalents	49,463	225,818	80,333	33,555	(152,672)
Cash and cash equivalents at the beginning of the year/period	6,049	54,707	283,456	283,456	365,731
Effect of foreign exchange rate changes	(805)	2,931	1,942	3,984	446
Cash and cash equivalents at end of the year/period represented by bank balances and cash	<u>54,707</u>	<u>283,456</u>	<u>365,731</u>	<u>320,995</u>	<u>213,505</u>

Net cash from/(used in) operating activities

Our primary source of cash generated from operating activities consists of revenue from our sales of fertiliser products. Our net cash used in operating activities are mainly used to fund the costs directly incurred for our principal operating activities, such as the purchase of raw materials, labour costs and manufacturing costs. Our net cash generated from (used in) operating activities primarily reflects (i) our profit before tax, as adjusted for depreciation of plant and equipment, amortisation of intangible asset, depreciation of right-of-use assets, share of results of joint ventures, gain on deemed disposal of joint ventures, impairment losses net of reversal, finance costs, interest income, gain (loss) on disposal of plant and equipment, and gain on disposal of right-of-use assets; (ii) the effects of changes in working capital; and (iii) income tax paid (refunded).

For FY2021, our net cash generated from operating activities was RMB261.2 million. This amount was primarily attributable to RMB264.9 million in profit before tax, adjusted for certain non-cash items, principally (i) gain on disposal of right-of-use assets of RMB94.4

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million and (ii) gain on disposal of plant and equipment of RMB30.3 million, and further adjusted by changes in certain working capital accounts that affected operating cash flow, primarily (i) the increase in contract liabilities of RMB271.7 million due to increase in deposit received from customers as a result of the increase in sales of KCL because of increasing plantation and agricultural activities as the economic and market conditions in China; (ii) the increase in amounts due to joint ventures of RMB101.9 million due to the increased purchases of raw materials and finished goods from Baoqing Migao and Anda Migao; (iii) the decrease in trade and other receivables and prepayments of RMB68.2 million mainly due to the combined effect of (a) the decrease in trade and bills receivables by RMB557.4 million as a result of the faster payment made by our customers as the general economic conditions improved after COVID-19 restrictions have been lifted in FY2021 and our more stringent requirement on customers' deposit/prepayment before we sold the products to them; and (b) the increase in inventories prepayment by RMB415.7 million due to the increase in prepayment made by us for the purchases of raw materials to satisfy the upcoming seasonal demand of our products, offset by (iv) the decrease in trade and other payables of RMB246.5 million due to the decrease in bills payables of RMB217.7 million due to our less use of bills for settlement of account payables to suppliers and the increase in amount of inventories prepayment made by us to the suppliers for the purchase of raw materials in FY2021; and (v) the increase in inventories of RMB68.8 million as a result of the increased purchasing of raw materials in FY2021 in anticipation of the expected increase in seasonal demand of our products in the second half of FY2022.

For FY2022, our net cash used in operating activities was RMB0.3 million. This amount was primarily attributable to RMB471.0 million profit before tax, adjusted for certain non-cash items, principally share of profit of joint ventures of RMB28.3 million, further adjusted by changes in certain working capital accounts that affected operating cash flow, principally (i) the increase in trade and other receivables and prepayments of RMB535.3 million due to the increase in trade and bills receivables of RMB160.3 million and inventories prepayment of RMB453.2 million, which is in line with our sales growth and our strategy to maintain higher inventory reserve; (ii) the increase in inventories of RMB522.7 million due to the higher inventory reserve maintained by our Group as at 31 March 2022 in view of the potential risk of adverse import price fluctuation of KCL as a result of the global supply uncertainty; (iii) the decrease in outstanding amount payable to Guizhou Tobacco Investment for our purchases of raw materials, partially offset by (iv) the increase in trade and other payables of RMB256.6 million mainly due to the increase in trade payable of RMB250.8 million derived from the increase in domestic raw material purchases to satisfy additional demands of our products in FY2022 and to maintain higher inventory reserve; (v) the increase in amounts due to joint ventures of RMB227.3 million; and (vi) the increase in contract liabilities of RMB189.7 million due to the increase in deposits made by our customers for sales orders in late FY2022, as well as the income tax paid of RMB33.7 million which included the payment for additional EIT and surcharges in the total amount of RMB28.5 million resulted from the re-filings of revised EIT annual settlement returns for 2019 and 2020 by Guangdong Migao and Sichuan Migao. For details, please refer to the paragraph headed "Key Components of Our Consolidated Statements of Comprehensive Income – Income Tax Expense – PRC Tax Re-filings" in this section.

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For FY2023, our net cash generated from operating activities was RMB134.1 million. This amount was primarily attributable to RMB533.4 million profit before tax, adjusted for changes in certain working capital accounts that affected operating cash flow, principally (i) the decrease in inventories of RMB625.3 million due to our Group's plan to reduce our KCL reserve during late FY2023 in view of the stabilised import price of KCL in the PRC during the same period, partially offset by (ii) the decrease in trade and other payables of RMB504.4 million, primarily due to the decrease in trade and bills payables by RMB462.6 million as a result of the increase in the proportion of prepayments made to our suppliers and our settlements of outstanding trade payables and the settlement of bills payables at maturity in FY2023. During FY2023, certain amount of trade payables of our Group were settled by way of setting off against equivalent amounts of our supplier rebate receivables and inventories prepayment. For details, please refer to the paragraph headed "Selected Balance Sheet Items – Trade and Other Payables – Trade and Bills Payables" in this section; (iii) the decrease in contract liabilities of RMB276.0 million, primarily due to the decrease in deposits made by our customers for purchases of our potash fertiliser products during late FY2023 in view of the stabilised market selling price of KCL in the PRC during the same period; (iv) the increase in trade and other receivables and prepayments of RMB154.7 million, primarily due to (x) the increase in inventory prepayments of RMB266.1 million as a result of the prepayments made to our suppliers in late FY2023 to secure sources of KCL for our production and sales in FY2024, partially offset by (y) the decrease in trade and bills receivables of RMB100.3 million because of our effort to collect such receivables in FY2023 and to a lesser extent, the decrease in sales in March 2023; and (v) the decrease in amounts due to joint ventures of RMB33.1 million, primarily due to the decrease in amount due to Yunnan EuroChem from RMB34.7 million as at 31 March 2022 to nil as at 31 March 2023 as a result of the decrease in our purchases of raw materials and finished goods from Yunnan EuroChem during FY2023, as well as the income tax paid of RMB69.8 million which included the payment for additional EIT and surcharges in total amount of RMB27.5 million in July 2022 resulted from the re-filing of revised EIT annual settlement returns for 2021 by Guangdong Migao. For details, please refer to the paragraph headed "Key Components of Our Consolidated Statements of Comprehensive Income – Income Tax Expense – PRC Tax Re-filings" in this section.

For 8MFY2024, our net cash used in operating activities was RMB125.1 million. This amount was mainly attributable to RMB196.6 million profit before tax, adjusted by changes in certain working capital accounts that affected operating cash flow, principally (i) the increase in trade and other receivables and prepayments of RMB495.3 million, primarily due to the increase in inventories prepayment of RMB590.1 million in 8MFY2024 made by our Group to secure sources of KCL for our production and sales in the remaining period of the peak season in FY2024 partially offset by the decrease in trade and bills receivable of RMB64.0 million as a result of our stringent requirement on customers' deposit in 8MFY2024 in view of the increase in demand and sales volume in the same period; (ii) the increase in inventories of RMB268.2 million, primarily due to the increase in raw material reserve maintained by our Group as at 30 November 2023 to satisfy customers' demands in the remaining period of the peak season in FY2024; (iii) the decrease in trade and other payables of RMB52.1 million, as a result of the increase in inventories prepayment made by our Group for purchases for the same period, partially offset by (iv) the increase in contract liabilities of RMB493.0 million,

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primarily due to the increase in deposits made by our customers in 8MFY2024 to secure the supply of our potash fertiliser products for the remaining period of the peak season in FY2024, and deducting the income tax paid of RMB31.3 million.

Although net cash used in operating activities of RMB125.1 million was recorded during 8MFY2024 mainly due to the increase in inventories prepayment and inventories during the same period as discussed above, it is expected that such operating cash outflow position will subsequently be improved in accordance with our historical trend, mainly due to the relatively significant net operating cash inflows to be generated from the sales of products during the four months ending 31 March 2024, which is expected to be higher than the amount for purchases during the relevant period, as evidenced by the general decreasing trend of our inventories balance and inventories prepayment at the end of peak season. In fact, the sales volume of KCL and SOP for the two months ended 31 January 2024 amounted to approximately 257,000 tonnes and 38,000 tonnes, respectively, representing approximately 24.1% and 31.0% of the total sales volume of KCL and SOP for FY2023.

Net cash from/(used in) investing activities

Net cash used in investing activities mainly consists of (i) placement of restricted cash pledged for our credit facilities, namely, bills payables and deposits for letter of credits mostly in relation to our purchase of KCL from suppliers; (ii) purchase of plant and equipment in support of our business operation; (iii) upfront payments for right-of-use assets mainly representing our leasehold land; (iv) loans to joint ventures, namely, Anda Migao and Baoqing Migao, in support of their working capital requirements; and (v) capital injection to joint ventures. Net cash from investing activities mainly consists of (i) withdrawal of restricted cash when the pledge for our credit facilities is released; and (ii) repayment of aforementioned loans from joint ventures.

For FY2021, our net cash used in investing activities was RMB79.7 million, which primarily consisted of RMB1,007.7 million of placement of restricted cash, RMB342.7 million of loans to joint ventures, RMB52.0 million of capital injection to a joint venture, namely, Anda Migao, partially offset by RMB1,036.8 million of withdrawal of restricted cash, RMB121.1 million of repayment of loans from joint ventures, RMB96.9 million of proceeds from disposal of right-of-use assets representing the sum received from the PRC government for the resumption of the leasehold land held by Sichuan Migao and RMB81.8 million of proceeds from disposal of plant and equipment which is a building owned by Sichuan Migao.

For FY2022, our net cash used in investing activities was RMB6.2 million, which primarily consisted of RMB1,384.3 million of placement of restricted cash, RMB256.3 million of loans to joint ventures, and RMB39.0 million of capital injection to a joint venture, namely, Anda Migao, partially offset by RMB1,439.6 million of withdrawal of restricted cash, RMB197.5 million of repayment of loans from joint ventures, and RMB28.4 million of net cash inflow on acquisition of subsidiaries.

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For FY2023, our net cash used in investing activities was RMB91.3 million, which primarily consisted of RMB436.4 million of placement of restricted cash, RMB83.3 million of upfront payments for right-of-use assets, RMB46.8 million of purchase of plant and equipment, RMB24.4 million of advances to joint ventures, and RMB20.5 million of advance to a third party, namely, Liaoning Migao, for its possible ad hoc short-term working capital needs with a view to facilitating the smooth transition of its business operation after its disposal by APPH in June 2022, which was subsequently fully repaid in August 2022, partially offset by RMB456.2 million of withdrawal of restricted cash and RMB26.4 million of repayments from joint ventures.

For 8MFY2024, our net cash from investing activities was RMB71.8 million, which primarily consisted of RMB330.4 million of withdrawal of restricted cash, partially offset by RMB268.2 million of placement of restricted cash.

Net cash from/(used in) financing activities

Net cash generated from financing activities mainly consists of (i) new bank borrowings raised; and (ii) advance from related companies. Net cash used in financing activities mainly consists of (i) repayment of bank borrowings; and (ii) repayments to related companies.

For FY2021, our net cash used in financing activities was RMB132.1 million, primarily as a result of repayments of bank borrowings of RMB306.3 million and repayments to related companies of RMB174.2 million, partially offset by new bank borrowings raised of RMB273.1 million and advances from related companies of RMB93.4 million.

For FY2022, our net cash from financing activities was RMB232.4 million, which primarily consisted of new borrowing raised of RMB509.2 million and advances from related companies of RMB87.0 million, partially offset by repayments of bank borrowings of RMB343.8 million.

For FY2023, our net cash from financing activities was RMB37.5 million, which primarily consisted of RMB298.7 million of new bank borrowings raised, RMB243.1 million of advances from related companies and RMB105.0 million of new loan from a related company, representing the loan from the immediate holding company of Heilongjiang Beidahuang to Anda Migao, partially offset by RMB240.4 million of repayments to related companies, RMB233.9 million of repayments of bank borrowings and RMB95.0 million of repayment of loan from a related party, representing the loan from a related company of Heilongjiang Beidahuang to Anda Migao.

For 8MFY2024, our net cash used in financing activities was RMB99.4 million, which primarily consisted of RMB194.8 million of repayments of bank borrowings and RMB180.2 million of repayments to related parties, partially offset by RMB278.9 million of new bank borrowings raised.

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SELECTED BALANCE SHEET ITEMS

The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 March		As at	As at
	2021	2022	30 November 2023	31 January 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current Assets				
Inventories	164,392	740,470	151,589	436,390
Trade and other receivables and prepayments	1,090,922	1,737,514	1,730,694	2,255,380
Amount due from a related company	21,575	–	–	–
Amounts due from joint ventures .	29,801	30,417	27,490	16,855
Loans to joint ventures	237,249	–	–	–
Amount due from a shareholder . .	2,234	1,838	3,535	833
Tax recoverable	–	–	1,029	–
Restricted cash	245,570	190,298	170,484	208,829
Bank balances and cash	54,707	283,456	365,731	158,878
	<u>1,846,450</u>	<u>2,983,993</u>	<u>2,450,552</u>	<u>3,077,165</u>
Current Liabilities				
Trade and other payables	860,120	1,152,972	630,630	596,237
Contract liabilities	408,775	611,973	335,978	774,317
Amounts due to joint ventures . .	111,794	34,709	–	–
Amounts due to related companies .	89,836	178,901	175,716	11,470
Amount due to a non-controlling interest	29,119	6,168	–	–
Loans from related companies . . .	–	95,020	105,817	120,992
Tax liabilities	62,504	112,770	155,813	164,410
Bank borrowings	129,018	292,427	164,738	208,920
Lease liabilities	4,406	3,770	5,681	5,460
	<u>1,695,572</u>	<u>2,488,710</u>	<u>1,574,373</u>	<u>1,881,806</u>
Net Current Assets	<u>150,878</u>	<u>495,283</u>	<u>876,179</u>	<u>1,195,359</u>

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Inventories

Our Group's inventories comprise raw materials, finished goods, packing and other materials and goods in transit. The following table sets out our inventories as at the dates indicated:

	As at 31 March			As at 30 November
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	55,936	668,355	121,553	349,341
Finished goods	17,304	40,605	19,773	88,696
Packing and other materials	6,228	7,608	4,698	5,952
Goods in transit	84,924	23,902	5,565	90
	<u>164,392</u>	<u>740,470</u>	<u>151,589</u>	<u>444,079</u>

Raw materials represent KCL, SOP, NOP, sulphuric acid, ammonium nitrate and other raw materials we purchased from suppliers. Finished goods represent the granulated KCL, the finished SOP, compound fertilisers, by-products and other products after manufacturing in our production facilities. Packing and other materials represent woven bags for packaging of our finished goods. Goods in transit mainly represent raw materials in transit from our suppliers. Our goods in transit are delivered through shipment on a cost and freight (CFR) basis whereby risk is transferred to us as the buyer once the goods are on board the vessel.

The increasing trend of our inventories from RMB164.4 million as at 31 March 2021 to RMB740.5 million as at 31 March 2022 was primarily due to the increase in our inventory reserve in view of the growth in sales volume as well as the increase in inventory costs in FY2022 due to the global supply uncertainty of KCL. The decrease in our inventories from RMB740.5 million as at 31 March 2022 to RMB151.6 million as at 31 March 2023 was primarily due to our Group's plan to reduce our KCL reserve in late FY2023 in view of the stabilised import price of KCL in the PRC during the same period. During the Track Record Period, we did not have any inventory write down due to the nature of the high turnover of our raw materials, and the expected realisable value of our inventories remained higher than the price of raw materials during the Track Record Period. The increase in our inventories from RMB151.6 million as at 31 March 2023 to RMB444.1 million as at 30 November 2023 was primarily due to the increase in raw material reserve maintained by our Group as at 30 November 2023 to satisfy our customers' demands for the remaining period of the peak season in FY2024.

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The following table sets forth the aging analysis of our inventories as at the dates indicated:

	As at 31 March			As at 30 November
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Inventories				
Within 90 days	148,779	717,815	138,262	428,973
91-180 days	4,614	10,183	5,719	3,682
181-365 days	7,355	7,823	5,235	9,516
Over 1 year	3,644	4,649	2,373	1,908
	<u>164,392</u>	<u>740,470</u>	<u>151,589</u>	<u>444,079</u>

The following table sets out a summary of our Group's average inventory turnover days for the years/period indicated:

	For the year ended 31 March			For the eight months ended 30 November
	2021	2022	2023	2023
	Inventory turnover days ⁽¹⁾	24.5	51.5	41.2

Note:

- (1) The calculation of inventory turnover days is based on the average of the opening balance and closing balance of inventories divided by cost of goods sold for the relevant year/period and multiplied by 365 days for a full-year period or 365*(8/12) for a eight-month period.

Our Group recorded an increase in average inventory turnover days from approximately 24.5 days for FY2021 to approximately 51.5 days for FY2022. The higher average inventory turnover days for FY2022 was primarily due to higher inventories balance maintained by our Group as at 31 March 2022 in view of the potential risk for adverse fluctuation in import price of KCL as a result of the global supply uncertainly, so as to maintain our market leading position and to satisfy the expected demand of our products in the year ending 31 March 2023. As at 31 March 2022, we had inventories of approximately 4,416,847 tonnes, as compared to approximately 3,619,541 tonnes as at 31 March 2021. In addition, Anda Migao and Baoqing Migao became our subsidiaries on 31 March 2022, and, therefore, the inventories held by them have been taken into account for the calculation of inventory turnover days for FY2022, which, to a lesser extent, led to the increase in inventory turnover days for FY2022. As at 31 March 2022, inventories held by Anda Migao and Baoqing Migao aggregated RMB39.2 million.

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Our Group recorded a decrease in average inventory turnover days from approximately 51.5 days for FY2022 to approximately 41.2 days for FY2023, mainly due to the significant decrease in purchase of KCL through shipment by sea in FY2023.

Our Group recorded a decrease in average inventory turnover days from approximately 41.2 days for FY2023 to approximately 37.1 days for 8MFY2024, as the inventories maintained by our Group as at 31 March 2022, being one of the numerators of the inventory turnover days for FY2023, was higher in view of the potential risk for adverse changes in purchase price of KCL under the global supply uncertainty.

As at the Latest Practicable Date, RMB434.1 million, or approximately 97.8%, of our inventories as at 30 November 2023, were subsequently utilised or sold. Given our level of inventories, we are subject to inventory risks. For further details, please refer to the section headed “Risk Factors – Risks Relating to Our Business – We are exposed to inventory risks” in this prospectus.

Trade and Other Receivables and Prepayments

Our trade and other receivables and prepayments primarily consist of trade receivables, bills receivables, supplier rebate receivables, inventories prepayment, deferred issue costs representing the accrued expenses for professional services in connection with the preparation for the Listing, and other receivables, deposits and prepayments.

The following table sets forth our trade and other receivables and prepayments as at the dates indicated:

	As at 31 March			As at 30 November
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other receivables and prepayments				
Trade receivables ⁽¹⁾	230,910	308,305	200,370	146,875
Less: Allowance for credit losses	<u>(7,877)</u>	<u>(19,058)</u>	<u>(17,403)</u>	<u>(14,472)</u>
	223,033	289,247	182,967	132,403
Bills receivables.	<u>208,601</u>	<u>302,713</u>	<u>140,886</u>	<u>12,994</u>
	<u>431,634</u>	<u>591,960</u>	<u>323,853</u>	<u>145,397</u>

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	As at 31 March			As at
	2021	2022	2023	30 November
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023 <i>RMB'000</i>
Other receivables and prepayments				
Supplier rebate receivables	9,607	39,216	–	–
Inventories prepayment	589,332	1,042,565	1,308,636	1,898,754
Deferred issue costs	1,424	8,496	14,739	19,524
Other receivables, deposits and prepayments	58,925	55,277	83,466	85,730
	<u>659,288</u>	<u>1,145,554</u>	<u>1,406,841</u>	<u>2,004,008</u>
	<u>1,090,922</u>	<u>1,737,514</u>	<u>1,730,694</u>	<u>2,149,405</u>

Note:

- (1) As at 31 March 2021, 2022, 2023 and 30 November 2023, our trade receivables included unbilled receivables of RMB190.7 million, RMB203.6 million, RMB90.9 million and RMB105.6 million, respectively, which represent accrued sales for goods delivered by our Group but yet to bill. For such amount of unbilled receivables, nil, nil, RMB20.4 million and RMB77.2 million remained unbilled as at the Latest Practicable Date. The following table sets out an analysis of our unbilled receivables by age, presented based on the date of delivery, as at the dates indicated:

	As at 31 March			As at
	2021	2022	2023	30 November
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023 <i>RMB'000</i>
Unbilled receivables				
Within 90 days	138,579	67,415	76,028	81,188
91-180 days	16,967	10,824	14,640	44
181-365 days	14,667	68,861	133	24,410
Over 1 year	20,530	56,464	57	–
	<u>190,743</u>	<u>203,564</u>	<u>90,858</u>	<u>105,641</u>
Less:				
Allowance for credit losses	(1,057)	(7,916)	(2,418)	(2,056)
	<u>189,686</u>	<u>195,648</u>	<u>88,440</u>	<u>103,585</u>

In general, we will communicate with our customers with unbilled sales orders from time to time after the delivery of our fertiliser products to confirm and agree the amount of unbilled sales before issuing sales invoices. As such, the length of our billing process will be subject to our customers' responses, and our customers with wider geographical coverage of sales network will generally require more time to confirm the amount of unbilled sales with us. Some of them may take more time to confirm and agree the amount of unbilled sales with us for the preceding peak season, and the confirmation of unbilled sales and billing arrangement with these customers will generally have to take place from April to September of the

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following financial year. Our Group has relatively long term and stable business relationships with these customers, and was generally able to receive payments from them within the credit period after issuing invoices during the Track Record Period.

Our unbilled receivables as at 31 March 2021 and 2022 included unbilled receivables from Supplier B of RMB55.6 million and RMB97.8 million which were derived from our appointment of Supplier B as our domestic designated agent to purchase raw materials from oversea suppliers and sell them to domestic customers of our Group under the instructions of our Group during the Track Record Period. Under such arrangement, Supplier B shall collect the sales proceeds and settle the purchase costs on behalf of our Group, and our Group has unconditional right to the payment. Such arrangement has been terminated since October 2021, and the related outstanding receivables from Supplier B have been fully settled as at 31 January 2023. For details in relation to the appointment of Supplier B as our domestic designated agent, please refer to the section headed “Business – Raw Materials Procurement – KCL – Purchases through Designated Agent” in this prospectus. RMB52.2 million and RMB136.1 million of our unbilled receivables as at 31 March 2021 and 2022 had been aged for more than 90 days, mainly due to (i) the unbilled receivables from Supplier B under the arrangement as discussed above; and (ii) the delays in billing arrangements for the sales to certain customers with operational difficulties and financial illiquidities as a result of the impact of COVID-19, and the relevant unbilled receivables from these customers had been billed and fully settled as at the Latest Practicable Date.

Trade receivables, net of loss allowance, and bills receivables

Our trade receivables and bills receivable represent amounts in connection with the sales of our products due from our customers. More specifically, our trade receivables primarily represent receivables from our customers; whereas bills receivables represent outstanding amounts due from certain customers who settle our payment with bank’s acceptance bills. Allowance for credit losses represent the impairment on trade receivables for overdue payments by our customers. For details, please refer to the paragraph headed “Material Accounting Policy Information, Estimates and Judgements – Impairment of Financial Assets” in this section for our Group’s policy on impairment of trade receivables.

Based on our assessment and reassessment process for trade receivables impairment, we made allowance for credit losses of approximately 3.4%, 6.2%, 8.7% and 9.9% of our ending balance of trade receivables as at 31 March 2021, 2022, 2023 and 30 November 2023.

During the Track Record Period, our Group generally required advanced payments of 30% to 100% of the total contracted amount from most of our major customers, and a credit period up to 180 days from the invoice date will be granted for any remaining amount of trade and bills receivables recognised upon the delivery of fertiliser products. In determining the credit period to be granted to our customers, we would assess their credibility and our business relationships with them. Credit period granted to our customers are reviewed regularly and we seek to maintain strict control over our outstanding receivables to help monitor our credit risk. Our credit control personnel regularly review overdue balances.

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The following table sets forth an analysis of our trade receivables by age, net of allowance for credit losses, as at the dates indicated:

	As at 31 March			As at
	2021	2022	2023	30 November
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables				
Within 90 days	7,866	43,594	26,129	18,557
91-180 days	1,998	38,412	56,203	4,629
181-365 days	827	5,281	8,893	3,930
Over 1 year	<u>22,656</u>	<u>6,312</u>	<u>3,302</u>	<u>1,702</u>
	<u>33,347</u>	<u>93,599</u>	<u>94,527</u>	<u>28,818</u>
Unbilled Receivables				
Within 90 days	137,810	64,794	74,005	79,608
91-180 days	16,873	10,403	14,251	43
181-365 days	14,586	66,183	129	23,935
Over 1 year	<u>20,417</u>	<u>54,268</u>	<u>55</u>	<u>–</u>
	<u>189,686</u>	<u>195,648</u>	<u>88,440</u>	<u>103,585</u>
	<u><u>223,033</u></u>	<u><u>289,247</u></u>	<u><u>182,967</u></u>	<u><u>132,403</u></u>

RMB22.7 million of our trade receivables as at 31 March 2021 had been aged for more than 1 year, which was mainly due to the delays in settlements by certain customers as a result of their short term liquidity issues, which were further exacerbated by the outbreak of COVID-19 in late 2019. As at the Latest Practicable Date, the relevant outstanding amounts had been fully settled.

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The following table sets forth our trade and bills receivables turnover days for the years/period indicated:

	For the year ended 31 March			For the eight months ended 30 November
	2021	2022	2023	2023
Trade and bills receivables turnover days ⁽¹⁾	104.4	48.6	35.4	25.0

Note:

(1) We calculate the trade and bills receivables turnover days using the average of the opening balance and closing balance of the sum of trade receivables, net of loss allowance, and bills receivables for the relevant year/period, divided by revenue for the relevant year, multiplied by 365 days for a full-year period or 365*(8/12) for a eight-month period.

For FY2021, FY2022, FY2023 and 8MFY2024,, our trade and bills receivables turnover days were approximately 104.4 days, 48.6 days, 35.4 days and 25.0 days, respectively. The decreasing trend of our trade and bills receivables turnover days was primarily due to (i) our stringent requirement on customers' deposit in FY2022 in view of the significant increase in the demand of our KCL during the same year; (ii) the decrease in our trade and bills receivables as at 31 March 2023 as a result of our efforts to collect our receivables in FY2023; and (iii) to a lesser extent, the decrease in sales in March 2023. The decrease in our trade and bills receivables turnover days from approximately 35.4 days for FY2023 to approximately 25.0 days for 8MFY2024 was primarily due to our stringent requirement on customers' deposit in 8MFY2024 in view of the increase in demand and sales volume in the same period.

As at the Latest Practicable Date, RMB90.8 million, or approximately 68.6%, of our trade receivables as at 30 November 2023 were subsequently settled.

Supplier rebate receivables

Our supplier rebate receivables primarily represents rebate on our inventory purchase which our Group is entitled to when our inventory purchase achieved the specified level of purchase volume. Our supplier rebate receivables as at 31 March 2021, 2022, 2023 and 30 November 2023 were RMB9.6 million, RMB39.2 million, nil and nil, respectively.

Inventories prepayment

Our inventories prepayment primarily represents the prepayment made by us to the suppliers for the purchase of raw materials. Our inventories prepayment as at 31 March 2021, 2022 and 2023 and 30 November 2023 were RMB589.3 million, RMB1,042.6 million, RMB1,308.6 million and RMB1,898.8 million, respectively.

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Our inventories prepayment increased from RMB589.3 million as at 31 March 2021 to RMB1,042.6 million as at 31 March 2022, which is generally in line with our sales growth and our strategy to maintain higher inventory reserve for the same years. The increase in our inventories prepayment from RMB1,042.6 million as at 31 March 2022 to RMB1,308.6 million as at 31 March 2023 was as a result of the prepayments made to our suppliers in late FY2023 to secure sources of KCL for our production and sales in FY2024. The increase in our inventories prepayment from RMB1,308.6 million as at 31 March 2023 to RMB1,898.8 million as at 30 November 2023 was primarily due to the prepayment made to our suppliers in 8MFY2024 to secure sources of KCL for our production and sales for the remaining period of the peak season in FY2024.

The following table sets forth the aging analysis of our inventories prepayment as at the dates indicated:

	As at 31 March			As at
	2021	2022	2023	30 November
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i> <i>RMB'000</i>
Inventories Prepayment				
Within 90 days	560,059	659,891	1,089,087	1,202,984
91-180 days	22,925	176,181	123,636	380,098
181-365 days	626	190,420	5,422	281,206
Over 1 year	5,722	16,073	90,491	34,466
	<u>589,332</u>	<u>1,042,565</u>	<u>1,308,636</u>	<u>1,898,754</u>

As at the Latest Practicable Date, RMB975.7 million, or approximately 51.4%, of our inventories prepayment as at 30 November 2023 were subsequently utilised.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments primarily represents value-added tax receivables, and prepayments for transportation costs and other miscellaneous expenses. Our other receivables, deposits and prepayments as at 31 March 2021, 2022 and 2023 and 30 November 2023 were RMB58.9 million, RMB55.3 million, RMB83.5 million and RMB85.7 million, respectively.

Restricted Cash

Our restricted cash primarily represents (i) restricted cash pledged for our bills payables. According to the bills payables agreement with the bank, a sum representing certain percentage of the amount of bills payables is required to be deposited at the bank as securities for bills payables; and (ii) cash deposited to the banks for applying letter of credits for our overseas

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purchases. Our restricted cash as at 31 March 2021, 2022 and 2023 and 30 November 2023 were RMB245.6 million, RMB190.3 million, RMB170.5 million and RMB108.2 million, respectively. The changes in our restricted cash as at 31 March 2021, 2022 and 2023 and 30 November 2023 is generally in line with the changes in our outstanding bills payables and letter of credits as at the relevant dates.

Trade and Other Payables

Our trade and other payables primarily consist of trade payables, bills payables, other tax payables, accrued employee expense (including social insurance and housing fund contributions), accrued issue costs and Listing expenses, payables for transportation costs, payables for construction in progress and plant and equipment, which mainly represents the amount payable for plant and equipment and construction in progress for our production facilities, and others.

The following table sets forth our trade and other payables based as at the dates indicated:

	As at 31 March			As at
	2021	2022	2023	30 November
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other payables				
Trade payables	358,433	609,255	215,153	165,969
Bills payables	338,801	350,209	281,722	158,640
Other tax payables	107,306	87,710	97,455	131,698
Accrued employee expense	2,824	5,211	4,561	5,018
Accrued issue costs and Listing expenses	1,963	16,449	8,043	9,372
Payables for transportation costs	13,568	24,263	2,798	3,987
Payables for construction in progress and plant and equipment	3,680	34,488	–	339
Others	33,545	25,387	20,898	19,907
	<u>860,120</u>	<u>1,152,972</u>	<u>630,630</u>	<u>494,930</u>

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Trade and bills payables

Our trade and bills payables primarily represent the amounts payable to our raw material suppliers. In particular, our trade payable primarily represent payment to our suppliers for our credit purchase; whereas bills payables represent outstanding amounts due to certain suppliers with whom we settle through banks' acceptance bills.

Our trade and bills payables increased by RMB262.2 million, or approximately 37.6% from RMB697.3 million as at 31 March 2021 to RMB959.5 million as at 31 March 2022, primarily due to the increase in trade payables of RMB250.8 million derived from the increase in our domestic raw material purchases in support of the revenue growth in FY2022. Our trade and bills payables decreased by RMB462.6 million, or approximately 48.2%, from RMB959.5 million as at 31 March 2022 to RMB496.9 million as at 31 March 2023, primarily due to (i) our settlement of outstanding trade payables as at 31 March 2022 during FY2023 when we received payments from our customers for sales; (ii) our settlement of outstanding trade payables as at 31 March 2022 to Supplier D by (x) setting off against the outstanding rebate receivables to which we are entitled pursuant to our purchase contracts with Supplier D, and (y) tripartite settlements with Supplier A and two fertiliser trading companies respectively. For further information on such tripartite settlement arrangement, please refer to the section headed "Business – Business Dealings with Third Parties subject to International Sanctions – International Sanctions Applicable to Belarus – Relates from Supplier D and related set off arrangement" in this prospectus; and (iii) increase in the proportion of prepayments to our suppliers for our purchase of raw materials. Our payment term with our suppliers generally ranges from zero to 180 days and in some cases, we are required to make prepayment to suppliers for our inventory purchase. Our trade and bills payables decreased by RMB172.3 million, or approximately 34.7%, from RMB496.9 million as at 31 March 2023 to RMB324.6 million as at 30 November 2023 as a result of the increase in inventories prepayment made by our Group for purchases during 8MFY2024.

The following table sets forth the number of turnover days for our trade and bills payables for the years/period indicated:

	For the year ended 31 March			For the eight months ended 30 November
	2021	2022	2023	2023
Trade and bills payables				
turnover days ⁽¹⁾	153.2	94.2	67.2	51.1

Note:

(1) We calculate the trade and bills payables turnover days using the average of the opening balance and closing balance of trade payables and bills payable for the relevant year/period, divided by cost of goods sold for the relevant year, multiplied by 365 days for a full-year period or 365*(8/12) for a eight-month period.

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For FY2021, FY2022, FY2023 and 8MFY2024, our trade and bills payables turnover days were approximately 153.2 days, 94.2 days, 67.2 days and 51.1 days, respectively. Our Group recorded a decreasing trend in trade and bills payables turnover days in FY2021 and FY2022 as we had settled our outstanding payables with our suppliers in a more promptly manner, so that we could be able to place new purchase orders with them more frequently, to satisfy the increase in market demand of our products. Our trade and bills payables turnover days further decreased in FY2023 primarily due to the decrease in trade and bills payables as a result of our settlements of outstanding trade payables and the settlement of bill payables at maturity in FY2023. Our trade and bills payable turnover days decreased from approximately 67.2 days for FY2023 to approximately 51.1 days for 8MFY2024, primarily due to the decrease in trade and bills payables as at 30 November 2023 as a result of the increase in inventories prepayment made by our Group for purchases during 8MFY2024.

As at the Latest Practicable Date, RMB226.0 million, or approximately 69.6%, of our trade and bills payables as at 30 November 2023 were subsequently settled.

Other tax payables

Our other tax payables primarily represents value-added tax and additional tax payable. Our other tax payables as at 31 March 2021, 2022 and 2023 and 30 November 2023 were RMB107.3 million, RMB87.7 million, RMB97.5 million and RMB131.7 million, respectively.

Contract Liabilities

Our contract liabilities primarily represents deposits received from customers. We typically receives a deposit of 30% to 100% of total consideration of the goods from certain customers when they enter into contracts with us. Our contract liabilities were RMB408.8 million, RMB612.0 million, RMB336.0 million and RMB829.0 million as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively. The increase in our contract liabilities from RMB336.0 million as at 31 March 2023 to RMB829.0 million as at 30 November 2023 was primarily due to the increase in deposits made by our customers in 8MFY2024 to secure the supply of our potash fertiliser products for the remaining period of the peak season in FY2024.

As at the Latest Practicable Date, RMB632.2 million, or approximately 76.3%, of our contract liabilities as at 30 November 2023 were subsequently recognised as revenue.

Related Party Transactions

During the Track Record Period, we had various related party transactions as we conducted transaction with our related companies, joint ventures and a non-controlling interest, in our ordinary course of business (including sales of finished goods and purchases of raw materials). For details on the amount of related party transactions carried out during the Track Record Period, please refer to Note 23 to the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these transactions were conducted in accordance with terms as agreed between us and the respective related parties.

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(a) Amounts Due from (to) Related Companies

Our amount due from a related company of trade nature was derived from the sales of finished goods to Liaoning Migao, a then wholly-owned subsidiary of APPH which was in turn ultimately wholly owned by Mr. Liu, and had been disposed of to an Independent Third Party on 15 June 2022. We had amount due from a related company of trade nature of RMB21.6 million, nil, nil and nil as at 31 March 2021 and 2022 and 2023 and 30 November 2023, respectively.

Our amounts due to related companies of trade nature consist of the amounts payable to Liaoning Migao, Shanghai Migao and Zunyi Migao derived from our purchases of raw materials and finished goods from them. Shanghai Migao and Zunyi Migao are wholly-owned subsidiaries of APPH. We had amounts due to related companies of trade nature of RMB16.9 million, RMB20.4 million, nil and nil as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively.

Our amount due to a related company of non-trade nature consist of the amount due to APPH of non-trade nature. We had amount due to a related company of non-trade nature of RMB72.9 million, RMB158.5 million, RMB175.7 million and RMB16.8 million as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively. Such amount is unsecured and interest-free. In FY2023, as part of a payment arrangement with APPH, our Group had repaid certain amount due to APPH by way of transferring the same amount to a supplier of APPH, which is an Independent Third Party. Such arrangement had been completed in FY2023, and we expect to settle the outstanding amount due to a related company of non-trade nature before the Listing.

(b) Amounts Due from (to) Joint Ventures/Loans to Joint Ventures

Our amounts due from joint ventures of trade nature represent the amount receivable from Yunnan EuroChem, a joint venture invested by EuroChem Migao, for the sales of raw materials and/or finished goods. We had amounts due from joint ventures of trade nature of nil, RMB15.2 million, RMB14.3 million and RMB14.0 million as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively. For FY2021, FY2022, FY2023 and 8MFY2024, the sales of raw materials and/or finished goods to our joint ventures amounted to RMB135.2 million, RMB90.6 million, RMB156.5 million and RMB220.1 million, respectively, representing approximately 6.5%, 2.4%, 3.3% and 9.6% of our total revenue for the respective financial year/period.

Our amounts due from joint ventures of non-trade nature represents the general and administrative expenses that our Group paid on behalf of EuroChem Migao. Our amounts due from joint ventures of non-trade nature as at 31 March 2021, 2022 and 2023 and 30 November 2023 were RMB29.8 million, RMB15.2 million, RMB13.2 million and RMB4.7 million, respectively. We expect that the amounts due from joint ventures of non-trade nature will be settled before the Listing.

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Our amounts due to joint ventures of trade nature represents the amount payable to Yunnan EuroChem, Baoqing Migao and Anda Migao derived from our purchases of raw materials and finished goods from them. We had amounts due to joint ventures of trade nature of RMB111.8 million, RMB34.7 million, nil and nil as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively. For FY2021, FY2022, FY2023 and 8MFY2024, our purchases of raw materials and finished goods from our joint ventures amounted to RMB173.7 million, RMB313.6 million, RMB3.0 million and RMB1.0 million, respectively, representing approximately 8.6%, 8.5%, 0.1% and less than 0.1% of our total purchases for the respective financial year/period.

Loans to joint ventures consist of loans of non-trade nature made by our Group to Baoqing Migao and Anda Migao. These loans are unsecured, carry interest at fixed rate of 6% per annum and repayable within one year from the dates of draw down of respective loans. We had loans to joint ventures of RMB237.2 million, nil, nil and nil as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively.

Since the respective establishment of Baoqing Migao and Anda Migao, we were able to exercise joint control over them as decisions on certain matters would require consent of all of their shareholders under their respective articles of association, and accordingly, Baoqing Migao and Anda Migao were treated as joint ventures of our Group. Following the amendments to the respective articles of association of Baoqing Migao and Anda Migao by removing the specific terms which would require consent of all of their shareholders on certain matters, we have obtained control over Baoqing Migao and Anda Migao and they became our subsidiaries and ceased to be related parties of our Group from 31 March 2022.

The pricing and other material terms of our Group's sales to, and purchases from, Yunnan EuroChem were comparable to that of other independent customers/suppliers. For the pricing and other material terms for our sales, please refer to the section headed "Business – Customers, Sales and Marketing – Customers and Sales Terms" in this prospectus. For materials terms for our purchases, please refer to the section headed "Business – Raw Materials Procurement" in this prospectus. During FY2021, FY2022 and FY2023, the amounts of raw materials and finished goods supplied by us to Yunnan EuroChem for each financial year represented approximately 11.1% to 38.4% of the total purchases of Yunnan EuroChem for the respective financial year. As such, more than a majority of the raw materials and finished goods purchased by Yunnan EuroChem during the same years were sourced from suppliers other than the members of our Group. In addition, more than 85% of the suppliers of Yunnan EuroChem was independent from our Group during FY2021, FY2022 and FY2023. As such, our Directors are of the view that Yunnan EuroChem has no significant reliance on our Group for the supply of its raw materials and finished goods. For 8MFY2024, the raw materials and finished goods supplied by us to Yunnan EuroChem had increased significantly to RMB220.1 million, representing approximately 67.9% of the total purchases of Yunnan EuroChem for the same period, as Yunnan EuroChem, which mainly derived its revenue from the sales of NOP before 8MFY2024, had decided to expand its sales channels to increase business income in FY2024. Under such business plan, Yunnan EuroChem had secured a large order for sales of a granulated compound fertiliser from one of its customers in 8MFY2024, and our Group had supplied approximately 79,083 tonnes of our KCL to Yunnan EuroChem mainly for

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manufacturing such product for the same period primarily due to our Group's capability to provide stable supply of KCL for large ad-hoc demands during the non-peak season. Such sales of our KCL to Yunnan EuroChem was in arm's length. As at the Latest Practicable Date, our KCL sold to Yunnan EuroChem in 8MFY2024 had subsequently been fully utilised by Yunnan EuroChem for manufacturing its products (including the granulated compound fertiliser sold to such customer). During the Track Record Period, our Group had not sold such granulated compound fertiliser. As at the Latest Practicable Date, such customer of Yunnan EuroChem was an Independent Third Party to our Group, and the gross profit margin recorded by Yunnan EuroChem for the sales of such granulated compound fertiliser in 8MFY2024 was higher than its historical overall gross profit margin during the corresponding eight-month period of FY2021, FY2022 and FY2023. The following table sets forth the breakdown of the revenue from the sales of raw materials and finished goods to Yunnan EuroChem by each type of products and each item as a percentage of the total purchases of Yunnan EuroChem for the years/period indicated:

	For the year ended 31 March						For the eight months ended 30 November	
	2021		2022		2023		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>Revenue from sales to</i>								
<i>Yunnan EuroChem by</i>								
<i>types of products</i>								
– KCL	19,446	7.1	75,378	29.2	138,360	33.9	219,725	67.8
– SOP	9,098	3.3	14,678	5.7	18,156	4.5	366	0.1
– Compound fertilisers	1,846	0.7	–	–	–	–	–	–
– By-Products and Others	324	0.1	147	0.1	–	–	–	–
Total	30,713	11.1	90,202	35.0	156,515	38.4	220,091	67.9

During the Track Record Period, the amounts of raw materials and finished goods purchased by us from Yunnan EuroChem for each financial year/period represented approximately 0.4% to 14.7% of the total revenue of Yunnan EuroChem for the respective financial year/period. As such, more than a majority of the revenue recorded by Yunnan EuroChem during the Track Record Period was sourced from customers other than the members of our Group. In addition, more than 85% of the customers of Yunnan EuroChem was independent from our Group during the Track Record Period. As such, our Directors are of the view that Yunnan EuroChem has no significant reliance on our Group for

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the sales of its raw materials and finished goods. The following table sets forth the breakdown of our purchases of raw materials and finished goods from Yunnan EuroChem by each type of products and each item as a percentage of the total revenue of Yunnan EuroChem for the years/period indicated:

	For the year ended 31 March						For the eight months ended 30 November 2023	
	2021		2022		2023		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>Purchases from Yunnan EuroChem by types of products</i>								
- KCL	-	-	41,914	11.3	-	-	-	-
- SOP	534	0.1	-	-	-	-	-	-
- NOP	42,447	11.9	8,683	2.3	2,994	0.6	1,028	0.4
- Compound fertilisers . .	7,767	2.0	3,772	1.0	-	-	-	-
- By-Products and Others	73	0.0	-	-	-	-	-	-
Total	50,821	14.2	54,369	14.7	2,994	0.6	1,028	0.4

(c) Amount Due to a Non-controlling Interest

Our amount due to a non-controlling interest of trade nature were derived from our business transaction with Guizhou Tobacco Investment, a non-controlling interest of our Group by virtue of its being a substantial shareholder of Daxing Migao, namely, sales of finished goods and purchases of raw materials. We had amount due to Guizhou Tobacco Investment of RMB29.1 million, RMB6.2 million, nil and nil as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively.

(d) Amount Due from a shareholder

Our amount due from a shareholder was RMB2.2 million, RMB1.8 million, RMB3.5 million and RMB0.9 million as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively, which primarily represents the advanced payments of non-trade nature made to Mr. Liu for his travelling expenses and other business disbursements. The amount due from a shareholder will be settled before the Listing.

(e) Deemed Distribution to Mr. Liu

As part of Reorganisation, we had disposed of certain subsidiaries, namely, Liaoning Migao, Shanghai Migao, Tianjin Migao and Zunyi Migao (collectively, the “**Disposed Companies**”) to APPH, as disclosed in the section headed “History, Reorganisation and

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Corporate Structure – The Reorganisation” in this prospectus. During the Track Record Period, certain deemed distributions to Mr. Liu were made in relation to (i) the settlement of consideration in relation to such disposal of Disposed Companies; and (ii) the initial recognition and the settlement of the abovementioned advances to the Disposed Companies.

For the disposal of the Disposed Companies, the initial aggregate consideration was approximately RMB346.8 million, which was determined with reference to the net asset value of the Disposed Companies on the respective disposal dates as per the management accounts of the Disposed Companies prepared in accordance with the PRC GAAP. For details of the disposal of the Disposed Companies, please refer to the section headed “History, Reorganisation and Corporate Structure – The Reorganisation” in this prospectus. On 8 March 2019, our Group entered into four supplemental agreements to re-determine the consideration for the disposal at a total consideration of approximately RMB78.6 million, which was determined on the respective disposal dates as per the management accounts of the Disposed Companies prepared in accordance with HKFRSs. The difference in consideration of approximately RMB268.2 million is accounted for as deemed distribution to Mr. Liu in the year ended 31 March 2019, who was the then ultimate shareholder of both of our Group and the Disposed Companies.

On 26 April 2022, Changchun Migao acquired the entire issued share capital of Tongjiang Migao from Liaoning Migao at a consideration of RMB1. The difference between the consideration for the acquisition of Tongjiang Migao and the net liabilities of Tongjiang Migao at the date of acquisition, namely, RMB1.5 million, was accounted for as the deemed distribution to Mr. Liu in FY2023.

(f) Loans from Related Companies

Loans from related companies represent loans of non-trade nature made by a related company of Heilongjiang Beidahuang and the immediate holding company of Heilongjiang Beidahuang to Anda Migao to support the development of Anda Production Facility. For details, please refer to the paragraph headed “Indebtedness – Loans from Related Companies” below.

(g) Financial Guarantees

As at 31 March 2021, 2022 and 2023 and 30 November 2023, our Group provided financial guarantees in respect of bank facilities granted to a related company and a joint venture, namely, Liaoning Migao and Baoqing Migao amounted to RMB191.0 million, nil, nil and nil, respectively. For details, please refer to the paragraphs headed “Indebtedness – Contingent Liabilities and Guarantees” below.

As at 31 March 2021, 2022 and 2023 and 30 November 2023, certain related parties of our Company provided financial guarantees in respect of bank facilities granted to our Group amounted to RMB547.0 million, RMB374.0 million, RMB280.0 million and RMB130.0 million, respectively.

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Our Directors confirm that all guarantees provided to/by the related parties of our Group will be fully released before the Listing.

For FY2021, FY2022, FY2023 and 8MFY2024, the sales of finished goods to related parties contributed only approximately 9.9%, 2.4%, 3.9% and 9.6% of our total revenue and the purchases of raw materials from related parties contributed only approximately 14.5%, 11.1%, 0.1% and less than 0.1% of our total purchase. In addition, our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were reasonable and in the interest of our Group as a whole. As such, our Directors confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

During the Track Record Period, except for the transactions disclosed herein and in Note 23 to the Accountants' Report in Appendix I to this prospectus, we had no other related party transactions that had material transaction amounts or balances with us. We are able to obtain alternative financings if and when needed. Our Directors confirm that all non-trade related amounts due from and to related companies will be fully settled before the Listing. In addition, our Directors further confirm that all non-trade related amounts due to or from, and loans or guarantees provided by, our Controlling Shareholders and their respective close associates, will be fully repaid or released before the Listing. As such, there is no financial reliance on our related parties.

INDEBTEDNESS

The following table sets forth our Group's borrowings, other indebtedness, and contingent liabilities and guarantees as at the dates indicated:

	As at 31 March			As at	As at
	2021	2022	2023	30 November	31 January
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Current:					
Amounts due to related companies	72,896	158,530	175,716	16,848	11,470
Amount due to a non-controlling interest	29,119	6,168	–	–	–
Loan from related companies . .	–	95,020	105,817	109,259	120,992
Bank borrowings	129,018	292,427	164,738	208,920	208,920
Lease liabilities	4,406	3,770	5,681	5,855	5,460
	235,439	555,915	451,952	340,882	346,842

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	As at 31 March		As at 30 November		As at
	2021	2022	2023	2023	31 January
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Non-current:					
Bank borrowings	50,000	40,000	80,000	119,950	129,900
Lease liabilities	1,360	4,548	5,376	1,451	885
	51,360	44,548	85,376	121,401	130,875
Total	286,799	600,463	537,328	462,283	477,627
Contingent liabilities and guarantees					
Financial guarantees granted to a related company and a joint venture	191,000	-	-	-	-

Bank Borrowings

As at 31 March 2021, 2022 and 2023 and 30 November 2023, we had total outstanding bank borrowings of RMB179.0 million, RMB332.4 million, RMB244.7 million and RMB328.9 million, respectively, amongst which RMB167.0 million, RMB179.3 million, RMB244.7 million and RMB328.9 million were secured or guaranteed bank loans which were secured by our plant and equipment and right-of-use assets or guaranteed, while the rest were advance from banks on discounted bills receivables with recourse.

During the Track Record Period, our bank loans interest rate ranged from 1.9% to 6.2%. As at 31 January 2024, which is the latest practicable date for determining our indebtedness, the total outstanding amount of our bank borrowings was RMB338.8 million, amongst which RMB220.9 million were secured by our plant and equipment and right of use assets and guarantee, RMB80.0 million were secured by guarantee without assets, while RMB37.9 million were advance from banks on discounted bills receivables with recourses and unguaranteed.

As at 31 January 2024, we had an aggregate committed banking facilities of RMB1,199.2 million, of which RMB564.8 million was utilised and the remaining RMB634.4 million was unutilised.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not breached any financial covenant or defaulted in repayment of trade and other payables and bank borrowings or other loan facilities that were due. Except for

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the bank borrowing under the credit facility discussed above, we currently do not have any plans for other material external debt financing. Our bank borrowings amount fluctuated during the Track Record Period in accordance with our internal financial resources and the financing needs in that year.

Lease Liabilities

Our lease liabilities primarily represents the lease payments payable by us under the leases in relation to the leasing of office premises and leasehold land for our production facilities. As at 31 January 2024, our lease liabilities amounted to RMB6.3 million, which were secured with our rental deposits and unguaranteed. For details of our leased properties and their corresponding lease period, please refer to the section headed “Business – Land and Properties – Properties – Leased Properties” in this prospectus.

The following table sets forth a breakdown of our lease liabilities by current and non-current portions as at the dates indicated:

	As at 31 March			As at
	2021	2022	2023	30 November
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
Non-current	1,360	4,548	5,376	1,451
Current.	4,406	3,770	5,681	5,855
Lease liabilities	5,766	8,318	11,057	7,306

During the Track Record Period, the weighted average incremental borrowing rates applied by our Group for the lease liabilities ranged from 5.4% to 6.3%.

Loans from Related Companies

During the Track Record Period, a related company of Heilongjiang Beidahuang and the immediate holding company of Heilongjiang Beidahuang provided loans to Anda Migao to support the development of Anda Production Facility, with a fixed interest rate of 6% and 5% per annum, respectively, and repayable within one year from the date of draw down of the respective loan. As Anda Migao and Baoqing Migao became our subsidiaries on 31 March 2022, such loans constitute loans from related companies of our Group under applicable accounting standards. As at 31 March 2021, 2022 and 2023, 30 November 2023 and 31 January 2024, such loans amounted to nil, RMB95.0 million, RMB105.8 million, RMB109.3 million and nil, respectively. The loan from a related company of Heilongjiang Beidahuang was fully repaid in January 2023 and the loan from the immediate holding company of Heilongjiang Beidahuang was fully repaid in December 2023. In January 2024, the immediate holding company of Heilongjiang Beidahuang provided a loan to Anda Migao to support the raw

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material purchases, production and operation of Anda Migao, with a fixed interest rate of 4%, and repayable by 31 December 2024. As at 31 January 2024, such loan amounted to RMB121.0 million, and were unsecured and unguaranteed. It is expected that such loan will be fully repaid before Listing.

Amounts due to Related Companies

As at 31 January 2024, our amounts due to related companies were RMB11.5 million, which were unsecured and unguaranteed.

Contingent Liabilities and Guarantees

As at 31 March 2021, 2022 and 2023, 30 November 2023 and 31 January 2024, we had financial guarantee contracts not recognised in the financial statements amounted to RMB191.0 million, nil, nil, nil and nil, respectively, which represented the amount of guarantee given to the banks in connection with the bank facilities granted to a related company and a joint venture, namely, Liaoning Migao and Baoqing Migao. As at 31 March 2021, 2022 and 2023, 30 November 2023 and 31 January 2024, the outstanding amount of the relevant bank facilities amounted to RMB123.6 million, nil, nil, nil and nil, respectively, which were guaranteed by Guangdong Migao and/or Changchun Migao, both of which are subsidiaries of our Group. The relevant bank facilities had been fully repaid by Liaoning Migao and Baoqing Migao during FY2021.

As at 31 January 2024, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

Indebtedness Statements

Save as disclosed above, as at 31 January 2024, we did not have any outstanding mortgage, charges, debentures or other loan capital (issued or agreed to issue), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness and hire purchase agreement. Our Directors confirm that (i) there was no material covenant on any of our outstanding debt and our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date; and (ii) there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this prospectus.

Working Capital Sufficiency

Taking into account cash from operating activities, facilities available to our Group and the net proceeds from the Global Offering, our Directors are of the opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

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CAPITAL EXPENDITURES AND COMMITMENTS

Our capital expenditures during the Track Record Period primarily consisted of expenditures on (i) plant and equipment in our production facilities in support of our production; (ii) right-of-use assets, which primarily consisted of acquisition of the leasehold rights for our land and office premises.

The following table sets forth our capital expenditures for the years/period indicated:

	For the year ended 31 March			For the eight months ended
	2021	2022	2023	30 November 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Plant and equipment and intangible assets	18,822	13,104	46,788	4,916
Right-of-use assets	5,219	5,328	89,721	4,102
Total	<u>24,041</u>	<u>18,432</u>	<u>136,509</u>	<u>9,018</u>

The following table sets forth our capital expenditure commitment as at the dates indicated:

	As at 31 March			As at
	2021	2022	2023	30 November 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Commitments for capital expenditure	1,567	19,449	231	1,703

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KEY FINANCIAL RATIOS

The following table sets forth certain key financial ratios for the dates/years/period indicated:

	As at or for the year ended			As at or
	31 March			for the eight
	2021	2022	2023	months ended
				30 November
	2021	2022	2023	2023
Return on equity ⁽¹⁾	32.3%	38.6%	28.5%	15.0%
Return on total assets ⁽²⁾	8.4%	10.7%	12.5%	6.4%
Current ratio (times) ⁽³⁾	1.1	1.2	1.6	1.6
Gearing ratio ⁽⁴⁾	22.2%	29.4%	19.8%	21.8%
Interest coverage ratio (times) ⁽⁵⁾ . .	26.3	49.8	31.2	16.4
Net profit margin ⁽⁶⁾	9.9%	10.3%	8.9%	7.1%

Notes:

- (1) For the years ended 31 March 2021, 2022 and 2023, return on equity ratio is calculated by dividing profit for the year attributable to the owners of our Company by total equity attributable to the owners of our Company as at each relevant year end and multiplying 100%. For the eight months ended 30 November 2023, return on equity ratio is calculated by dividing profit for the period attributable to the owners of our Company by total equity attributable to the owners of our Company as at the period end and multiplying 100% and 12/8.
- (2) For the years ended 31 March 2021, 2022 and 2023, return on total assets ratio is calculated by dividing profit for the year attributable to the owners of our Company by total assets as at each relevant year end and multiplying 100%. For the eight months ended 30 November 2023, return on total assets ratio is calculated by dividing profit for the period attributable to the owners of our Company by total assets as at the period end and multiplying 100% and 12/8.
- (3) Current ratio is total current assets as at each relevant year/period end as a percentage of total current liabilities as at each relevant year/period end.
- (4) Gearing ratio is total debt divided by the sum of total capital plus total debt and multiplying 100%. Total debt is calculated as the sum of bank borrowings and loans from related companies. Capital includes equity attributable to owners of our Company.
- (5) Interest coverage ratio is profit before finance costs and income tax expense for the relevant year/period divided by finance costs for the relevant year/period.
- (6) Net profit margin is profit for the year/period divided by revenue for the year/period and multiplied by 100%.

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Return on Equity

Our Group's return on equity increased from 32.3% for FY2021 to 38.6% for FY2022, primarily due to the increase in net profit from RMB206.5 million for FY2021 to RMB396.6 million for FY2022. Our return on equity then decreased to 28.5% for FY2023 subsequently, primarily because the increase in total equity attributable to owners of our Company of approximately 38.3% from RMB1,027.3 million as at 31 March 2022 to RMB1,420.8 million as at 31 March 2023, which was mainly due to the net profit of RMB421.5 million recorded for FY2023, had outpaced the growth rate of our profit for the year attributable to the owners of our Company of approximately 2.2% for the same years. Our Group's return on equity decrease from 28.5% for FY2023 to 15.0% for 8MFY2024, primarily due to the decrease in net profit from RMB236.8 million for 8MFY2023 to RMB162.1 million for 8MFY2024. For detailed analysis on our net profit during the Track Record Period, please refer to the paragraphs headed "Review of Historical Results of Operations" in this section.

Return on Total Assets

Our Group's return on total assets was 8.4%, 10.7% and 12.5% for FY2021 and FY2022 and FY2023, respectively, which was generally in line with the increase in net profit during the Track Record Period. The increase in return on total assets in FY2023 can also be attributed to the decrease in inventories of our Group as at 31 March 2023 due to our plan to reduce KCL reserve in view of the stabilised import price of KCL in the PRC in late FY2023. Our Group's return on total assets decreased from 12.5% for FY2023 to 6.4% for 8MFY2024, primarily due to the decrease in net profit from RMB236.8 million for 8MFY2023 to RMB162.1 million for 8MFY2024.

Current Ratio

The current ratio of our Group increased from 1.1 as at 31 March 2021 to 1.2 as at 31 March 2022, primarily due to the increase in current assets which was mainly driven by our Group's net profit recorded during the respective year. The current ratio of our Group increased further to 1.6 as at 31 March 2023, primarily due to the decrease in current liabilities by RMB914.3 million due to the decrease in trade and other payables as a result of our Group's settlements of outstanding trade payables and the settlement of bill payables at maturity during FY2023, partially offset by the decrease in current assets of RMB533.4 million mainly as a result of the significant decrease in inventories as at 31 March 2023. Our current ratio remained stable at 1.6 as at 30 November 2023.

Gearing ratio

The increase in gearing ratio from 22.2% for FY2021 to 29.4% for FY2022 was primarily due to an increase in total debt mainly attributable to (i) the increase in short-term bank borrowings by RMB163.4 million, or approximately 126.7%; and (ii) the new short-term loan raised from a related company, namely, Heilongjiang Beidahuang, of RMB95.0 million, partially offset by (iii) an increase in equity attributable to owners of our Group which was mainly driven by our Group's increase in net profit.

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The decrease in gearing ratio from 29.4% for FY2022 to 19.8% for FY2023 was primarily due to (i) the decrease in bank borrowings from RMB332.4 million as at 31 March 2022 to RMB244.7 million as at 31 March 2023; and (ii) the increase in equity attributable to owners of our Group as at 31 March 2023 which was mainly driven by net profit recorded by our Group during FY2023.

The increase in gearing ratio from 19.8% for FY2023 to 21.8% for 8MFY2024 was primarily due to the increase in bank borrowings from RMB244.7 million as at 31 March 2023 to RMB328.9 million as at 30 November 2023.

Interest coverage ratio

For FY2021 and FY2022, our Group's interest coverage ratio was 26.3 and 49.8, respectively. Such increasing trend of interest coverage ratio was primarily due to (i) the increase in net profit before interest and tax for FY2021 and FY2022, which was generally in line with the increase in net profit for the same years. For detailed analysis on our net profit, please refer to the paragraph headed "Review of Historical Results of Operations" in this section; and (ii) the decreasing finance cost mainly due to a decrease in average outstanding bank borrowings for FY2021 and a decrease in effective interest rate from 5.4% for FY2021 to 4.9% for FY2022 as a result of the lower interest rate of several new loans obtained by our Group in late FY2022 ranging from 3.3% to 4.1%. The decrease in interest coverage ratio from 49.8 for FY2022 to 31.2 for FY2023 was primarily due to the increase in interest expenses on bank borrowings as a result of the increase in our average bank borrowings for FY2023 and the additional interest expenses derived from loans from related companies for FY2023. The decrease in interest coverage ratio from 31.2 for FY2023 to 16.4 for 8MFY2024 was primarily due to the decrease in our profit before finance costs and income tax expense in 8MFY2024 due to a decrease in overall gross profit margin to approximately 14.4% for 8MFY2024.

Net profit margin

The net profit margin increased slightly from 9.9% for FY2021 to 10.3% for FY2022, primarily due to the increase in income tax expense of our Group by RMB16.1 million, or 27.5%, from RMB58.4 million for FY2021 to RMB74.5 million for FY2022, primarily as a result of an increase in EIT from RMB50.3 million for FY2021 to RMB77.8 million for FY2022 due to the increase in profit before tax, partially offset by the decrease in deferred tax assets charged to profit or loss in FY2022 as most of the tax losses previously recognised had been utilised in FY2021. The decrease in net profit margin from 10.3% for FY2022 to 8.9% for FY2023 was primarily due to the decrease in gross profit margin for FY2023 and the increase in our general and administrative expenses in FY2023 mainly as a result of the inclusion of the general and administrative expenses incurred by Baoqing Migao and Anda Migao for the same year. The decrease in net profit margin from 8.9% for FY2023 to 7.1% for 8MFY2024 was primarily due to the decrease in our profit before finance costs and income tax expense in 8MFY2024 discussed above. For detailed analysis on our gross profit margin, please refer to the paragraph headed "Review of Historical Result of Operations" in this section.

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Net profit margin compared to Gross profit margin

Our gross profit margin increased from approximately 12.0% for FY2021 to approximately 16.5% for FY2022, but our net profit margin only increased from approximately 9.9% for FY2021 to approximately 10.3% for FY2022, primarily due to the increase in operating expenses as a percentage of revenue in FY2022, mainly attributable to (i) the increase in distribution and selling expenses by RMB46.5 million; (ii) the decrease in gain on disposal of plant and equipment by RMB30.3 million as a result of our one-off disposal of buildings owned by Sichuan Migao in FY2021; (iii) the increase in listing expenses by RMB20.4 million; and (iv) the increase in research and development expenses by RMB14.3 million, partially offset by (v) the increase in share of result of joint ventures by RMB30.3 million in FY2022.

Our gross profit margin remained stable for FY2022 and FY2023, but our net profit margin decreased from approximately 10.3% for FY2022 to approximately 8.9% for FY2023, primarily due to the increase in our operating expenses and income tax expense as a percentage of revenue in FY2023, mainly attributable to (i) the increase in effective tax rate as more profits were generated from subsidiaries with applicable tax rate for EIT of 25%; (ii) an increase in net foreign exchange loss of RMB15.9 million; (iii) a decrease in share of results from joint venture of RMB28.3 million in FY2022 to RMB11.3 million in FY2023; (iv) a decrease in gain on deemed disposal of joint ventures by RMB13.0 million; and (v) the decrease in interest income from joint ventures by RMB12.7 million, partially offset by (vi) the decrease in distribution and selling expenses by RMB13.1 million in FY2023.

Our gross profit margin decreased from approximately 16.3% for FY2023 to approximately 14.4% for 8MFY2024, which was in line with the decrease in our net profit margin from approximately 8.9% for FY2023 to approximately 7.1% for 8MFY2024.

QUALITATIVE AND QUANTITATIVE DISCLOSURE OF MARKET RISKS

We are exposed to various types of financial and market risks, including foreign currency risk, credit risk and liquidity risk. Our Directors review and agree on financial management policies and practices for managing each of these risks.

Currency Risk

We primarily operate in the PRC and use RMB as our reporting currency. Certain proportion of our raw material KCL was sourced from overseas suppliers, most of which were settled in US\$ during the Track Record Period. Therefore, we have foreign-currency denominated bank balances, amount due from a related company, trade and other receivables, bank borrowings and amounts due to related companies, which expose us to foreign currency risk in fluctuation of US\$ against RMB.

We had a foreign exchange gain of RMB11.6 million in FY2021, a foreign exchange loss of RMB0.5 million in FY2022, a foreign exchange loss of RMB16.4 million in FY2023 and a foreign exchange gain of RMB4.9 million for 8MFY2024.

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We do not believe that we currently have any significant direct foreign exchange risk arising from our operating activities. We currently do not have a foreign exchange hedging policy. However, our Directors monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Interest Rate Risk

Our Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings, loans to joint ventures and loans from related companies. Our Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, restricted cash and bank balances. Our Group's policy is to maintain short-term borrowings at prevailing market rates so as to minimise the fair value interest rate risk. The cash flow interest rate risk is mainly concentrated on the fluctuation in prime rate in China arising from our Group's bank borrowings.

Our Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arises.

Credit Risk

Our credit risk is primarily attributable to trade receivables. The credit risks on bills receivables, restricted cash and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

As part of our credit risk management, we applies internal credit rating for our customers. Our debtors with significant outstanding balances or credit-impaired with gross carrying amounts of RMB114.0 million, RMB137.5 million, RMB82.1 million and RMB96.8 million as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively, were assessed individually. The average loss rates for our debtors with significant outstanding balances are assessed to be ranging from approximately 1% to 3%. The following table sets forth information about the exposure to credit risk for trade receivables which are assessed based on collective assessment as at 31 March 2021, 2022 and 2023 and 30 November 2023 within lifetime ECL (not credit impaired):

Internal credit rating	Trade and unbilled receivables							
			As at 31 March			As at 30 November		
	Average loss rate	2021 RMB'000	Average loss rate	2022 RMB'000	Average loss rate	2023 RMB'000	Average loss rate	2023 RMB'000
Low risk	0.47%	28,482	3.05%	127,454	1.90%	36,792	1.88%	29,490
Watch list	0.68%	88,452	10.13%	43,372	3.85%	81,454	3.16%	20,541
		<u>116,934</u>		<u>170,826</u>		<u>118,246</u>		<u>50,031</u>

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The estimated loss rates are estimated based on historical observed default rates over the expected life of our debtors and are adjusted for forward-looking information (for example, the macroeconomic conditions affecting the industry and the impact that may affect debtor ability to make payments) that is available without undue cost or effort. The fluctuation of expected credit loss rate during the Track Record Period was primarily due to (i) the fluctuation of historical observed default rates over the expected life of our debtors; and (ii) the fluctuation of forward-looking rates as affected by the macroeconomic conditions affecting the industries and the impact that may affect debtors' ability to make payments.

During FY2021, FY2022, FY2023 and 8MFY2024, our Group recognised reversed net impairment allowance of RMB2.0 million, recognised net impairment allowance of RMB7.5 million, reversed net impairment allowance of RMB4.0 million and reversed net impairment allowance of RMB3.1 million for trade receivables, based on the collective assessment, respectively; our Group reversed net impairment allowance of RMB7.6 million, recognised net impairment allowance of RMB3.5 million, reversed net impairment allowance of RMB2.7 million and recognised net impairment allowance of RMB0.3 million for debtors with significant balances and not credit-impaired, for the same years/period, respectively; and our Group also recognised net impairment allowance of RMB6.6 million, RMB149,000 and RMB5.0 million and reversed net impairment allowance of RMB75,000 for debtors with significant balances and credit impaired debtors, for the same years/period, respectively.

In addition, our Group is exposed to concentration of credit risk as at 31 March 2021, 2022 and 2023 and 30 November 2023 on the trade and bills receivables from one of our Group's largest customers amounting to RMB4.8 million, RMB15.4 million, RMB26.2 million and RMB27.1 million, respectively and accounted for 1%, 3%, 8% and 19%, respectively, of our Group's trade and bills receivables as at the relevant date. In the opinion of the management of our Group, this customer is reputable organisation in the market. The management of our Group considers that the credit risk is limited in this regard. Please refer to the section headed "Risk Factors – Risk Relating to Our Business – We are exposed to credit risks with respect to the settlement by our customers" in this prospectus for further information.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed "Appendix II – Unaudited Pro Forma Financial Information" for details.

DIVIDEND POLICY

The group entities comprising our Group have paid or declared dividends during the Track Record Period, which included (i) a dividend in an aggregate amount of RMB4.0 million, RMB4.5 million, RMB4.0 million and RMB4.0 million has been declared and paid by Daxing Migao during FY2021, FY2022, FY2023 and 8MFY2024, respectively; (ii) a dividend in an aggregate amount of RMB6.4 million has been declared and paid by Baoqing Migao during

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FY2023; and (iii) a dividend of RMB15.9 million has been declared and paid by Anda Migao during FY2023. Other than the above, no dividend was declared or paid by our Group during the Track Record Period. Our Company has not declared or paid any dividend since its incorporation.

After the Track Record Period and up to the Latest Practicable Date, a dividend in an aggregate amount of RMB21.6 million has been declared and paid by Anda Migao, and a dividend in an aggregate amount of RMB8.1 million has been declared and paid by Baoqing Migao.

After completion of the Global Offering, our Company's Shareholders will be entitled to receive dividends we declare. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. In addition, any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Please refer to a summary of the constitution of our Company set out in Appendix III to this prospectus. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

We currently do not have any pre-determined dividend pay-out ratio. As we are a holding company, our ability to declare and pay dividends will depend on the availability of dividends received from our subsidiaries, particularly those in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-invested enterprises, such as all of our subsidiaries in the PRC, to set aside part of their net profit as statutory reserves, and such statutory reserves are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As at 30 November 2023, we did not have any distributable reserves.

LISTING EXPENSES

Our Listing expenses primarily consist of underwriting commissions and professional fees paid to the professional advisers for their services rendered in relation to the Listing and the Global Offering. The total estimated Listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions and excluding any discretionary incentive fee which may be payable by us) in relation to the Global Offering are RMB128.0 million (equivalent to approximately HK\$141.1 million), representing approximately 16.5% of the gross proceeds from the Global Offering, of which (i) RMB2.8 million, RMB1.7 million, RMB22.1 million, RMB20.9 million and RMB15.4 million has been charged to our consolidated statements of profit or loss for the period before the Track Record Period, FY2021, FY2022, FY2023 and 8MFY2024, respectively; (ii) RMB16.2 million is expected to be charged to our consolidated statements of profit or loss after the Track Record Period; and

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(iii) RMB48.9 million is expected to be accounted for as a deduction from equity upon the Listing. The aforementioned estimated listing expenses of approximately HK\$141.1 million include (i) underwriting related expenses of approximately HK\$25.7 million; (ii) non-underwriting related fees and expenses paid and payable to legal advisers and reporting accountants, of approximately HK\$88.8 million; and (iii) other non-underwriting related fees and expenses of HK\$26.6 million.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial, operational or trading positions or prospects since 30 November 2023, being the latest date of our consolidated financial statements as set forth in the Accountants' Report included in Appendix I to this prospectus.

Our sales volume of our KCL and SOP were approximately 1,007,000 tonnes and 120,000 tonnes, respectively, for the ten months ended 31 January 2024, which already accounted for approximately 94.3% and 97.0% of our total sales volume of KCL and SOP for FY2023, respectively. As such, we expect our total sales volume of KCL and SOP for FY2024 would exceed FY2023.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business – Business Strategies” in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$713.9 million (equivalent to approximately RMB647.7 million) from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated Listing expenses payable by us and assuming the initial Offer Price of HK\$3.80 per Share, being the mid-point of the indicative Offer Price range.

The following table sets forth the timeline for our use of net proceeds from the Global Offering:

	For the year ending 31		Total	Approximate percentage of net proceeds
	March			
	2025	2026	HK\$	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	
	<i>million</i>	<i>million</i>	<i>million</i>	%
Heilongjiang Warehousing and Production Centre	250.8 (227.5)	71.6 (65.0)	322.4 (292.5)	45.2
New Sichuan Production Facility	96.4 (87.5)	104.9 (95.2)	201.3 (182.7)	28.2
Research and Development Centre	57.9 (52.5)	43.4 (39.3)	101.3 (91.8)	14.2
Upgrading and Replacement of Equipment and Machinery	42.9 (38.9)	–	42.9 (38.9)	6.0
General Working Capital	46.0 (41.8)	–	46.0 (41.8)	6.4
Total	494.0 (448.2)	219.9 (199.5)	713.9 (647.7)	100.0

FUTURE PLANS AND USE OF PROCEEDS

We currently intend to apply the net proceeds from the Global Offering for the purposes and in the amounts as set out below:

Heilongjiang Warehousing and Production Centre

- approximately HK\$322.4 million (equivalent to approximately RMB292.5 million), representing approximately 45.2% of the net proceeds from the Global Offering, is intended to be used to construct the Heilongjiang Warehousing and Production Centre, of which
 - o approximately HK\$93.9 million (equivalent to approximately RMB85.2 million), representing approximately 13.2% of the net proceeds from the Global Offering will be used for the construction of the designated railway connecting lines;
 - o approximately HK\$122.6 million (equivalent to approximately RMB111.2 million), representing approximately 17.2% of the net proceeds from the Global Offering will be used for construction costs;
 - o approximately HK\$78.4 million (equivalent to approximately RMB71.1 million), representing approximately 11.0% of the net proceeds from the Global Offering will be used primarily for purchasing of equipment and machinery for KCL loading and processing; and
 - o approximately HK\$27.5 million (equivalent to approximately RMB25.0 million), representing approximately 3.9% of the net proceeds from the Global Offering will be used for installation and miscellaneous costs.

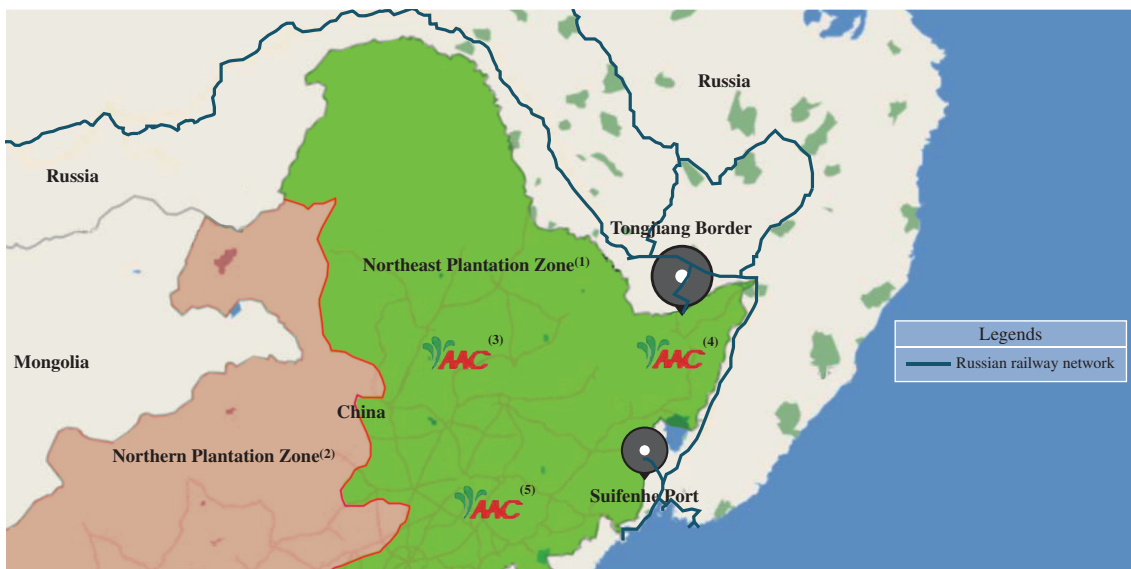
Background and Geographic Importance

Tongjiang City is located in the northern part of the Heilongjiang Province, adjacent to Russia. Heilongjiang Province has been ranking the first in China for grain production in terms of volume consecutively, and being the critical channel for Sino-Russia trade. According to the Joint Statement by the President of the PRC and the President of the Russian Federation on the Development Plan of Key Directions for Sino-Russian Economic Cooperation before 2030 (《中華人民共和國主席和俄羅斯聯邦總統關於2030年前中俄經濟合作重點方向發展規劃的聯合聲明》) published on 21 March 2023, the governments agree to, among others, expand Sino-Russian trading, increase integration of logistics between the two countries by building new connecting ports and increase cooperation in the fertiliser, chemicals, commodities and minerals resources industries. Further, according to The Fourteenth Five-Year Plan for National Economic and Social Development of the PRC and the Outline of Long-term Goals for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) published on 12 March 2021, the PRC government aims to increase cooperation with Russia through Heilongjiang Province through the development of connecting ports. It intends to support Tongjiang City, among others, to become a commodity trading centre for the trading of agricultural and mineral resources products.

FUTURE PLANS AND USE OF PROCEEDS

As the Tongjiang railway port (the “**Tongjiang Border**”) started operation since 16 November 2022, Tongjiang City has become the only city in China with diverse ports access to Russia via water, road and railway. According to the Frost & Sullivan Report, the railway transportation time and distance has been shortened by several hundred kilometers from major potash reserves in Russia to Heilongjiang via the Tongjiang Border as compared to via the Suifenhe port.

Below map shows the geographical location of the main KCL import ports in Heilongjiang Province, the related Russian railway network connected to such KCL import ports, our Anda Production Facility, Baoqing Production Facility and Changchun Production Facility, and the neighboring plantation zones.



Notes:

- (1) Northeast Soybean, Spring Wheat, Maize and Beet Plantation Zone
- (2) Northern Plateau Small Grains and Beet Plantation Zone
- (3) Anda Production Facility
- (4) Baoqing Production Facility
- (5) Changchun Production Facility

The import volume of KCL from Russia to China by ground transportation is expected to increase from approximately 1.2 million tonnes in 2022 to approximately 5.0 million tonnes in 2027 and import by railway account for majority of such import volume. Further, the Tongjiang Border is the only new port with railway which involves the import of potash among the existing main trading borders between Russia and China. As such, we intend to take advantage of the geographic benefits of the Tongjiang Border and the favorable government policies to construct the Heilongjiang Warehousing and Production Centre in Tongjiang City to meet the demand of warehousing services for our Group and other KCL importers. The Heilongjiang Warehousing and Production Centre is expected to be connected to the Russian railway systems and the Chinese railway systems and is planned to be equipped with loading, granulation and packaging equipment. These infrastructures will enable us to unload the imported KCL by railway from the Russian railway systems at the Heilongjiang Warehousing and Production Centre for processing, granulation and storage before entering the Chinese railway systems.

FUTURE PLANS AND USE OF PROCEEDS

Investment Steps and Terms

On 26 April 2022, our Group acquired 100% equity interest in Tongjiang Migao at a consideration of RMB1 from Liaoning Migao to support our development plan to build the Heilongjiang Warehousing and Production Centre to enhance the product supply efficiency and capability. Tongjiang Migao became our indirect wholly-owned subsidiary after the acquisition.

In May 2022, we have entered into a project investment agreement with the local authorities in respect of our investment in the Heilongjiang Warehousing and Production Centre. Below are certain key terms of the project investment agreement:

- **Investment Amount:** The total investment amount will be RMB1,600 million inclusive of the working capital and purchase of inventory for the operations of the Heilongjiang Warehousing and Production Centre for three years from the commencement of its construction. The total investment amount will be funded from internal resources, external borrowings, net proceeds from the Global Offering and cash flow from the operations of the Heilongjiang Warehousing and Production Centre.
- **Land Acquisition:** The land will be offered for sale through public listing in accordance with the laws and the price will be determined in accordance with land usage sale contract.
- **Land Use:** The land is used for the construction of the project only.
- **Rights and Obligations:** We are required to comply with the relevant laws and regulations in relation to environment protection and safety provisions and ensure completion of project in accordance with the agreement. We also agree to continue to pay relevant taxes to the local authorities and not to relocate for the next 10 years.
- **Preferential Policy:** The local government will offer various preferential policies to us.

On 21 September 2022, we entered into a land use right acquisition agreement with the local authorities to acquire a parcel of land in Tongjiang City, Heilongjiang Province with a site area of approximately 368,104.7 sqm for the construction of the Heilongjiang Warehousing and Production Centre. The acquisition price for the land use right is RMB60,210,000 and we had paid the acquisition price as at the Latest Practicable Date.

We also entered into (i) a special designated railway connecting line agreement with a local state-owned enterprise (the “**Railway SOE**”) to connect to our Heilongjiang Warehousing and Production Centre to the conjunction area of Tongjiang North Station where the Russia railway systems and the Chinese railway systems are connected; and (ii) a lease agreement with the Railway SOE to lease the land where our connecting lines connect to the conjunction area of Tongjiang North Station. Please refer to the sections headed “Risk Factors – Risks Relating to Our Business – We may face fines in relation to leased properties or may not be able to continue to use certain buildings on the leased properties or use the land we leased” and “Business – Land and Properties – Land” in this prospectus for further information.

FUTURE PLANS AND USE OF PROCEEDS

Construction Plan and Investment Costs

As at the Latest Practicable Date, site formation and infrastructure works of the Heilongjiang Warehousing and Production Centre have been commenced and we expect to complete construction in the second half of 2025. The total site area of the Heilongjiang Warehousing and Production Centre (including the railway) is expected to be approximately 530,000 sqm and with a storage capacity of around 500,000 tonnes. The construction of the designated railway is also included in the construction plan of the Heilongjiang Warehousing and Production Centre. The Heilongjiang Warehousing and Production Centre is expected to be equipped with 35 processing lines consisting of automatic conveyor and packaging machinery and 10 granulating lines. The estimated annual capacity of KCL processing and granulation is expected to be two million tonnes and one million tonnes, respectively.

We expect that the investment costs for the Heilongjiang Warehousing and Production Centre to be approximately RMB591.8 million, of which approximately (i) RMB103.4 million is the land acquisition costs; (ii) RMB119.9 million is the designated railway connecting lines construction costs; (iii) RMB203.6 million is the construction costs; (iv) RMB113.8 million is for purchasing of equipment and machinery, of which approximately RMB35.0 million is for equipment and machinery for KCL granulation and approximately RMB65.0 million is for equipment and machinery for KCL processing; and (v) RMB51.2 million is installation and miscellaneous costs. As at the Latest Practicable Date, we had incurred approximately RMB69.1 million for land acquisition and RMB4.9 million primarily for site formation works. We plan to fund the establishment of Heilongjiang Warehousing and Production Centre with part of the net proceeds from the Global Offering of approximately RMB322.4 million; and the remaining approximately RMB195.4 million, primarily including the construction of facilities, equipment and machinery and installation and miscellaneous costs for general facilities and granulating lines, will be funded by our internal resources and/or external borrowings.

The following table sets out a breakdown of our main investment amount with respect to (i) land acquisition, (ii) construction of designated railway connecting lines, (iii) construction of facilities, (iv) equipment and machinery acquisition, and (v) installation and miscellaneous costs of the Heilongjiang Warehousing and Production Centre for the years specified.

	For the year ended/ending 31 March			
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Land	69,721	4,307	29,367	–
Construction of designated railway connecting lines	–	–	119,855	–
Construction of facilities	–	–	203,570	–
Equipment and machinery	–	–	71,125	42,675
Installation and miscellaneous	–	–	18,075	33,075
Total	<u>69,721</u>	<u>4,307</u>	<u>441,992</u>	<u>75,750</u>

FUTURE PLANS AND USE OF PROCEEDS

Assuming that, among others, (i) total hiring of an additional 62 employees; (ii) property, railway and buildings with 20 years depreciation period; (iii) equipment and machinery with 10 years depreciation period; (iv) maintenance fees of 2% of the fixed assets; (v) other manufacturing fees of 2% of the fixed assets; (vi) other management fees of 50% of salary and staff benefits; (vii) other sale expenses of 3.0% of revenue; (viii) utilisation rate of the centre to reach 70% for the first year of operation, 90% for the second year of operation and 100% for the third year of operation and onwards; (ix) warehousing service fee including KCL processing service fee of RMB75 per tonne, KCL granulating service fee of RMB150 per tonne (inclusive of the KCL processing service fee of RMB75 per tonne) and annual storage fee of RMB360 per tonne; (x) other operation expenses of 6.0% of revenue; and (xi) corporate income tax rate of 25% with no preferential tax treatment, the breakeven point of the Heilongjiang Warehousing and Production Centre, i.e., the amount of sales required to cover its costs and expenses, is approximately within three years from the commencement date of its construction (i.e. the first year of operation). The expected time required for the Heilongjiang Warehousing and Production Centre to recover the investment costs, i.e., the payback period, is approximately 7.5 years from the commencement date of its construction with reference to the feasibility study report.

Justification for Construction of the Heilongjiang Warehousing and Production Centre

We believe that the construction of the Heilongjiang Warehousing and Production Centre will enable us to enhance: (i) the flexibility in our KCL procurement arrangements; (ii) the sales and service network for our customers and our management efficiency over production schedule; and (iii) our Group's financial performance from a new revenue stream by providing one-stop warehousing solution to other KCL importers.

(i) Enhance flexibility in our KCL procurement arrangements

The construction of the Heilongjiang Warehousing and Production Centre will enable us to enjoy flexibility in managing our KCL procurement arrangements based on our own operational demand, which will reduce our reliance on the warehousing and processing services provided by third parties in proximity to the Tongjiang Border. During the Track Record Period, our KCL processing capacity had been over utilised with utilisation rates constantly over 100% which we had to seek third party to process KCL for us. With the additional KCL processing capacity at the Heilongjiang Warehousing and Production Centre, it can alleviate the over utilisation of our KCL processing capacity.

Further, with the increased storage capacity, we would have a greater flexibility to systematically manage our inventory of KCL and enhance our control over our procurement arrangement to timely respond to changes of global supply and fluctuation in market price of potash fertiliser.

FUTURE PLANS AND USE OF PROCEEDS

- (ii) Enhance sales and service network for our customers and our management efficiency over production schedules

None of our production facilities located in the Heilongjiang Province (i.e. Baoqing Production Facility and Anda Production Facility) have any KCL processing capabilities. Our closest production facility with KCL processing capability is the Changchun Production Facility. With the establishment of the Heilongjiang Warehousing and Production Centre, it will strengthen our presence in Heilongjiang Province. It will allow us to process KCL there and our customers can pick up KCL at Tongjiang, representing another alternative location in the region in addition to our production facility in Changchun. Such additional location will provide more flexibility to our customer in terms of their scheduling, transportation cost management, inventory management and other operational convenience. While we are able to coordinate with our customers for delivery of our fertiliser products, with the capabilities and space of the Heilongjiang Warehousing and Production Centre, we will be able to independently accommodate our customers' needs, in term of timing and level of services, and have better control over the quality of services delivered to our customers.

In addition, as the KCL imported through the Tongjiang Border will be unloaded directly at the Heilongjiang Warehousing and Production Centre and may be further granulated there when requested by our customers, it enables us to enhance our KCL granulation in an effective manner and it is easier for our Group to manage its production schedule. Also, it will become a third facility for our customers to pick up granulated KCL and provide greater flexibility to our customers on their procurement management.

- (iii) Enhance our Group's financial performance from a new revenue stream by providing one-stop warehousing solution to other KCL importers

In addition to using the Heilongjiang Warehousing and Production Centre for our own production, with the significant increase in both KCL processing and KCL granulating capacities, we can also provide one-stop warehousing solution including processing, granulating and storage services to other KCL importers and customers. We expect to charge warehousing service fees for KCL processing, KCL granulating and storage. The KCL granulating service fee is inclusive of the KCL processing service fee. For KCL processing and granulating services, we only provide a service and do not bear the cost of the KCL (unlike the sales of our processed KCL and granulated KCL) as the KCL will be provided to us by the KCL importers and customers. As such, for our pricing of KCL processing and granulating services at the Heilongjiang Warehousing and Production Centre, we would distinguish the pricing for KCL processing and granulating services unlike for the sales of our processed KCL and granulated KCL where we adopt the same pricing policy for all KCL we sold.

FUTURE PLANS AND USE OF PROCEEDS

As it is expected that the Tongjiang Border will become a major port for the import of KCL from Russia given the support of favorable government policies, we believe there is an increasing demand for warehousing solution by KCL importers; and the development of the Heilongjiang Warehousing and Production Centre will enable our Group to capture the business opportunities from the rising demand of KCL from Russia and hence will bring in new income stream for our Group and enhance our revenue.

Our Group has received letters of intent from four of our top five suppliers during the Track Record Period, in which they have indicated their willingness to utilise the Heilongjiang Warehousing and Production Centre for the import of potash, in an aggregate amount of not less than 1.4 million tonnes per year, through the Tongjiang Border, after the establishment of Heilongjiang Warehousing and Production Centre.

New Sichuan Production Facility

- approximately HK\$201.3 million (equivalent to approximately RMB182.7 million), representing approximately 28.2% of the net proceeds from the Global Offering will be used for the investment and construction of our New Sichuan Production Facility, among which:
 - o approximately HK\$14.7 million (equivalent to approximately RMB13.3 million), representing approximately 2.1% of the net proceeds from the Global Offering will be used for acquisition of land;
 - o approximately HK\$81.6 million (equivalent to approximately RMB74.0 million), representing approximately 11.4% of the net proceeds from the Global Offering will be used for construction costs;
 - o approximately HK\$81.9 million (equivalent to approximately RMB74.4 million), representing approximately 11.5% of the net proceeds from the Global Offering will be used for purchasing of equipment and machinery; and
 - o approximately HK\$23.1 million (equivalent to approximately RMB21.0 million), representing approximately 3.2% of the net proceeds from the Global Offering will be used for installation and miscellaneous costs.

For further details, please refer to the section headed “Business – Expansion Plan” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Research and Development Centre

- approximately HK\$101.3 million (equivalent to approximately RMB91.8 million), representing approximately 14.2% of the net proceeds from the Global Offering will be used to fund the establishment of a research development centre (the “**Sichuan R&D Centre**”), of which
 - o approximately HK\$16.5 million (equivalent to approximately RMB15.0 million), representing approximately 2.3% of the net proceeds from the Global Offering will be used for acquisition of the land parcel for the Sichuan R&D Centre;
 - o approximately HK\$36.9 million (equivalent to approximately RMB33.5 million), representing approximately 5.2% of the net proceeds from the Global Offering will be used for construction costs of the Sichuan R&D Centre; and
 - o approximately HK\$47.9 million (equivalent to approximately RMB43.3 million), representing approximately 6.7% of the net proceeds from the Global Offering will be used for purchasing of equipment and machinery.

We consider that our research and development capabilities is one of our competitive strengths to our success and have placed strong emphasis on the research and development activities since our incorporation. For FY2021, FY2022, FY2023 and 8MFY2024, our research and development expenses were RMB24.5 million, RMB38.9 million, RMB31.0 million and RMB26.3 million, respectively. As at the Latest Practicable Date, we had 109 registered patents in China, including 19 invention patents and 90 utility model patents, and were in the process of applying for 15 invention patents.

As at the Latest Practicable Date, our research and development team comprised of 72 employees who are located at our various production facilities in different cities throughout China. By establishing our own centralised Sichuan R&D Centre, we believe that it would allow us for better collaboration, centralisation of resources and better control and oversight of research and development activities. Please refer to the section headed “Business – Research and Development” in this prospectus for further information.

Taking into account of the above, we intend to acquire a land parcel of approximately 33,000 sqm to 40,000 sqm located in Qingbaijiang District in Chengdu City, Sichuan Province, to establish our research and development facilities with gross floor area of approximately 16,800 sqm, including an office building, a laboratory building, two pilot scale testing plants, three warehouses for testing materials and products; and to purchase and/or install the requisite equipment and machinery.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets out a breakdown of our main investment amount with respect of acquisition of land parcel, construction of buildings and purchase and/or instalment of equipment and machinery of the Sichuan R&D Centre for the years specified.

	For the year ending 31 March	
	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>
Land	15,000	–
Buildings	22,250	11,250
Equipment and machinery	15,250	56,250
	52,500	67,500
Total	52,500	67,500

We plan to fund the establishment of Sichuan R&D Centre with part of the net proceeds from the Global Offering of approximately RMB91.8 million; and the remaining approximately RMB28.2 million will be funded by our internal resources and/or external borrowings.

Upgrading and Replacement of Equipment and Machinery

- approximately HK\$42.9 million (equivalent to approximately RMB38.9 million), representing approximately 6.0% of the net proceeds from the Global Offering will be used to purchase new equipment and machinery for replacement of existing equipment and machinery and to purchase new environmental and automatic equipment and machinery for our Guangdong Production Facility, Changchun Production Facility and Daxing Production Facility. Most of the major equipment and machinery we intend to replace are equipment and machinery with less than three years of remaining useful life. The total original cost of these pieces of equipment and machinery was approximately RMB91.1 million which accounted for approximately 18.8% of our total original cost of equipment and machinery as at 30 November 2023. These pieces of equipment and machinery mainly include equipment and machinery for our production lines, equipment for cooling and HCL acid making, Mannheim reacting furnaces, and related power and energy supply equipment. It is estimated that the total purchase costs of new equipment and machinery is approximately RMB183.2 million, which will be funded by the net proceeds from the Global Offering and our internal resources. We intend to begin the replacement from April 2024 and complete the replacement by September 2025. As we intend to carry the replacement during the low season of our production, we do not expect that the temporary suspension of certain of our production lines due to replacement of equipment and machinery will have any material adverse impact to our operations. During the Track Record Period, our total capital expenditure on equipment and machinery upgrade and replacement for these three production facilities were in aggregate approximately RMB14.6 million. The upgrading and replacement of equipment and machinery at our Guangdong Production Facility and Changchun Production Facility will enhance and improve the environmental standards of our production in those facilities,

FUTURE PLANS AND USE OF PROCEEDS

which is invaluable to our operations and our compliance with relevant environmental laws and regulations. The upgrading and replacement of equipment and machinery at our Daxing Production Facility will allow us to adopt automatic production procedures at the facility which will thereby increase our production efficiency and lower relevant work safety risks.

General Working Capital

- approximately HK\$46.0 million (equivalent to approximately RMB41.8 million), representing approximately 6.4% of the net proceeds from the Global Offering will be used for additional working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$4.30 per Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Global Offering will increase by approximately HK\$109.1 million (equivalent to approximately RMB99.0 million). We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$3.30 per Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Global Offering will decrease by approximately HK\$109.1 million (equivalent to approximately RMB99.0 million). We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$124.4 million (equivalent to approximately RMB112.9 million), assuming an Offer Price of HK\$3.80 per Share, being the midpoint of the indicative Offer Price range. If the Offer Price is set at the high-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will be approximately HK\$140.8 million (equivalent to approximately RMB127.7 million). If the Offer Price is set at the low-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will be approximately HK\$108.0 million (equivalent to approximately RMB98.0 million). In the event the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licenced banks in the PRC or Hong Kong.

We will issue an announcement in the event that there is any material change in the use of proceeds from the Global Offering as set out above.

CORNERSTONE PLACING

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (the “**Cornerstone Investment Agreement**”) with the cornerstone investors set out below (the “**Cornerstone Investors**”, each a “**Cornerstone Investor**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or caused their designated entities (including qualified domestic institutional investor(s)) (“**QDII(s)**”) to subscribe, at the Offer Price for such number of the Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be placed for an aggregate amount of approximately HK\$418.5 million (the “**Cornerstone Placing**”) (excluding brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and AFRC transaction levy).

Assuming the Offer Price is set at HK\$3.30 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, (i) the total number of Offer shares to be allocated to the Cornerstone Investors will be 126,797,000 Offer Shares, representing approximately 14.1% of our total issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised at all; or (ii) representing approximately 13.5% of our total issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Assuming the Offer Price is set at HK\$3.80 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, (i) the total number of Offer Shares to be allocated to the Cornerstone Investors will be 110,112,000 Offer Shares, representing approximately 12.3% of our total issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised at all; or (ii) representing approximately 11.8% of our total issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Assuming the Offer Price is set at HK\$4.30 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, (i) the total number of Offer Shares to be allocated to the Cornerstone Investors will be 97,309,000 Offer Shares, representing approximately 10.7% of our total issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised at all; or (ii) representing approximately 10.4% of our total issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Our Company is of the view that the Cornerstone Placing provides an impression of commitment, confidence and interests of the Cornerstone Investors in the business and prospect of our Group and helps to raise the profile of our Company.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become our substantial Shareholders, and the Cornerstone Investors or their close associates will not, by virtue of their

CORNERSTONE PLACING

investments, have any Board representation in our Company. Other than a guaranteed allocation of relevant Offer Shares at the Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

To the best knowledge of our Company and after making reasonable enquiries, (i) the Cornerstone Investors (and, for Cornerstone Investor who will subscribe for our Offer Shares through a QDII, such QDII and the Cornerstone Investor) and their respective ultimate beneficial owner(s) and/or associates are Independent Third Parties (save as China XLX (as defined below) was one of our customers during the Track Record Period); (ii) the Cornerstone Investors are not accustomed to take instructions from our Company, our Directors, our chief executive, our Controlling Shareholders, our substantial Shareholders or existing Shareholder or any of their subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of Offer Shares; and (iii) the subscription of the relevant Offer Shares by the Cornerstone Investors is not directly or indirectly financed by our Company, our Directors, our chief executive, our Controlling Shareholders, our substantial Shareholders or existing Shareholders or any of their subsidiaries or their respective close associates.

To the extent that any Cornerstone Investor has engaged a QDII to subscribe for the relevant Offer Shares on its behalf, such Cornerstone Investor will procure such QDII to comply with the terms of its Cornerstone Investment Agreements in order to ensure the compliance of such Cornerstone Investor with its obligations under its Cornerstone Investment Agreement.

As confirmed by the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

Save for Shenyang Xinchang (as defined below), each Cornerstone Investor has agreed that our Company and the Overall Coordinators in their sole discretion may defer the delivery of all or any part of the Offer Shares it will subscribe to a date later than the Listing Date. Such delayed delivery arrangement is in place to facilitate the over-allocation in the International Offering. All Cornerstone Investors have agreed that the relevant Offer Shares that they will subscribe will be fully settled prior to the Listing. There will be no delayed delivery if there is no over-allocation in the International Offering. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules.

To the best knowledge of our Company and as confirmed by each Cornerstone Investor, save as disclosed in this section below, none of the Cornerstone Investors nor their respective shareholders are listed on any stock exchanges. Each of the Cornerstone Investors has

CORNERSTONE PLACING

confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

The Offer Shares to be subscribed by the Cornerstone Investors might be affected by reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation” in this prospectus. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will also be disclosed in the allocation results announcement of our Company to be published on or around Wednesday, 20 March 2024.

CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below was provided by our Cornerstone Investors in connection with the Cornerstone Placing. Our Company became acquainted with each of the Cornerstone Investors through introduction and arrangement by the Underwriters in the Global Offering.

Shenyang Xinchang Grain Trade Co., Ltd.

Shenyang Xinchang Grain Trade Co., Ltd. (瀋陽信昌糧食貿易有限公司) (“**Shenyang Xinchang**”) was incorporated in the PRC in June 2005. It is a wholly-owned subsidiary of Shiyue Daotian Group Co., Ltd (“**Shiyue Daotian**”), a company listed on the Hong Kong Stock Exchange (stock code: 9676). Shiyue Daotian is one of the leading pantry staple food companies in China. Shenyang Xinchang is primarily engaged in sourcing, processing and sales of pre-packaged rice, whole grain, bean and dried food products.

Pioneer Top Holdings Limited

Pioneer Top Holdings Limited (新化科技有限公司) (“**Pioneer Top**”), which is ultimately controlled by Liu Xing Xu, was registered in the British Virgin Islands in May 2006, mainly investing in the fields of fertilisers and chemicals. Pioneer Top is a controlling shareholder of China XLX Fertiliser Ltd. (中國心連心化肥有限公司) (“**China XLX**”), a company listed on the Hong Kong Stock Exchange (stock code: 1866), and holds approximately 34.74% of the issued share capital of China XLX as at the Latest Practicable Date. China XLX and its subsidiaries are principally engaged in the development, manufacturing, and trading of related differentiated products such as urea, compound fertiliser, methanol, dimethyl ether (DME), melamine, furfuryl alcohol, furfural, 2-methylfuran and medical intermediate. China XLX was one of our customers during the Track Record Period.

Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of and for the account of Harvest Prosperity II SP

Harvest International Premium Value (Secondary Market) Fund SPC (“**Harvest**”) on behalf of Harvest Prosperity II SP is a fund launched in November 2023. Harvest is a segregated portfolio company established in the Cayman Islands. 91% of the management shares of Harvest are held by Harvest Global Investments Limited (“**HGI**”) and 9% of the management shares are held by Harvest Global Capital Investments Limited (“**HGCI**”). Incorporated in Hong Kong in 2008, HGI is a wholly-owned subsidiary of Harvest Fund Management Co., Ltd (“**HFM**”). HFM is one of the first ten public fund management companies approved to be established within China. HGCI is a company incorporated in Hong Kong in 2011 and licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. HGCI is principally engaged in asset management and investment advisory business. The sole participating shareholder of Harvest is Brand Boutique (Hong Kong) Limited, and the ultimate beneficial owner is Kan Jun, an Independent Third Party of the Company.

Mega Dynamic Group Limited

Mega Dynamic Group Limited (“**Mega Dynamic**”) is a company indirectly wholly owned by VMS Holdings Limited (together with its subsidiaries as the “**VMS Group**”). VMS Holdings Limited is ultimately owned by Ms. MAK Siu Hang Viola. VMS Group offers specialised investment solutions across asset classes and market segments. Its core business includes private equity, venture capital, real estate, private debt and hedge fund strategies.

CORNERSTONE PLACING

The table below sets forth details of the Cornerstone Placing:

Cornerstone Investor	Total investment amount ⁽¹⁾	Hong Kong dollar equivalent ⁽²⁾	Number of Offer Shares to be subscribed ⁽³⁾	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
				Approximate percentage of the International Offer Shares	Approximate percentage of the International Offer Shares	Approximate percentage of the International Offer Shares	Approximate percentage of the International Offer Shares
Assuming an Offer Price of HK\$3.30 per Share (being the low-end of the indicative Offer Price range)							
Shenyang Xinchang	US\$20.9	163.6	49,576,000	24.5%	19.2%	21.0%	5.3%
Pioneer Top Harvest	HK\$20.0	20.00	6,060,000	3.0%	2.3%	2.6%	0.6%
Mega Dynamic	US\$20.0	156.6	47,441,000	23.4%	18.3%	20.1%	5.1%
	US\$10.0	78.3	23,720,000	11.7%	9.2%	10.0%	2.5%
		418.5	126,797,000	62.6%	49.0%	53.7%	13.5%
Assuming an Offer Price of HK\$3.80 per Share (being the mid-point of the indicative Offer Price range)							
Shenyang Xinchang	US\$20.9	163.6	43,052,000	21.3%	16.6%	18.2%	4.6%
Pioneer Top Harvest	HK\$20.0	20.00	5,263,000	2.6%	2.0%	2.2%	0.6%
Mega Dynamic	US\$20.0	156.6	41,198,000	20.3%	15.9%	17.4%	4.4%
	US\$10.0	78.3	20,599,000	10.2%	8.0%	8.7%	2.2%
		418.5	110,112,000	54.4%	42.5%	46.5%	11.8%
Assuming an Offer Price of HK\$4.30 per Share (being the high end of the indicative Offer Price range)							
Shenyang Xinchang	US\$20.9	163.6	38,046,000	18.8%	14.7%	16.1%	4.1%
Pioneer Top Harvest	HK\$20.0	20.00	4,651,000	2.3%	1.8%	2.0%	0.5%
Mega Dynamic	US\$20.0	156.6	36,408,000	18.0%	14.1%	15.4%	3.9%
	US\$10.0	78.3	18,204,000	9.0%	7.0%	7.7%	1.9%
		418.5	97,309,000	48.1%	37.6%	41.2%	10.4%

Notes:

- (1) Exclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy.
- (2) Calculated based on the exchange rates as described in the section headed “Information about this Prospectus and the Global Offering – Exchange Rates.” The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate prescribed in the relevant Cornerstone Investment Agreement.
- (3) Subject to rounding down to the nearest whole board lot of 1,000 Shares.

CORNERSTONE PLACING

CONDITIONS PRECEDENT

The obligations of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement are subject to, among other things, the following closing conditions:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements;
- (b) none of the Underwriting Agreements having been terminated;
- (c) the Offer Price having been agreed upon between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters);
- (d) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares (including the Offer Shares) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares of the Hong Kong Stock Exchange;
- (e) no laws shall have been enacted or promulgated by any government authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (f) the respective representations, warranties, undertakings, acknowledgements and confirmations of each of the Cornerstone Investors are accurate and true in all respects and not misleading and that there is no breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

Restrictions on the Cornerstone Investor

Each of Shenyang Xinchuan and Pioneer Top has agreed, covenanted with and undertaken to our Company, the Overall Coordinators and the Sole Sponsor that without the prior written consent of each of our Company, the Overall Coordinators and the Sole Sponsor, each of Shenyang Xinchuan and Pioneer Top will not, whether directly or indirectly, at any time during the period of 12 months from the Listing Date, (i) dispose of, in any way, any of the Offer Shares they have subscribed for pursuant to the relevant Cornerstone Investment Agreements or any interest in any company or entity holding any such Offer Shares; (ii) allow themselves to undergo a change of control (as defined in the Takeovers Code) at the level of their ultimate beneficial owners; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.

CORNERSTONE PLACING

Each of Harvest and Mega Dynamic has agreed, covenanted with and undertaken to our Company, the Overall Coordinators and the Sole Sponsor that without the prior written consent of each of our Company, the Overall Coordinators and the Sole Sponsor, each of Harvest and Mega Dynamic will not, whether directly or indirectly, at any time during the period of 6 months from the Listing Date, (i) dispose of, in any way, any of the Offer Shares they have subscribed for pursuant to the relevant Cornerstone Investment Agreements or any interest in any company or entity holding any such Offer Shares; (ii) allow themselves to undergo a change of control (as defined in the Takeovers Code) at the level of their ultimate beneficial owners; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.

Each Cornerstone Investor may transfer the Offer Shares they have subscribed for pursuant to the relevant Cornerstone Investment Agreement (the “**Relevant Shares**”) in certain limited circumstances set out in Cornerstone Investment Agreements, such as a transfer to a wholly-owned subsidiary that will be bound by the relevant Cornerstone Investor’s obligations under its Cornerstone Investment Agreement, and be subject to the restrictions on disposal of Relevant Shares imposed on such Cornerstone Investor.

UNDERWRITING

HONG KONG UNDERWRITERS

GF Securities (Hong Kong) Brokerage Limited

CMB International Capital Limited

Essence International Securities (Hong Kong) Limited

China Merchants Securities (HK) Co., Limited

ABCI Securities Company Limited

China Everbright Securities (HK) Limited

Soochow Securities International Brokerage Limited

Shenwan Hongyuan Securities (H.K.) Limited

Orient Securities (Hong Kong) Limited

Livermore Holdings Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 22,500,000 Hong Kong Offer Shares (subject to reallocation) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus.

Subject to various conditions, which include, but without limitation, the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including any additional Shares which may be made available pursuant to any exercise of the Over-allotment Option and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, but not jointly or jointly and severally to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement.

UNDERWRITING

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not subsequently having been terminated.

Grounds for termination

The Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (1) there has come to the notice of the Sole Sponsor and the Overall Coordinators or any of the Hong Kong Underwriters:
 - (i) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
 - (ii) the chairperson of the Board or the chief executive officer of our Company vacating his or her office; or
 - (iii) the commencement by any public, regulatory, taxing, administrative or governmental, agency or authority, any self-regulatory organisation or any securities exchange authority, other authority and any court at the national, provincial, municipal or local level of the jurisdictions in which our Company is incorporated or the Shares are to be listed or our Group's business is carried out or our Group's asset is held, including (without limitation) the PRC and Hong Kong (as the case may be) (the "**Governmental Authority**") of any proceedings or other action, or announcing an intention to take such action, against any executive Director; or
 - (iv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued upon the exercise the Over-allotment Option) pursuant to the terms of the Global Offering; or
 - (v) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the representations, warranties, agreements and undertakings given by our Company, our executive Directors and our Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement which has a material adverse effect, or any development involving or likely to involve a prospective material adverse effect, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of

UNDERWRITING

operations, position or condition, financial, operational or otherwise, or performance of our Company and its subsidiaries, taken as a whole (the “**Material Adverse Effect**”), on the Global Offering; or

- (vi) any breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters) which has a Material Adverse Effect on the Global Offering; or
- (vii) that any statement contained in any of this prospectus and/or in any notices, announcements, application proof information pack, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto) (collectively, the “**Relevant Documents**”) was, when it was issued, or has or may become, untrue, incorrect, inaccurate or misleading in any material respect, or that any estimate/forecast, expression of opinion, intention or expectation contained in any of the Relevant Documents is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
- (viii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or
- (ix) any matter, event, act or omission which gives or is likely to give rise to any material liability of our Company or our Controlling Shareholders or executive Directors out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement and/or pursuant to the indemnities given by any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (x) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole and/or any member of our Group; or

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- (xi) approval by the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (xii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
 - (xiii) any expert named in this prospectus (other than the Sole Sponsor) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
 - (xiv) a significant portion of the total orders placed or confirmed in the book building process or any investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Overall Coordinators, in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (2) there shall have developed, occurred, happened or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development involving a prospective change or development (whether or not permanent), in any local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in or affecting the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting Hong Kong, the PRC, Singapore, Malaysia, the United States, the United Kingdom, the European Union (or any member thereof), the Cayman Islands or BVI, or any other jurisdiction relevant to any member of our Group (each a “**Relevant Jurisdiction**”); or
 - (ii) the imposition or declaration of:
 - i. any moratorium, suspension, restriction or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or

UNDERWRITING

securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

- ii. any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority), the PRC, New York, London, the European Union (or any member thereof) or any other Relevant Jurisdiction or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters or any of the Relevant Jurisdiction in those places or jurisdictions; or
- (iii) any change or development or event involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting any Relevant Jurisdiction; or
- (iv) any litigation, or claim of any third party being threatened or instigated against any member of our Group or any Director; or
- (v) any adverse change or development involving a prospective adverse change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects (financial or otherwise), earnings, profits, losses or financial or trading position of our Group taken as a whole and/or any member of our Group; or
- (vi) the imposition of economic, political or other sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on our Group; or
- (vii) a contravention by any Group company of the Listing Rules or applicable laws, rules or regulations; or
- (viii) non-compliance of this prospectus (or any other Relevant Documents) or any aspect of the Global Offering with the Listing Rules or any other applicable laws or regulations; or
- (ix) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other Relevant Documents) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement

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or request of the Hong Kong Stock Exchange and/or the SFC, without the prior consent of the Overall Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) and the Sole Sponsor; or

- (x) any event or series of events in the nature of force majeure, including, without limitation, acts of government, declaration of a national or international emergency, calamity, crisis, labour disputes, strikes, lock-outs, riots, public disorder, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), outbreak of diseases or epidemics or pandemics including, but not limited to, COVID-19, Severe Acute Respiratory Syndrome (SARS), H1N1 and H5N1 and avian influenza and such related/mutated forms or accident or interruption or delay in transportation, economic sanction and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis; or
- (xi) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xii) order or petition for the winding up or liquidation of any Group company or any composition, compromise or arrangement made by any Group company with its creditors or a scheme of arrangement entered into by any Group company or any resolution for the winding up or liquidation of any Group company is passed or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xiii) valid demand by any creditor for repayment or payment of any of our Group’s indebtedness prior to its stated maturity;

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters)

- (i) has or will or may have or is likely to have a Material Adverse Effect; or
- (ii) has or will or may have or is likely to have a Material Adverse Effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Offer Shares in the secondary market; or
- (iii) makes or will or may make or is likely to make it inadvisable or inexpedient or impracticable for any part of Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be

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performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or

- (iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

By Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (the “**First Six-Month Period**”) (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), or any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

By Our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange that, except pursuant to (i) the Global Offering, (ii) the Capitalisation Issue, (iii) any transfer of Shares pursuant to any exercise of the Over-allotment Option (if applicable), or (iv) the Stock Borrowing Agreement (if applicable), he/it shall not and shall procure that the relevant registered holder(s) of the Shares will not:

- (1) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the expiration date of the First Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; and
- (2) in the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our Controlling Shareholder.

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Each of our Controlling Shareholders has also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (1) when he/it pledges or charges any Shares or other securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (2) when he/it receives any indications, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Undertakings to the Hong Kong Underwriters

Pursuant to the Hong Kong Underwriting Agreement, our Company and our Controlling Shareholders have undertaken as follows.

Undertakings by Our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the issue of Shares pursuant to the Capitalisation Issue, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date of the expiry of the First Six-Month Period, our Company has undertaken to each of the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (1) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien, or other security interest or

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any option, restriction, right of first refusal, right of preemption, defect, or other third party claim, right, interest or preference or any other encumbrance of any kind (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares, as applicable, with a depositary in connection with the issue of depositary receipts, or repurchase any Shares or other securities of the Company, as applicable; or

- (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company); or
- (3) enter into any transaction with the same economic effect as any transaction specified in paragraphs (1) or (2) above; or
- (4) offer to or agree to or announce, or public disclose, any intention to effect any transaction specified in paragraphs (1), (2) or (3) above,

in each case, whether any of the transactions specified in paragraphs (1) or (2) or (3) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

In the event that, at any time during the Second Six-Month Period, our Company enters into any of the transactions specified in paragraphs (1), (2) or (3) above or offers to or agrees to or announces, or public disclose, any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company. Each of our Controlling Shareholders and executive Directors has undertaken to each of the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the undertakings in this paragraph.

Undertakings by Our Controlling Shareholders

Except for any transfer of Shares pursuant to the Stock Borrowing Agreement (if applicable), each of our Controlling Shareholders has undertaken to our Company, each of the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Hong Kong Underwriters and the Sole

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Sponsor that, without the prior written consent of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (1) he/it will not at any time during the First Six-Month Period:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any interest in any of the foregoing) beneficially own by it directly or indirectly through the companies controlled by it, or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest therein in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or
 - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (1)(i) or (ii) above, or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (1)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraphs (1)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or any shares or other securities of such other Group company, as applicable, in cash or otherwise (whether or not the allotment and issue of such Shares or such other securities of our Company will be completed within the First Six-Month Period);
- (2) he/it will not at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraph (1)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he/it will cease to be our Controlling Shareholder; and

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- (3) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in paragraphs (1)(i), (ii) or (iii) above or offers to or agrees to or announces, or publicly disclose, any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company.

Indemnity

Each of our Company, our Controlling Shareholders and our executive Directors agreed to jointly and severally indemnify the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally, but not jointly or jointly and severally, agree to procure purchasers for or failing which to purchase, the International Offer Shares. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Under the International Underwriting Agreement, our Company is expected to grant to the International Underwriters, exercisable by the Overall Coordinators on behalf of the International Underwriters, the Over-allotment Option, exercisable within 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to 33,750,000 additional Shares, representing 15% of the initial size of the Global Offering, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any.

Stabilisation

In connection with the Global Offering, the Stabilising Manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate Shares or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. See the section headed “Structure of the Global Offering – Over-allocation and Stabilisation” in this prospectus for details regarding stabilisation and over-allocation.

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Underwriting Commission and Expenses

The Hong Kong Underwriters will, and the International Underwriters are expected to, receive an underwriting commission of 2.0% of the aggregate Offer Price payable for the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option) underwritten by them, out of which they will pay any sub-underwriting commission (the “**Fixed Fees**”). Our Company, may, at our sole and absolute discretion, pay to the Overall Coordinators (for themselves and on behalf of the Underwriters), the Capital Market Intermediaries and the Hong Kong Underwriters an incentive fee up to 1% of the Offer Price for each Offer Share (the “**Discretionary Fees**”). Assuming the Discretionary Fees are paid in full, the ratio of the Fixed Fees and Discretionary Fees payable is 2:1. Moreover, accordingly to the terms and conditions of the Underwriting Agreements, the Sponsor-Overall Coordinator shall be entitled to 50% of the total Discretionary Fees to be paid by our Company.

The aggregate commissions and fees (excluding any discretionary incentive fee), together with listing fees, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount to approximately RMB128.0 million (assuming an Offer Price of HK\$3.80, being the mid-point of the indicative offer price range and assuming that the Over-allotment Option is not exercised) in total and are payable by us.

Activities by Syndicate Members

We describe below a variety of activities that each of the Underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “Syndicate Members”, may individually undertake and which do not form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (1) under the agreement among the Syndicate Members, all of them (except for the Stabilising Manager or its designated affiliate as the stabilising manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (2) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing, and other activities for their own account and for the accounts of others. In relation

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to the Shares, those activities could include acting as an agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Shares as their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described under the section headed “Structure of the Global Offering – Over-allocation and Stabilisation” in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares’ share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters’ Interests in Our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters has any shareholding interests in our Company or any other member of our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any other member of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Buyers of the Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the relevant laws and practice of the country of purchase in addition to the Offer Price.

The Sole Sponsor’s Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to reallocation and the Over-allotment Option):

- (i) the Hong Kong Public Offering of 22,500,000 Shares (subject to reallocation) in Hong Kong as described below under the sub-section headed “The Hong Kong Public Offering” below; and
- (ii) the International Offering of 202,500,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S.

You may apply for the Hong Kong Offer Shares or if qualified to do so, indicate an interest in the International Offer Shares, but you may not apply in both.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as institutional and professional investors and other investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of the Hong Kong Offer Shares and the International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively, may be subject to reallocation as described below under the sub-section headed “Pricing and allocation” below.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- (i) the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued and sold as mentioned herein (including any additional shares which may be issued and sold pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;

STRUCTURE OF THE GLOBAL OFFERING

- (ii) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Overall Coordinators (acting for themselves and on behalf of other Underwriters)) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the International Offering and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering on the website of our Company at www.migaogroup.com and the Hong Kong Stock Exchange at www.hkexnews.hk on the next day following such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms set out in “How to Apply for the Hong Kong Offer Shares” in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to dispatch Share certificates for the Offer Shares on Wednesday, 20 March 2024. However, these Share certificates will only become valid evidence of title if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting” in this prospectus has not been exercised, which is expected to be at 8:00 a.m. (Hong Kong time) on the Listing Date.

PRICING AND ALLOCATION

Indicative range of the Offer Price

The Offer Price will not be more than HK\$4.30 per Offer Share and is expected to be not less than HK\$3.30 per Offer Share, unless otherwise announced no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below.

STRUCTURE OF THE GLOBAL OFFERING

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative range of the Offer Price stated in this prospectus.

Price payable on application

Applicants for Hong Kong Offer Shares may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$4.30 for each Hong Kong Offer Share (plus brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fees). If the Offer Price is less than HK\$4.30, appropriate refund payments (including brokerage, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fees attributable to the surplus application monies) will be made to successful applicants (subject to application channels), without interest. Further details are set out in the paragraph headed “How to Apply for the Hong Kong Offer Shares – D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus.

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of the International Offer Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (acting for themselves and on behalf of the other Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 19 March 2024 and in any event, no later than 12:00 noon on Tuesday, 19 March 2024.

If, for any reason, the Overall Coordinators (acting for themselves and on behalf of the other Underwriters) and our Company are unable to reach agreement on the Offer Price on or before 12:00 noon on Tuesday, 19 March 2024, the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If the Overall Coordinators (acting for themselves and on behalf of the other Underwriters) consider it appropriate, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering with the consent of our Company.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Offer Shares, cause to be published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.migaogroup.com an announcement of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as

STRUCTURE OF THE GLOBAL OFFERING

appropriate, of the working capital statement, the use of proceeds and the offering statistics as currently disclosed in the section headed “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. Our Company will also, as soon as practicable follow the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative range of the Offer Price and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the indicative range of the Offer Price and/or number of Offer Shares is so reduced. However, if the number of Offer Shares and/or the Offer Price is reduced, our Company will issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators.

Allocation of the Offer Shares under the International Offering will be determined by the Overall Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Offer Shares under the Hong Kong Public Offering will be based solely on the level of applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of Offer Price and basis of allocations

The final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Wednesday, 20 March 2024, on our website www.migaogroup.com (in English and Chinese) and on the Hong Kong Stock Exchange’s website (www.hkexnews.hk) and in a variety of channels in the manner described in the paragraph headed “How to Apply for the Hong Kong Offer Shares – B. Publication of Results” in this prospectus. You should note that our website and all information contained in our website, does not form part of this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement including those described in the paragraphs under “Conditions of the Global Offering” above) for the subscription in Hong Kong of, initially, 22,500,000 Offer Shares at the Offer Price, representing 10% of the initial number of the Offer Shares (before any exercise of the Over-allotment Option). Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 2.5% of the enlarged number of our Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue but before any exercise of the Over-allotment Option.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation of Hong Kong Offer Shares and International Offer Shares) is to be divided equally into two pools:

Pool A: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregated subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee payable); and

Pool B: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 11,250,000 Hong Kong Offer Shares, being the number of Hong Kong Offer Shares available under each pool, are liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. In the event of over applications, a clawback mechanism following the closing of the application lists shall be applied on the following basis:

- (a) where the International Offer Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Public Offering is fully subscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be 45,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be 67,500,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 90,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
 - (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 112,500,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

- (b) where the International Offer Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 22,500,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 45,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of a reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering in the circumstances under paragraphs (a)(i) or (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$3.30 per Offer Share) stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed for, the Overall Coordinators has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering. The Overall Coordinators also has the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offer Shares, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue. Our Company, our Directors and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Shares in the Hong Kong Public Offering.

The Overall Coordinators (acting for themselves and on behalf of the other Underwriters) may require any investor who has been offered Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

References in this prospectus to applications, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

In addition, the Overall Coordinators may, in their sole and absolute discretion, reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 45,000,000 Offer Shares). In all cases, the number of Offer Shares allocated to the International Offering will be correspondingly reduced. The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators.

THE INTERNATIONAL OFFERING

The number of the Offer Shares to be initially offered for subscription and sale under the International Offering will be 202,500,000 Offer Shares, representing 90% of the initial number of the Offer Shares (before the exercise of the Over-allotment Option). Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent 22.5% of the enlarged number of our Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but before any exercise of the Over-allotment Option.

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of us by the International Underwriters or through selling agents appointed by them. International Offer Shares will be placed with certain professional and institutional investors and other investors anticipated to have sizeable demand for the International Offer Shares in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions meeting the requirements of, and in reliance on Regulation S or another exemption from registration requirements under the U.S. Securities Act. Prospective investors may be required to give an undertaking and confirmation that they have not applied or taken up any Hong Kong Offer Shares. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

We are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Overall Coordinators at any time from the signing of the International Underwriting Agreement until the 30th day after the last date for the lodging of applications in the Hong Kong Public Offering, to require us to issue up to 33,750,000 additional Shares, representing 15% of the initial number of the Offer Shares. These Shares will be issued at the same price per Share under the International Offering to cover, among other things, over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

STRUCTURE OF THE GLOBAL OFFERING

OVER-ALLOCATION AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 33,750,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong and stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (i) the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- (ii) there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;

STRUCTURE OF THE GLOBAL OFFERING

- (iii) liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- (iv) no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall; and
- (v) the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period. In connection with the Global Offering, the Overall Coordinators may over-allocate up to and not more than an aggregate of 33,750,000 Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilising Manager or any person acting for it may choose to borrow Shares from Migao BVI under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- (i) such stock borrowing arrangement with Migao BVI will only be effected by the Stabilising Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;
- (ii) the maximum number of Shares borrowed from Migao BVI under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

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- (iii) the same number of Shares so borrowed must be returned to Migao BVI or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised or (b) the day on which the Over-allotment Option is exercised in full;
- (iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- (v) no payment will be made to Migao BVI by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS.

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

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

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 21 March 2024, dealings in the Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 21 March 2024.

The Shares will be traded in board lots of 1,000 Shares each and the stock code is 9879.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus for use by the public.

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

The contents of the prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (WUMP) Ordinance. Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (*for the **HK eIPO White Form** service only*).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Hong Kong Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or any of his/her close associates (as defined in the Listing Rules).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Wednesday, 13 March 2024 and end at 12:00 noon on Monday, 18 March 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application

Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	IPO App (which can be downloaded by searching “ IPO App ” in App store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or www.hkeipo.hk	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Wednesday, 13 March 2024 to 11:30 a.m. on Monday, 18 March 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Monday, 18 March 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC’s FINI system in accordance with your instruction	Investors who would <u>not</u> like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant’s stock account	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorised the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through the HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

3. Information Required to Apply

You must provide the following information with your application:

For Individual Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. Hong Kong Identity card (“**HKID**”); or
 - ii. National identification document; or
 - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. LEI registration document; or
 - ii. Certificate of incorporation; or
 - iii. Business registration certificate; or
 - iv. Other equivalent document; and
- Identity document number

Notes:

- (1) If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.
- (2) The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
- (3) If the applicant is a trustee, the client identification data (“**CID**”) of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
- (4) The maximum number of joint account holders on FINI is capped at 4¹ in accordance with market practice.

¹ Subject to change, if the Company's Articles of Incorporation and applicable company law prescribe a lower cap.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (5) If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
- (6) If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“Unlisted company” means a company with no equity securities listed on the Hong Kong Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through the HKSCC EIPO channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agents, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 1,000 Shares for one board lot

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$4.30 per Share.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your **broker** or **custodian**.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Maximum amount payable ⁽²⁾ HK\$	No. of Hong Kong Offer Shares applied for	Maximum amount payable ⁽²⁾ HK\$	No. of Hong Kong Offer Shares applied for	Maximum amount payable ⁽²⁾ HK\$	No. of Hong Kong Offer Shares applied for	Maximum amount payable ⁽²⁾ HK\$
1,000	4,343.37	20,000	86,867.31	300,000	1,303,009.66	4,000,000	17,373,462.00
2,000	8,686.73	30,000	130,300.96	400,000	1,737,346.20	5,000,000	21,716,827.50
3,000	13,030.10	40,000	173,734.62	500,000	2,171,682.76	6,000,000	26,060,193.00
4,000	17,373.46	50,000	217,168.28	600,000	2,606,019.30	7,000,000	30,403,558.50
5,000	21,716.82	60,000	260,601.94	700,000	3,040,355.86	8,000,000	34,746,924.00
6,000	26,060.20	70,000	304,035.59	800,000	3,474,692.40	9,000,000	39,090,289.50
7,000	30,403.56	80,000	347,469.25	900,000	3,909,028.96	10,000,000	43,433,655.00
8,000	34,746.92	90,000	390,902.90	1,000,000	4,343,365.50	11,000,000	47,777,020.50
9,000	39,090.29	100,000	434,336.56	2,000,000	8,686,731.00	11,250,000 ⁽¹⁾	48,862,861.88
10,000	43,433.65	200,000	868,673.10	3,000,000	13,030,096.50		

Notes:

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “– A. Applications for Hong Kong Offer Shares – 3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (a) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;
- (b) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus, the **IPO App** and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

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- (c) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your **broker** or **custodian** and HKSCC and observe the General Rules of HKSCC and HKSCC Operational Procedure for giving application instructions to apply for Hong Kong Offer Shares;
- (d) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (e) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (f) agree that the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (g) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "– G. Personal Data – 3. Purposes and 4. Transfer of personal data" in this section;
- (h) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (i) agree that subject to Section 44A(6) of the Companies (WUMP) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "– B. Publication of Results" in this section;
- (j) confirm that you are aware of the situations specified in the paragraph headed "– C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

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- (k) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (l) agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (m) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (n) warrant that the information you have provided is true and accurate;
- (o) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (p) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (q) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

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B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform	Date/Time
Applying through the HK eIPO White Form service or HKSCC EIPO channel:	
Website	From the “IPO Results” function in the IPO App or at www.hkeipo.hk/IPOResult (or www.tricor.com.hk/ipo/result) with a “search by ID” function.
	24 hours, no later than 11:00 p.m. on Wednesday, 20 March 2024 to 12:00 midnight on Tuesday, 26 March 2024 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the HK eIPO White Form service and HKSCC EIPO channel , and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result .
	The Hong Kong Stock Exchange’s website at www.hkexnews.hk and our website at www.migaogroup.com which will provide links to the above-mentioned websites of the Hong Kong Share Registrar.
Telephone	+852 3691 8488 – the allocation results telephone enquiry line provided by the Hong Kong Share Registrar
	between 9:00 a.m. and 6:00 p.m., from Thursday, 21 March 2024 to Tuesday, 26 March 2024 (Hong Kong time) on a business day

For those applying through **HKSCC EIPO channel**, you may also check with your **broker** or **custodian** from 6:00 p.m. on Tuesday, 19 March 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Tuesday, 19 March 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

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Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Hong Kong Stock Exchange's website at www.hkexnews.hk and our website at www.migaogroup.com by no later than 11:00 p.m. on Wednesday, 20 March 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (WUMP) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Hong Kong Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “– A. Applications for Hong Kong Offer Shares – 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;

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- the Underwriting Agreements do not become unconditional or are terminated; or
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the **broker** or **custodian** may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid at 8:00 a.m. on Thursday, 21 March 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

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The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Despatch/collection of Share certificate¹		
For application of 1,000,000 Hong Kong Offer Shares or more	<p>Collection in person at Hong Kong Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong</p> <p>Time: from 9:00 a.m. to 1:00 p.m. on Thursday, 21 March 2024 (Hong Kong time)</p> <p>If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop</p> <p>Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar</p> <p>Note: If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk</p>	<p>Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account</p> <p>No action by you is required</p>
For application of less than 1,000,000 Hong Kong Offer Shares	<p>Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk</p>	

Date: Wednesday, 20 March 2024

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	HK eIPO White Form service	HKSCC EIPO channel
Refund mechanism for surplus application monies paid by you		
Date	Thursday, 21 March 2024	Subject to the arrangement between you and your broker or custodian
Responsible party	Hong Kong Share Registrar	Your broker or custodian
Application monies paid through single bank account	HK eIPO White Form e-Auto Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

1. Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an “extreme conditions” announcement being in force in Hong Kong in the morning on Wednesday, 20 March 2024, rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, in which case the Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “– E. Severe Weather Arrangements” in this section.

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Monday, 18 March 2024 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions

(collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 18 March 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

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Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Hong Kong Stock Exchange’s website at www.hkexnews.hk and our website at www.migaogroup.com of the revised timetable.

If a **Severe** Weather Signal is hoisted on Wednesday, 20 March 2024, the Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the CCASS depository’s service counter so that they would be available for trading on Thursday, 21 March 2024.

If a **Severe** Weather Signal is hoisted on Wednesday, 20 March 2024, for application of less than 1,000,000 Offer Shares, the despatch of physical Share certificates will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, 20 March 2024 or on Thursday, 21 March 2024).

If a **Severe** Weather Signal is hoisted on Thursday, 21 March 2024, for application of 1,000,000 Offer Shares or more, physical Share certificates will be available for collection in person at the Hong Kong Share Registrar’s office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Thursday, 21 March 2024 or on Friday, 22 March 2024).

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

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

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your **broker** or other professional adviser for details of the settlement arrangement as such arrangements may affect your rights and interests.

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G. PERSONAL DATA

The following personal information collection statement applies to any personal data collected and held by the Company, the Hong Kong Share Registrar, the Receiving Bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the personal information collection statement below.

1. Personal Information Collection Statement

This personal information collection statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;

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- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, Receiving Bank and the Principal Share Registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);

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- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Hong Kong Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers, etc.

5. Retention of personal data

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MIGAO GROUP HOLDINGS LIMITED AND GF CAPITAL (HONG KONG) LIMITED****Introduction**

We report on the historical financial information of Migao Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-80, which comprises the consolidated statements of financial position of the Group as at 31 March 2021, 2022, 2023 and 30 November 2023, the statements of financial position of the Company as at 31 March 2021, 2022, 2023 and 30 November 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 March 2023 and the eight months ended 30 November 2023 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-80 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 13 March 2024 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Director’s responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2021, 2022, 2023 and 30 November 2023, of the Company's financial position as at 31 March 2021, 2022, 2023 and 30 November 2023, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the eight months ended 30 November 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividend was declared or paid by the Company since its incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 March 2024

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi (RMB), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 March			Eight months ended 30 November	
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 <i>(unaudited)</i>	2023 RMB'000
Revenue	6	2,081,579	3,841,400	4,722,749	2,727,223	2,283,747
Cost of goods sold		(1,830,838)	(3,207,977)	(3,955,216)	(2,266,532)	(1,954,164)
Gross profit		250,741	633,423	767,533	460,691	329,583
Other income	7	15,545	17,416	6,847	4,304	6,309
Other gains and losses	8	126,982	12,055	(16,908)	(12,907)	4,133
Impairment losses, net of reversal	35	2,954	(11,181)	1,655	(4,441)	2,931
Distribution and selling expenses		(28,304)	(74,768)	(61,716)	(34,924)	(17,311)
General and administrative expenses		(62,800)	(63,607)	(105,689)	(60,188)	(63,511)
Research and development expenses		(24,515)	(38,854)	(31,037)	(21,681)	(26,299)
Listing expenses		(1,744)	(22,066)	(20,887)	(12,831)	(15,356)
Other expenses	11	(1,424)	-	-	-	-
Share of results of joint ventures	19	(2,038)	28,287	11,267	(298)	(11,142)
Finance costs	9	(10,471)	(9,661)	(17,651)	(12,240)	(12,729)
Profit before tax		264,926	471,044	533,414	305,485	196,608
Income tax expense	10	(58,401)	(74,464)	(111,900)	(68,642)	(34,482)
Profit for the year/period	11	<u>206,525</u>	<u>396,580</u>	<u>421,514</u>	<u>236,843</u>	<u>162,126</u>
Other comprehensive income (expense)						
<i>Item that may be reclassified subsequently to profit or loss:</i>						
- Exchange difference arising on translation of a foreign operation		9,456	4,258	(10,097)	(16,255)	(4,742)
Total comprehensive income for the year/period		<u>215,981</u>	<u>400,838</u>	<u>411,417</u>	<u>220,588</u>	<u>157,384</u>
Profit (loss) for the year/period attributable to:						
- Owners of the Company		202,294	396,337	405,089	237,552	157,235
- Non-controlling interests		4,231	243	16,425	(709)	4,891
		<u>206,525</u>	<u>396,580</u>	<u>421,514</u>	<u>236,843</u>	<u>162,126</u>
Total comprehensive income (expense) for the year/period attributable to:						
- Owners of the Company		211,750	400,595	394,992	221,297	152,493
- Non-controlling interests		4,231	243	16,425	(709)	4,891
		<u>215,981</u>	<u>400,838</u>	<u>411,417</u>	<u>220,588</u>	<u>157,384</u>
Earnings per Share						
- Basic (RMB)	14	<u>0.30</u>	<u>0.59</u>	<u>0.60</u>	<u>0.35</u>	<u>0.23</u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group			
		As at 31 March		As at 30 November	
		2021	2022	2023	2023
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Plant and equipment	15	195,262	487,945	486,442	461,757
Right-of-use assets	16	47,495	68,984	153,077	146,956
Prepayments for plant and equipment		958	35,628	4,378	3,075
Goodwill	17	2,606	12,069	12,069	12,069
Intangible asset	18	8,717	7,132	5,547	4,491
Interests in joint ventures	19	302,482	111,032	122,299	111,157
Deferred tax assets	20	2,070	4,974	4,451	4,124
		<u>559,590</u>	<u>727,764</u>	<u>788,263</u>	<u>743,629</u>
Current assets					
Inventories	21	164,392	740,470	151,589	444,079
Trade and other receivables and prepayments	22	1,090,922	1,737,514	1,730,694	2,149,405
Amount due from a related company	23	21,575	–	–	–
Amounts due from joint ventures	23	29,801	30,417	27,490	18,627
Loans to joint ventures	23	237,249	–	–	–
Amount due from a shareholder	23	2,234	1,838	3,535	900
Tax recoverable		–	–	1,029	–
Restricted cash	24	245,570	190,298	170,484	108,206
Bank balances and cash	24	54,707	283,456	365,731	213,505
		<u>1,846,450</u>	<u>2,983,993</u>	<u>2,450,552</u>	<u>2,934,722</u>
Current liabilities					
Trade and other payables	25	860,120	1,152,972	630,630	494,930
Contract liabilities	26	408,775	611,973	335,978	829,016
Amounts due to joint ventures	23	111,794	34,709	–	–
Amounts due to related companies	23	89,836	178,901	175,716	16,848
Amount due to a non-controlling interest	23	29,119	6,168	–	–
Loans from related companies	23	–	95,020	105,817	109,259
Tax liabilities		62,504	112,770	155,813	157,892
Bank borrowings	27	129,018	292,427	164,738	208,920
Lease liabilities	28	4,406	3,770	5,681	5,855
		<u>1,695,572</u>	<u>2,488,710</u>	<u>1,574,373</u>	<u>1,822,720</u>
Net current assets		<u>150,878</u>	<u>495,283</u>	<u>876,179</u>	<u>1,112,002</u>
Total assets less current liabilities		<u>710,468</u>	<u>1,223,047</u>	<u>1,664,442</u>	<u>1,855,631</u>

	NOTES	The Group			
		As at 31 March			As at
		2021	2022	2023	30 November
				2023	
		RMB'000	RMB'000	RMB'000	RMB'000
Capital and reserves					
Share capital	29	66	66	66	66
Reserves		626,624	1,027,219	1,420,746	1,573,239
Equity attributable to owners of the Company		626,690	1,027,285	1,420,812	1,573,305
Non-controlling interests		29,067	147,633	155,081	158,012
Total equity		655,757	1,174,918	1,575,893	1,731,317
Non-current liabilities					
Deferred tax liabilities	20	3,351	3,581	3,173	2,913
Bank borrowings	27	50,000	40,000	80,000	119,950
Lease liabilities	28	1,360	4,548	5,376	1,451
		54,711	48,129	88,549	124,314
		710,468	1,223,047	1,664,442	1,855,631

		The Company			As at
		As at 31 March		30 November	
NOTES	2021	2022	2023	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current asset					
Investments in subsidiaries	38	–	–	–	–
Current assets					
Other receivables and prepayments	22	1,756	8,883	17,069	22,730
Amount due from a subsidiary	23	–	–	830	830
Bank balances and cash	24	10	13	21	23
		<u>1,766</u>	<u>8,896</u>	<u>17,920</u>	<u>23,583</u>
Current liabilities					
Other payables	25	3,031	21,875	12,475	12,920
Amounts due to subsidiaries	23	14,507	24,537	63,415	83,987
		<u>17,538</u>	<u>46,412</u>	<u>75,890</u>	<u>96,907</u>
Net liabilities		<u>(15,772)</u>	<u>(37,516)</u>	<u>(57,970)</u>	<u>(73,324)</u>
Capital and deficits					
Share capital	29	66	66	66	66
Accumulated losses		<u>(15,838)</u>	<u>(37,582)</u>	<u>(58,036)</u>	<u>(73,390)</u>
		<u>(15,772)</u>	<u>(37,516)</u>	<u>(57,970)</u>	<u>(73,324)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Non-		Total RMB'000
	Share capital RMB'000	Statutory reserve RMB'000 <i>(note a)</i>	Translation reserve RMB'000	Other reserve RMB'000 <i>(note b)</i>	Retained earnings RMB'000	Total	controlling interests RMB'000	
At 1 April 2020	66	119,242	(6,554)	(1,165,933)	1,468,119	414,940	26,796	441,736
Profit for the year	-	-	-	-	202,294	202,294	4,231	206,525
Other comprehensive income for the year	-	-	9,456	-	-	9,456	-	9,456
Total comprehensive income for the year	-	-	9,456	-	202,294	211,750	4,231	215,981
Transfer to statutory reserve	-	393	-	-	(393)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,960)	(1,960)
At 31 March 2021	66	119,635	2,902	(1,165,933)	1,670,020	626,690	29,067	655,757
Profit for the year	-	-	-	-	396,337	396,337	243	396,580
Other comprehensive income for the year	-	-	4,258	-	-	4,258	-	4,258
Total comprehensive income for the year	-	-	4,258	-	396,337	400,595	243	400,838
Transfer to statutory reserve	-	9,131	-	-	(9,131)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	(2,205)	(2,205)
Arising on acquisition of subsidiaries (note 37)	-	-	-	-	-	-	120,528	120,528
At 31 March 2022	66	128,766	7,160	(1,165,933)	2,057,226	1,027,285	147,633	1,174,918

	Attributable to owners of the Company						Non-	
	Share	Statutory	Translation	Other	Retained	Total	controlling	Total
	capital	reserve	reserve	reserve	earnings		interests	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(note a)		(note b)					
At 31 March 2022	66	128,766	7,160	(1,165,933)	2,057,226	1,027,285	147,633	1,174,918
Profit for the year	-	-	-	-	405,089	405,089	16,425	421,514
Other comprehensive expense for the year	-	-	(10,097)	-	-	(10,097)	-	(10,097)
Total comprehensive (expense) income for the year	-	-	(10,097)	-	405,089	394,992	16,425	411,417
Transfer to statutory reserve	-	13,280	-	-	(13,280)	-	-	-
Deemed distribution to a shareholder (note c)	-	-	-	(1,465)	-	(1,465)	-	(1,465)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(8,977)	(8,977)
At 31 March 2023	66	142,046	(2,937)	(1,167,398)	2,449,035	1,420,812	155,081	1,575,893
Profit for the period	-	-	-	-	157,235	157,235	4,891	162,126
Other comprehensive expense for the period	-	-	(4,742)	-	-	(4,742)	-	(4,742)
Total comprehensive (expense) income for the period	-	-	(4,742)	-	157,235	152,493	4,891	157,384
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,960)	(1,960)
At 30 November 2023	66	142,046	(7,679)	(1,167,398)	2,606,270	1,573,305	158,012	1,731,317

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Statutory reserve	Translation reserve	Other reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note a)		(note b)				
At 1 April 2022	66	128,766	7,160	(1,165,933)	2,057,226	1,027,285	147,633	1,174,918
Profit (loss) for the period	-	-	-	-	237,552	237,552	(709)	236,843
Other comprehensive expense for the period	-	-	(16,255)	-	-	(16,255)	-	(16,255)
Total comprehensive (expense) income for the period	-	-	(16,255)	-	237,552	221,297	(709)	220,588
Transfer to statutory reserve	-	1,449	-	-	(1,449)	-	-	-
Deemed distribution to a shareholder (note c)	-	-	-	(1,465)	-	(1,465)	-	(1,465)
Dividend paid or payable to non-controlling interests	-	-	-	-	-	-	(8,977)	(8,977)
At 30 November 2022 (unaudited)	66	130,215	(9,095)	(1,167,398)	2,293,329	1,247,117	137,947	1,385,064

Notes:

- (a) As stipulated by the relevant laws and regulations for enterprises established in the People's Republic of China ("PRC"), the Group's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of at least 10% of profit after taxation as reflected in the statutory financial statements of the relevant PRC subsidiaries while the amounts and appropriation are decided by their board of directors annually. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the relevant PRC subsidiaries' registered capital. The statutory surplus reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.
- (b) Other reserve as at 1 April 2020 mainly represented (i) deemed distribution to Mr. Liu Guocai ("Mr. Liu"), the controlling shareholder of the Company, arising from interest-free amounts due from related companies controlled by Mr. Liu, (ii) deemed distribution to Mr. Liu arising from re-determination of consideration in relation to the Group's previous disposal of its entire equity interest in four wholly-owned subsidiaries, namely Liaoning Migao Chemical Co., Ltd. ("Liaoning Migao"), Huantaiyang Chemical Industry (Shanghai) Co., Ltd. (formerly known as Migao Chemical Industry (Shanghai) Co., Ltd.) ("Shanghai Migao"), Huantaiyang (Zunyi) Real Estate Leasing Co., Ltd. (formerly known as Migao (Zunyi) Real Estate Leasing Co., Ltd. and Migao (Zunyi) Technology Fertiliser Co., Ltd.) ("Zunyi Migao") and Huantaiyang (Tianjin) Property Leasing Co., Ltd. (formerly known as Migao Chemical (Tianjin) Co., Ltd. and Huantaiyang Chemical (Tianjin) Co., Ltd.) ("Tianjin Migao") (collectively as the "Disposal Group") to Asia Pacific Potash Holdings Limited ("APPH"), a related company wholly-owned by Mr. Liu, (iii) deemed distribution to Mr. Liu arising from the waive of net amount of approximately RMB773,715,000 due from related companies controlled by Mr. Liu as at 31 March 2020 and (iv) difference between the acquisition considerations of H.K. Migao Industry Limited ("H.K. Migao") under group reorganisation and the paid-up capital of H.K. Migao at the date of acquisition.
- (c) On 26 April 2022, the Group acquired 100% equity interest in Migao Agricultural Technology (Tongjiang) Co. Ltd. ("Tongjiang Migao") from Liaoning Migao at a consideration of RMB1. The difference between the consideration and the net liabilities of Tongjiang Migao at the date of acquisition was accounted for as deemed distribution to Mr. Liu as set out in Note 37.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Eight months ended 30 November	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
OPERATING ACTIVITIES					
Profit before tax	264,926	471,044	533,414	305,485	196,608
Adjustments for:					
Depreciation of plant and equipment	6,933	7,152	8,425	6,020	6,870
Amortisation of intangible asset	1,585	1,585	1,585	1,056	1,056
Depreciation of right-of-use assets	5,564	5,132	7,744	5,013	6,121
Share of results of joint ventures	2,038	(28,287)	(11,267)	298	11,142
Gain on deemed disposal of joint ventures	–	(12,962)	–	–	–
Impairment losses, net of reversal	(2,954)	11,181	(1,655)	4,441	(2,931)
Finance costs	10,471	9,661	17,651	12,240	12,729
Interest income	(11,851)	(15,645)	(3,539)	(1,965)	(2,980)
(Gain) loss on disposal of plant and equipment	(30,319)	117	12	(15)	(170)
Gain on disposal of right-of-use assets	(94,363)	–	–	–	–
Operating cash flows before movements in working capital	152,030	448,978	552,370	332,573	228,445
Decrease (increase) in trade and other receivables and prepayments	68,187	(535,338)	(154,662)	30,004	(495,278)
(Increase) decrease in inventories	(68,750)	(522,668)	625,271	211,443	(268,222)
(Decrease) increase in trade and other payables	(246,513)	256,630	(504,437)	(431,288)	(52,088)
Increase (decrease) in contract liabilities	271,656	189,658	(275,995)	85,583	493,038
(Increase) decrease in amount due from a related company	(21,575)	21,575	–	(27,000)	–
Increase (decrease) in amounts due to related companies	1,790	(14,575)	(421)	(421)	–
Increase (decrease) in amounts due to joint ventures	101,852	227,262	(33,061)	(25,071)	–
Decrease (increase) in amounts due from joint ventures	25,665	(15,187)	929	(26,945)	292
Decrease in amount due to a non-controlling interest	(23,409)	(22,951)	(6,168)	–	–
Cash generated from (used in) operations	260,933	33,384	203,826	148,878	(93,813)
Income taxes refunded (paid)	303	(33,716)	(69,771)	(38,585)	(31,307)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	261,236	(332)	134,055	110,293	(125,120)

	Year ended 31 March			Eight months ended	
	2021	2022	2023	30 November	
	RMB'000	RMB'000	RMB'000	2022	2023
				RMB'000	RMB'000
				<i>(unaudited)</i>	
INVESTING ACTIVITIES					
Placement of restricted cash	(1,007,698)	(1,384,299)	(436,395)	(164,680)	(268,152)
Advance to a shareholder	(2,234)	–	(2,097)	(254)	–
Repayment from a shareholder	–	396	400	400	2,635
Purchase of plant and equipment	(18,822)	(13,104)	(46,788)	(44,400)	(4,916)
Upfront payments for right-of-use assets	–	–	(83,330)	(76,248)	–
Withdrawal of restricted cash	1,036,836	1,439,571	456,209	226,785	330,430
Return of prepayment of plant and machinery from a related company	–	–	13,206	13,206	–
Interest income received	3,587	4,857	3,539	1,965	2,980
Advances to joint ventures	(647)	–	(24,449)	(24,449)	–
Repayments from joint ventures	–	14,571	26,447	–	8,571
Loans to joint ventures	(342,698)	(256,335)	–	–	–
Repayment of loans from joint ventures	121,066	197,487	–	–	–
Capital injection to joint ventures	(52,000)	(39,000)	–	–	–
Proceeds from disposal of right-of-use assets	96,947	–	–	–	–
Dividend received from a joint venture	4,201	1,001	–	–	–
Advance to a third party <i>(note 23(a))</i>	–	–	(20,450)	(20,450)	–
Repayment from a third party <i>(note 23(a))</i>	–	–	20,450	20,450	–
Net cash inflow on acquisition of subsidiaries <i>(note 37)</i>	–	28,381	1,702	1,702	–
Proceeds from disposal of plant and equipment	81,807	231	286	280	297
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(79,655)	(6,243)	(91,270)	(65,693)	71,845
FINANCING ACTIVITIES					
Repayments of bank borrowings	(306,297)	(343,786)	(233,946)	(217,946)	(194,788)
Interest paid	(10,471)	(9,661)	(16,834)	(8,397)	(9,287)
Repayments of lease liabilities	(4,945)	(5,029)	(5,768)	(3,778)	(3,751)
Dividend paid to non-controlling interests	(1,960)	(2,205)	(8,977)	(7,017)	(1,960)
Repayments to related companies	(174,166)	–	(240,449)	(165,175)	(180,235)
Repayment of loan from a related company	–	–	(95,020)	–	–
Repayment to a shareholder	(2,948)	–	–	–	–
New bank borrowings raised	273,117	509,195	298,660	257,382	278,920
Advances from related companies	93,352	86,994	243,071	140,154	16,157
Advance from a shareholder	2,948	–	–	–	–
New loan from a related company	–	–	105,000	–	–
Share issue cost paid	(748)	(3,115)	(8,189)	(6,268)	(4,453)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(132,118)	232,393	37,548	(11,045)	(99,397)

	Year ended 31 March			Eight months ended 30 November	
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> <i>(unaudited)</i>	2023 <i>RMB'000</i>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	49,463	225,818	80,333	33,555	(152,672)
Effect of foreign exchange rate changes	6,049 (805)	54,707 2,931	283,456 1,942	283,456 3,984	365,731 446
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by bank balances and cash	<u>54,707</u>	<u>283,456</u>	<u>365,731</u>	<u>320,995</u>	<u>213,505</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 November 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its immediate holding company is Migao Holdings Limited (“Migao Holdings”), a company incorporated in the British Virgin Islands (the “BVI”) on 17 November 2017. Its ultimate holding company is Migao International Holding Limited (“Migao Barbados”), a company incorporated under the laws of the BVI with limited liability on 19 August 2005 and was discontinued as a company under the laws of the BVI and continuing as a company under the laws of Barbados on 25 January 2010. The controlling shareholder of the Company is Mr. Liu Guocai (“Mr. Liu”). The addresses of the registered office of the Company and principal places of business of the Company are disclosed in the section headed Corporate Information of the Prospectus.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and trading of specialty potash-based fertilizers in the PRC.

The Historical Financial Information is presented in RMB, which is the currency of the primary economic environment in which most the group entities operate.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

No statutory audited financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a jurisdiction where there are no statutory audit requirements.

3. APPLICATION OF AMENDMENTS TO HKFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with HKFRSs, which includes HKFRSs Hong Kong Accounting Standards (“HKAS”) and Interpretations (“HK(IFRIC) – Int”) issued by the HKICPA that are effective for the accounting period beginning on 1 April 2023, throughout the Track Record Period.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

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

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after 1 January 2025

The directors of the Company anticipate that the application of all the amendments to HKFRSs will have no material impact on the Group’s consolidated financial statements in the future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations or asset acquisitions*Asset acquisitions*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of the joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not account for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of the joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's Historical Financial Information only to the extent of interest in the joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Supplier rebates

Volume rebates provided by a supplier are recognised on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to relevant purchase contracts. Volume rebates relating to inventories purchased and sold are deducted from cost of goods sold, while volume rebates relating to inventories purchased but still held as inventories at the reporting date are deducted from the carrying value of the inventories so that the cost of inventories is recorded net of applicable rebates.

Leases*Definition of 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.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

*The Group as lessee***Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received.

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 as a separate line item on the consolidated statements of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the functional and presentation currency of the Company (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

All borrowing costs not directly attributable to acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are 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. Such grants are presented under "other income".

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRSs requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on 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. 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 those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and a joint venture, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Plant and equipment

Plant and equipment are tangible assets that are held for use in production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Such construction in progress are classified to the appropriate categories of plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Impairment on plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Cash and cash equivalents

Bank balances and cash presented on the consolidated statements of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits; and
- (b) cash equivalents, which comprises of short-term deposits (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables and trade related balances with related parties arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, amount due from a related company, amounts due from joint ventures, loans to joint ventures, amount due from a shareholder, restricted cash and bank balances) and financial guarantee contracts which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done 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 conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and trade related balances with related parties.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as 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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- 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, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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;
- 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 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.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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, 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.

(iii) 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:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities including trade and other payables, amounts due to joint ventures, amounts due to related companies, amount due to a non-controlling interest, loans from related companies and bank borrowings are subsequently measured at amortised costs, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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 is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company is required to make judgements, 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 on-going 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade and unbilled receivables and amounts due from related parties

The Group uses collective assessment to calculate ECL for the trade and unbilled receivables which are individually insignificant. The ECL rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The collective assessment is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and unbilled receivables with significant balances and credit impaired and trade related balances with related parties are assessed for ECL individually.

For the non-trade related balances with related parties, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of these balances. Accordingly, the loss allowance for non-trade related balances with related parties are measured at an amount equal to 12m ECL. Assessment are done 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 conditions at the reporting date as well as the forecast of future conditions.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade and unbilled receivables and amounts due from related parties and the ECL are disclosed in notes 22, 23 and 35, respectively.

As at 31 March 2021, 2022, 2023 and 30 November 2023, the carrying amounts of trade and unbilled receivables are approximately RMB223,033,000, RMB289,247,000, RMB182,967,000 and RMB132,403,000, net of allowance for credit losses of approximately RMB7,877,000, RMB19,058,000, RMB17,403,000 and RMB14,472,000, respectively.

As at 31 March 2021, 2022, 2023 and 30 November 2023, the carrying amounts of amounts due from related parties are approximately RMB290,859,000, RMB32,255,000, RMB31,025,000 and RMB19,527,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

The Group primarily recognises revenue from sales of specialty potash-based fertilizers in the PRC and recognises at a point of time. The Group purchases Potassium Chloride ("KCL") from both overseas and domestic suppliers. The Group then processes majority of the purchased KCL for sales to its customers or use as raw materials for its manufacturing activities. After that, part of the KCL are sold directly to customers and most of them are arranged for pick up from the ports or the railway stations; and part of the KCL are transported to the Group's processing facilities for processing into granular form in size as specifically required by customers. Besides, part of the KCL, together with other raw materials, are used to manufacture into Potassium Sulphate ("SOP") and compound fertilizers for sales to customers. In addition, the Group also sources and resells KCL, SOP, Potassium Nitrate ("NOP") and compound fertilizers to customers without further manufacturing or processing.

During the years ended 31 March 2022 and 2023 and the eight months ended 30 November 2023, the Group also provides production services to its customers for processing the principal raw materials provided by customers into compound fertilizers accordance with their product specifications. Revenue from provision of production services is recognised over time.

(i) Disaggregation of revenue from contracts with customers

Revenue by types of products or service

	Year ended 31 March			Eight months ended 30 November	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Sales of products					
KCL	1,250,489	3,180,575	4,024,088	2,377,891	1,948,412
SOP	522,039	533,569	476,058	213,759	250,386
NOP	49,068	8,933	15,366	12,391	2,347
Compound fertilizers	193,629	24,992	47,747	9,812	8,363
Others	66,354	72,527	129,449	103,395	68,815
	2,081,579	3,820,596	4,692,708	2,717,248	2,278,323
Provision of production services	–	20,804	30,041	9,975	5,424
Total	<u>2,081,579</u>	<u>3,841,400</u>	<u>4,722,749</u>	<u>2,727,223</u>	<u>2,283,747</u>

Timing of revenue recognition

	Year ended 31 March			Eight months ended 30 November	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
At a point in time	2,081,579	3,820,596	4,692,708	2,717,248	2,278,323
Over-time	–	20,804	30,041	9,975	5,424
Total	<u>2,081,579</u>	<u>3,841,400</u>	<u>4,722,749</u>	<u>2,727,223</u>	<u>2,283,747</u>

Revenue by types of customers

	Year ended 31 March			Eight months ended 30 November	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
State-owned enterprise (“SOE”)	1,212,761	2,608,427	2,660,983	1,368,215	1,069,594
Non-SOE	868,818	1,232,973	2,061,766	1,359,008	1,214,153
Total	<u>2,081,579</u>	<u>3,841,400</u>	<u>4,722,749</u>	<u>2,727,223</u>	<u>2,283,747</u>

(ii) Performance obligations for contracts with customers

The Group sells specialty potash-based fertilizers directly to its customers. Revenue is recognised at a point in time when control of the goods has transferred, being when the goods have been collected by customers or delivered from the Group's warehouses.

The Group provides production services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these production services based on the stage of completion of the contract using output method.

The normal credit term is 0 to 180 days upon delivery.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts with customers are for period of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Segment information

Information reported to the directors of the Company, being the chief operating decision maker (the "CODM"), for the purpose of resources allocation and performance assessment, is the consolidated results of the Group as a whole. No other discrete financial information is provided. Accordingly, the directors of the Company consider there is only one operating segment under the requirements of HKFRS 8 *Operating Segments*. In this regard, only entity-wide disclosures are presented.

No geographic information is presented as the revenue, non-current assets and operations of the Group are primarily derived from its activities located in the PRC.

Information about major customers

During the Track Record Period, revenue from customers of the corresponding year/period contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March			Eight months ended 30 November	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000
Customer A	580,059	861,044	945,404	417,983	N/A ¹
Customer B	260,945	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Customer C	N/A ¹	847,338	646,657	401,148	N/A ¹
Customer D	N/A ¹	N/A ¹	N/A ¹	329,362	N/A ¹

1 The corresponding revenue did not contribute over 10% of total revenue of the Group for the relevant year/period.

7. OTHER INCOME

	Year ended 31 March			Eight months ended 30 November	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Bank interest income	4,691	2,916	3,539	1,965	2,980
Interest income from joint ventures (note 23(b))	7,160	12,729	–	–	–
Government grants (note)	415	249	2,007	1,381	2,144
Rental income	2,799	1,473	1,127	819	679
Others	480	49	174	139	506
	<u>15,545</u>	<u>17,416</u>	<u>6,847</u>	<u>4,304</u>	<u>6,309</u>

Note: The amounts mainly represented the incentive subsidies provided by the PRC government to encourage business operation in the PRC. There were no unfulfilled conditions attached to these grants and the Group has recognised the grants upon receipts.

8. OTHER GAINS AND LOSSES

	Year ended 31 March			Eight months ended 30 November	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Gain (loss) on disposal of plant and equipment	30,319	(117)	(12)	15	170
Gain on disposal of right-of-use assets (note 16)	94,363	–	–	–	–
Net foreign exchange gains (losses)	11,630	(485)	(16,357)	(12,197)	4,900
Gain on deemed disposal of joint ventures (note 37)	–	12,962	–	–	–
Surcharges and others (note)	(9,330)	(10)	(88)	–	–
Others	–	(295)	(451)	(725)	(937)
	<u>126,982</u>	<u>12,055</u>	<u>(16,908)</u>	<u>(12,907)</u>	<u>4,133</u>

Note: The amounts represent the provision for surcharges and others on late tax filings.

9. FINANCE COSTS

	Year ended 31 March			Eight months ended 30 November	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Interest expenses on bank borrowings	10,197	9,362	11,203	8,005	8,936
Interest expenses on loans from related companies (note 23 (b))	–	–	5,825	3,843	3,442
Interest expenses on lease liabilities	274	299	623	392	351
	<u>10,471</u>	<u>9,661</u>	<u>17,651</u>	<u>12,240</u>	<u>12,729</u>

10. INCOME TAX EXPENSE

	Year ended 31 March			Eight months ended 30 November	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000
Income tax expense comprised of:					
Current tax:					
PRC Enterprise Income Tax ("EIT")	50,286	77,783	111,785	70,585	34,415
Deferred tax (<i>note 20</i>)	8,115	(3,319)	115	(1,943)	67
	<u>58,401</u>	<u>74,464</u>	<u>111,900</u>	<u>68,642</u>	<u>34,482</u>

The Group is not subject to any income tax in the Cayman Islands pursuant to the rules and regulations in the jurisdiction.

No provision for Hong Kong Profits Tax for the Track Record Period as there is no assessable profit subject to Hong Kong Profits Tax for all years/periods.

PRC EIT is calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on the existing legislation, interpretations and practices.

Pursuant to the PRC EIT law and its detailed implementation rules, the tax rate is at 25%. Besides, if the subsidiaries are qualified as high-technology companies (under the PRC EIT law), the subsidiaries are entitled to a reduced rate of 15% and such qualification is subject to renewal every three years. Certain of group entities in the PRC are entitled to the reduced tax rate of 15% for the Track Record Period.

According to the EIT Law and Implementation Regulation of the EIT Law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise, and remains at 10% otherwise. Deferred taxation has not been provided for in the Historical Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB1,272,159,000, RMB1,684,084,000, RMB2,110,183,000 and RMB2,303,207,000 as at 31 March 2021, 2022, 2023 and 30 November 2023 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Eight months ended 30 November	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Profit before tax	264,926	471,044	533,414	305,485	196,608
Tax at PRC EIT rate of 25%	66,232	117,761	133,354	76,371	49,152
Tax effect of expenses not deductible for tax purpose	6,646	13,821	13,581	14,593	8,717
Tax effect of income not taxable for tax purpose	–	(3,241)	–	–	–
Tax effect of super deduction for research and development expenses (<i>Note</i>)	–	(5,584)	(3,768)	(1,904)	(2,948)
Tax effect of share of results of joint ventures	510	(7,072)	(2,817)	75	2,786
Effect of tax concessionary rates granted to the PRC subsidiaries	(14,949)	(41,301)	(28,291)	(20,540)	(23,240)
Others	(38)	80	(159)	47	15
	58,401	74,464	111,900	68,642	34,482

Note: The eligible expenditures represent research and development costs incurred in the PRC and charged to profit or loss, which is subject to an additional 100% tax deduction in the calculation of income tax expense for the years ended 31 March 2022 and 2023 and the eight months ended 30 November 2022 and 2023.

11. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March			Eight months ended 30 November	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Profit for the year/period has been arrived at after charging					
Cost of inventories recognised as an expense	1,830,838	3,193,158	3,935,097	2,258,906	1,950,797
Amortisation of intangible asset	1,585	1,585	1,585	1,056	1,056
Depreciation of plant and equipment	21,326	21,354	44,815	29,654	31,138
Depreciation of right-of-use assets	5,564	5,132	7,744	5,013	6,121
Total depreciation and amortisation	28,475	28,071	54,144	35,723	38,315
Less: capitalised as cost of inventories	(14,393)	(14,202)	(36,390)	(23,634)	(24,268)
	14,082	13,869	17,754	12,089	14,047

	Year ended 31 March			Eight months ended 30 November	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Auditor's remuneration	401	240	288	169	387
Listing expenses	1,744	22,066	20,887	12,831	15,356
Other expenses (<i>note</i>)	1,424	–	–	–	–
Staff costs (including directors' emoluments)					
– Directors' emoluments (<i>note 13</i>)	2,633	4,997	5,137	3,308	3,900
– Salaries and other benefits	33,058	30,114	52,485	32,290	33,528
– Retirement benefit scheme contributions (excluding directors)	849	2,708	4,038	2,663	2,633
	36,540	37,819	61,660	38,261	40,061
Less: capitalised as cost of inventories	(12,709)	(11,381)	(24,254)	(14,485)	(10,858)
	<u>23,831</u>	<u>26,438</u>	<u>37,406</u>	<u>23,776</u>	<u>29,203</u>

Note: Amounts represented professional service fees incurred in relation to a previous potential listing exercise that were expensed during the Track Record Period.

12. DIVIDENDS

During the Track Record Period, the subsidiaries of the Group have paid or declared dividends, which included (i) a dividend in an aggregate amount of RMB4,000,000, RMB4,500,000, RMB4,000,000 and RMB4,000,000 has been declared and paid by a 51% owned subsidiary, Zunyi Daxing Compound Fertiliser Co., Ltd. (“Daxing Migao”) during the years ended 31 March 2021, 2022, 2023 and eight months ended 30 November 2023, respectively; (ii) a dividend in an aggregate amount of RMB6,375,000 has been declared and paid by a 77% owned subsidiary, Baoqing Migao Agricultural Technology Co., Ltd. (“Baoqing Migao”) during the year ended 31 March 2023; and (iii) a dividend of RMB15,858,000 has been declared and paid by a 65% owned subsidiary, Anda Beidahuang Migao Agricultural Technology Co., Ltd. (“Anda Migao”) during the year ended 31 March 2023.

Other than the above, no dividend was declared or paid by the subsidiaries of the Group during the Track Record Period.

No dividend was paid or declared by the Company since its incorporation.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's emoluments

Details of the emoluments paid to the individuals including emoluments for services as senior management of the group entities prior to becoming the directors of the Company, during the Track Record Period, are as follows:

	Fee <i>RMB'000</i>	Salaries and other allowances <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i> <i>(note iii)</i>	Total <i>RMB'000</i>
Year ended 31 March 2021					
Executive directors:					
Mr. Liu (<i>note i</i>)	–	2,224	46	–	2,270
Mr. Sun Pingfu (<i>note ii</i>)	–	213	22	–	235
Mr. Dong Benzi (<i>note ii</i>)	–	112	16	–	128
	<u>–</u>	<u>2,549</u>	<u>84</u>	<u>–</u>	<u>2,633</u>

	Fee <i>RMB'000</i>	Salaries and other allowances <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i> <i>(note iii)</i>	Total <i>RMB'000</i>
Year ended 31 March 2022					
Executive directors:					
Mr. Liu (<i>note i</i>)	–	4,412	56	–	4,468
Mr. Sun Pingfu (<i>note ii</i>)	–	320	53	–	373
Mr. Dong Benzi (<i>note ii</i>)	–	108	48	–	156
	<u>–</u>	<u>4,840</u>	<u>157</u>	<u>–</u>	<u>4,997</u>

	Fee <i>RMB'000</i>	Salaries and other allowances <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i> <i>(note iii)</i>	Total <i>RMB'000</i>
Year ended 31 March 2023					
Executive directors:					
Mr. Liu (<i>note i</i>)	–	4,493	78	–	4,571
Mr. Sun Pingfu (<i>note ii</i>)	–	342	80	–	422
Mr. Dong Benzi (<i>note ii</i>)	–	111	33	–	144
	<u>–</u>	<u>4,946</u>	<u>191</u>	<u>–</u>	<u>5,137</u>

	Fee <i>RMB'000</i>	Salaries and other allowances <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i> <i>(note iii)</i>	Total <i>RMB'000</i>
Eight months ended 30 November 2022 (unaudited)					
Executive directors:					
Mr. Liu (<i>note i</i>)	–	2,885	52	–	2,937
Mr. Sun Pingfu (<i>note ii</i>)	–	228	53	–	281
Mr. Dong Benzi (<i>note ii</i>)	–	68	22	–	90
	–	3,181	127	–	3,308
Total	–	3,181	127	–	3,308

	Fee <i>RMB'000</i>	Salaries and other allowances <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i> <i>(note iii)</i>	Total <i>RMB'000</i>
Eight months ended 30 November 2023					
Executive directors:					
Mr. Liu (<i>note i</i>)	–	3,425	55	–	3,480
Mr. Sun Pingfu (<i>note ii</i>)	–	248	55	–	303
Mr. Dong Benzi (<i>note ii</i>)	–	96	21	–	117
	–	3,769	131	–	3,900
Total	–	3,769	131	–	3,900

Notes:

- (i) Mr. Liu served as the chief executive of the Company throughout the Track Record Period and his emoluments disclosed above include those for services rendered by him as the chief executive.
- (ii) Mr. Sun Pingfu and Mr. Dong Benzi were appointed as executive directors of the Company on 23 March 2022.
- (iii) Performance related bonuses are determined based on the Group's performance and performance of the relevant individual within the Group.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Track Record Period.

(b) Five highest paid employees

The five highest paid individuals of the Group included two, two, two, two (unaudited) and two directors whose emoluments are included in the disclosure above for the Track Record Period. The remuneration of the remaining three, three, three, three (unaudited) and three individuals for the Track Record Period were as follows:

	Year ended 31 March			Eight months ended 30 November	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and other allowances	605	472	1,814	1,205	1,914
Performance related bonuses	–	–	–	–	–
Retirement benefit scheme contributions	55	44	67	52	65
	<u>660</u>	<u>516</u>	<u>1,881</u>	<u>1,257</u>	<u>1,979</u>

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended 31 March			Eight months ended 30 November	
	2021	2022	2023	2022	2023
				(unaudited)	
Nil to HK\$1,000,000	3	3	2	3	2
HK\$1,000,001 to HK\$1,500,000	–	–	1	–	1
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emolument was paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. EARNINGS PER SHARE

	Year ended 31 March			Eight months ended 30 November	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Earnings for the purpose of calculating basic earnings per share for the year/period attributable to the owners of the Company	<u>202,294</u>	<u>396,337</u>	<u>405,089</u>	<u>237,552</u>	<u>157,235</u>

	No. of Shares '000	No. of Shares '000	No. of Shares '000	No. of Shares '000	No. of Shares '000
Number of ordinary shares for the purpose of calculating basic earnings per share	675,000	675,000	675,000	675,000	675,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined based on the assumption that the capitalisation issue as described in note 39 and Appendix IV to the Prospectus had been effective on 1 April 2020.

No diluted earnings per share is presented for the Track Record Period as there was no potential ordinary share in issue.

15. PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Vehicles RMB'000	Office equipment RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
COST						
At 1 April 2020	348,499	266,695	10,762	7,168	627	633,751
Additions	648	6,454	456	661	8,343	16,562
Transfer from CIP	5,367	3,551	–	–	(8,918)	–
Disposals	(71,049)	(248)	(1,503)	(365)	(52)	(73,217)
Exchange realignment	(56)	–	(177)	(33)	–	(266)
At 31 March 2021	283,409	276,452	9,538	7,431	–	576,830
Additions	4,978	3,879	392	917	–	10,166
Acquired on acquisition of subsidiaries (note 37)	123,908	164,733	1,435	503	13,673	304,252
Disposals	–	(1,416)	(1,693)	–	–	(3,109)
Exchange realignment	(23)	–	(77)	(16)	–	(116)
At 31 March 2022	412,272	443,648	9,595	8,835	13,673	888,023
Additions	4,040	26,748	696	219	11,847	43,550
Transfer from CIP	24,708	169	–	–	(24,877)	–
Disposals	–	(536)	(430)	(8)	–	(974)
Exchange realignment	57	–	180	38	–	275
At 31 March 2023	441,077	470,029	10,041	9,084	643	930,874
Additions	366	3,286	311	623	1,972	6,558
Transfer from CIP	403	–	–	–	(403)	–
Disposals	(13)	–	(1,146)	–	–	(1,159)
Exchange realignment	25	–	79	18	–	122
At 30 November 2023	441,858	473,315	9,285	9,725	2,212	936,395
DEPRECIATION						
At 1 April 2020	145,511	222,103	8,458	6,076	–	382,148
Provided for the year	12,320	8,350	342	314	–	21,326
Eliminated on disposals	(19,849)	(210)	(1,305)	(365)	–	(21,729)
Exchange realignment	(48)	–	(96)	(33)	–	(177)

	Buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Construction in progress ("CIP") <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 March 2021	137,934	230,243	7,399	5,992	–	381,568
Provided for the year	13,082	7,559	387	326	–	21,354
Eliminated on disposals	–	(1,237)	(1,524)	–	–	(2,761)
Exchange realignment	(22)	–	(49)	(12)	–	(83)
At 31 March 2022	150,994	236,565	6,213	6,306	–	400,078
Provided for the year	19,992	23,763	804	256	–	44,815
Eliminated on disposals	–	(281)	(387)	(8)	–	(676)
Exchange realignment	57	–	127	31	–	215
At 31 March 2023	171,043	260,047	6,757	6,585	–	444,432
Provided for the period	13,428	16,818	518	374	–	31,138
Eliminated on disposals	–	–	(1,032)	–	–	(1,032)
Exchange realignment	25	–	63	12	–	100
At 30 November 2023	184,496	276,865	6,306	6,971	–	474,638
CARRYING VALUES						
At 31 March 2021	<u>145,475</u>	<u>46,209</u>	<u>2,139</u>	<u>1,439</u>	<u>–</u>	<u>195,262</u>
At 31 March 2022	<u>261,278</u>	<u>207,083</u>	<u>3,382</u>	<u>2,529</u>	<u>13,673</u>	<u>487,945</u>
At 31 March 2023	<u>270,034</u>	<u>209,982</u>	<u>3,284</u>	<u>2,499</u>	<u>643</u>	<u>486,442</u>
At 30 November 2023	<u>257,362</u>	<u>196,450</u>	<u>2,979</u>	<u>2,754</u>	<u>2,212</u>	<u>461,757</u>

The above items of plant and equipment, except for CIP, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Shorter of the term of the lease, or 20 years
Machinery and equipment	10 years
Vehicles	5 years
Office equipment	5 years

16. RIGHT-OF-USE ASSETS

The Group leases various offices for its operations. The average lease term of the Group's office premises is 2 years, 2 years, 2 years and 2 years during the years ended 31 March 2021, 2022, 2023 and the eight months ended 30 November 2023, respectively.

In addition, lump sum payments were made upfront to acquire the land use rights in the PRC, where its manufacturing facilities are primarily located.

The carrying amounts of rights-of-use assets at end of each reporting period and the depreciation by classes of rights-of-use assets are set out as below:

Analysed for reporting purposes as:

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Carrying amounts				
Leasehold land	42,008	60,070	141,085	139,053
Office premises	5,487	8,914	11,992	7,903
	<u>47,495</u>	<u>68,984</u>	<u>153,077</u>	<u>146,956</u>

As at 31 March 2021, 2022, 2023 and 30 November 2023, lease liabilities of approximately RMB5,766,000, RMB8,318,000, RMB11,057,000 and RMB7,306,000 are recognised with related right-of-use assets of approximately RMB5,487,000, RMB8,040,000, RMB11,117,000 and RMB7,029,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The consolidated statements of profit or loss and other comprehensive income contain the following amounts relating to leases:

	Year ended 31 March			Eight months ended	
	2021	2022	2023	30 November	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Depreciation recognised in profit or loss					
Leasehold land	742	977	2,315	1,471	2,032
Office premises	4,822	4,155	5,429	3,542	4,089
	<u>5,564</u>	<u>5,132</u>	<u>7,744</u>	<u>5,013</u>	<u>6,121</u>

	Year ended 31 March			Eight months ended	
	2021	2022	2023	30 November	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Total cash outflow for leases	5,219	5,328	89,721	80,418	4,102
Additions to right-of-use assets	4,323	7,581	91,837	84,584	–
Additions to right-of-use assets through acquisition of business (note 37)	–	19,040	–	–	–
	<u>–</u>	<u>19,040</u>	<u>–</u>	<u>–</u>	<u>–</u>

During the year ended 31 March 2021, the Group disposed of leasehold land with carrying amount of approximately RMB2,584,000 to PRC Government at a consideration of approximately of RMB96,947,000. As a result, gain on disposal of approximately RMB94,363,000 was recognised in profit or loss.

17. GOODWILL

	Acquisition of Daxing Migao <i>(Note a)</i> RMB'000	Acquisition of Baoqing Migao <i>(Note b)</i> RMB'000	Total RMB'000
COST			
At 1 April 2020 and 31 March 2021	2,606	–	2,606
Arising on acquisition of a subsidiary (note 37)	–	9,463	9,463
	<u>2,606</u>	<u>9,463</u>	<u>12,069</u>
At 31 March 2022 and 2023 and 30 November 2023	<u>2,606</u>	<u>9,463</u>	<u>12,069</u>

Notes:

- (a) The goodwill was arising from acquisition of Daxing Migao during the year ended 31 March 2017.
- (b) The goodwill was arising from acquisition of Baoqing Migao on 31 March 2022 as set out in note 37.

For the purposes of impairment testing, goodwill have been allocated to two individual CGUs, comprising two subsidiaries, Daxing Migao and Baoqing Migao. The carrying amounts of goodwill allocated to these two subsidiaries as follows:

	As at 31 March 2021 RMB'000	As at 31 March 2022 RMB'000	2023 RMB'000	As at 30 November 2023 RMB'000
Daxing Migao	2,606	2,606	2,606	2,606
Baoqing Migao	–	9,463	9,463	9,463
	<u>2,606</u>	<u>12,069</u>	<u>12,069</u>	<u>12,069</u>

The recoverable amounts of the two CGUs have been determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 18%. The cash flows beyond the 5-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. During the Track Record Period, the directors of the Company determine that there is no impairment on the CGUs.

The Group performed sensitivity test on Baoqing Migao CGU as at 31 March 2023 and 30 November 2023 by increasing 1% of pre-tax discount rate or decreasing 1% of long-term growth rate or decreasing 5% of budgeted sales or decreasing 1% of budgeted gross margin, which are the key assumptions determine the recoverable amount of Baoqing Migao CGU, with all other variables held constant.

Based on the sensitivity test performed, no material impairment issue was noted. The headroom of Baoqing Migao CGU as at 31 March 2023 and 30 November 2023 is not less than 22%.

The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of a CGU to exceed the recoverable amount of that CGU.

18. INTANGIBLE ASSET

	Customer relationship <i>RMB'000</i>
COST	
At 1 April 2020, 31 March 2021, 2022, 2023 and 30 November 2023	15,850
AMORTISATION	
At 1 April 2020	5,548
Provided for the year	1,585
At 31 March 2021	7,133
Provided for the year	1,585
At 31 March 2022	8,718
Provided for the year	1,585
At 31 March 2023	10,303
Provided for the period	1,056
At 30 November 2023	11,359
CARRYING VALUES	
At 31 March 2021	8,717
At 31 March 2022	7,132
At 31 March 2023	5,547
At 30 November 2023	4,491

Customer relationship acquired in the business combination of Daxing Migao is identified and recognised as an intangible asset. The aggregate amount of customer relationship is amortised over the period of the useful lives of the customer relationship. With reference to experience in the industry, customer bases and operation of Daxing Migao, the directors of the Company assessed the useful life of the customer relationship to be 10 years.

19. INTERESTS IN JOINT VENTURES

	As at 31 March			As at
	2021	2022	2023	30 November
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of unlisted interests in joint ventures	273,847	79,847	79,847	79,847
Share of post-acquisition, profits and other comprehensive income, net of dividends received	28,635	31,185	42,452	31,310
	<u>302,482</u>	<u>111,032</u>	<u>122,299</u>	<u>111,157</u>

Details of the Group's joint ventures during the Track Record Period and at the date of the report are as follows:

Name of entities	Place of incorporation/ establishment	Principal place of operation	Proportion of registered capital/ nominal value of issued share capital held by the Group					Proportion of voting rights held by the Group				Principal activities	
			At	At	At	At		At	At	At	At		
			31 March 2021	31 March 2022	31 March 2023	30 November 2023	Date of the report	31 March 2021	31 March 2022	31 March 2023	30 November 2023		Date of the report
Eurochem Migao Limited ("Eurochem JV")	Hong Kong	The PRC	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	Investment holding
Baoqing Migao (Note)	The PRC	The PRC	77%	N/A	N/A	N/A	N/A	50%	N/A	N/A	N/A	N/A	Manufacturing and trading of specialty potash-based fertilizer
Anda Migao (Note)	The PRC	The PRC	65%	N/A	N/A	N/A	N/A	50%	N/A	N/A	N/A	N/A	Manufacturing and trading of specialty potash-based fertilizer

Note: Prior to 31 March 2022, the Group exercised joint control over Baoqing Migao and Anda Migao because decisions on relevant activities require unanimous consent with the other joint venturer under the Articles of Associations of Baoqing Migao and Anda Migao. On 31 March 2022, the Group obtained control over Baoqing Migao and Anda Migao as set out in note 37. Baoqing Migao and Anda Migao became the Group's subsidiaries since 31 March 2022.

Summarised financial information in respect of the Group's joint ventures which are accounted for using equity method is set out below. The financial information is prepared in accordance with HKFRSs.

Eurochem JV

	As at 31 March			As at	
	2021	2022	2023	30 November 2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	21,848	189	2,125	853	
Non-current assets	197,847	221,875	242,473	221,461	
Current liabilities	(3,761)	–	–	–	
Net assets	<u>215,934</u>	<u>222,064</u>	<u>244,598</u>	<u>222,314</u>	
	Year ended 31 March			Eight months ended	
	2021	2022	2023	30 November 2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
(Loss) profit and total comprehensive (expense) income for the year/period	<u>(11,760)</u>	<u>6,130</u>	<u>22,534</u>	<u>(596)</u>	<u>(22,284)</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in Eurochem JV recognised in the Historical Financial Information:

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Net assets of Eurochem JV	215,934	222,064	244,598	222,314
Proportion of the Group's ownership interest in Eurochem JV	50%	50%	50%	50%
Carrying amount of the Group's interest in Eurochem JV	<u>107,967</u>	<u>111,032</u>	<u>122,299</u>	<u>111,157</u>

Baoqing Migao

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Current assets	260,315	N/A	N/A	N/A
Non-current assets	94,308	N/A	N/A	N/A
Current liabilities	(248,697)	N/A	N/A	N/A
Net assets	<u>105,926</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

	Year ended 31 March			Eight months ended	
	2021	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	<u>196,462</u>	<u>225,205</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Profit and total comprehensive income for the year/period	<u>10,247</u>	<u>13,668</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividends paid or payable during the year/period	<u>5,456</u>	<u>5,529</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividends received or receivables from Baoqing Migao during the year/period	<u>4,201</u>	<u>4,258</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
The above profit for the year/period include the following:					
Depreciation of plant and equipment	6,384	6,833	N/A	N/A	N/A
Depreciation of right-of-use assets	92	92	N/A	N/A	N/A
Interest expense	8,815	4,468	N/A	N/A	N/A
Income tax expense	<u>3,314</u>	<u>2,347</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in Baoqing Migao recognised in the Historical Financial Information:

	As at 31 March 2021 RMB'000
Net assets of Baoqing Migao	105,926
Proportion of the Group's ownership interest in Baoqing Migao	<u>77%</u>
Carrying amount of the Group's interest in Baoqing Migao	<u><u>81,563</u></u>

Anda Migao

	As at 31 March			As at 30 November 2023
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	329,021	N/A	N/A	N/A
Non-current assets	134,480	N/A	N/A	N/A
Current liabilities	(285,329)	N/A	N/A	N/A
Non-current liabilities	<u>(4,400)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net assets	<u><u>173,772</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

	Year ended 31 March			Eight months ended 30 November	
	2021	2022	2023	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue	<u>42,210</u>	<u>603,761</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
(Loss) profit and total comprehensive (expense) income for the year/period	<u>(6,228)</u>	<u>22,612</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
The above (loss) profit for the year/period include the following:					
Depreciation of plant and equipment	1,073	8,690	N/A	N/A	N/A
Depreciation of right-of-use assets	274	274	N/A	N/A	N/A
Interest expense	2,503	14,287	N/A	N/A	N/A
Income tax expense	<u>-</u>	<u>7,537</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in Anda Migao recognised in the Historical Financial Information:

	As at 31 March 2021 RMB'000
Net assets of Anda Migao	173,772
Proportion of the Group's ownership interest in Anda Migao	65%
	<u>112,952</u>
Carrying amount of the Group's interest in Anda Migao	<u><u>112,952</u></u>

20. DEFERRED TAXATION

	As at 31 March			As at 30 November
	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax liabilities	3,351	3,581	3,173	2,913
Deferred tax assets	(2,070)	(4,974)	(4,451)	(4,124)
	<u>1,281</u>	<u>(1,393)</u>	<u>(1,278)</u>	<u>(1,211)</u>

Deferred tax liabilities (assets) recognised by the Group and the movements thereon during the Track Record Period are as follows:

	Tax losses	ECL provision	Fair value adjustment in business consolidation	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2020	(8,055)	(2,707)	3,928	(6,834)
Charged (credited) to profit or loss (note 10)	7,953	739	(577)	8,115
At 31 March 2021	(102)	(1,968)	3,351	1,281
Credited to profit or loss (note 10)	(109)	(2,795)	(415)	(3,319)
Acquisition of subsidiaries (note 37)	-	-	645	645
At 31 March 2022	(211)	(4,763)	3,581	(1,393)
Charged (credited) to profit or loss (note 10)	109	414	(408)	115
At 31 March 2023	(102)	(4,349)	3,173	(1,278)
(Credited) charged to profit or loss (note 10)	(406)	733	(260)	67
At 30 November 2023	<u>(508)</u>	<u>(3,616)</u>	<u>2,913</u>	<u>(1,211)</u>

21. INVENTORIES

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Raw materials	55,936	668,355	121,553	349,341
Finished goods	17,304	40,605	19,773	88,696
Packing and other materials	6,228	7,608	4,698	5,952
Goods in transit	84,924	23,902	5,565	90
	<u>164,392</u>	<u>740,470</u>	<u>151,589</u>	<u>444,079</u>

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	The Group			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Trade receivables	40,167	104,741	109,512	41,234
Unbilled receivables (<i>Note a</i>)	190,743	203,564	90,858	105,641
Less: allowance for credit losses	<u>(7,877)</u>	<u>(19,058)</u>	<u>(17,403)</u>	<u>(14,472)</u>
	223,033	289,247	182,967	132,403
Bills receivables	<u>208,601</u>	<u>302,713</u>	<u>140,886</u>	<u>12,994</u>
	431,634	591,960	323,853	145,397
Inventories prepayment				
– third parties	589,332	1,042,565	1,278,116	1,898,754
– a joint venture	<u>–</u>	<u>–</u>	<u>30,520</u>	<u>–</u>
	589,332	1,042,565	1,308,636	1,898,754
Supplier rebate receivables	9,607	39,216	–	–
Deferred issue costs	1,424	8,496	14,739	19,524
Value-added tax receivables	279	9,350	30,016	61,128
Other receivables, deposits and prepayments	<u>58,646</u>	<u>45,927</u>	<u>53,450</u>	<u>24,602</u>
	659,288	1,145,554	1,406,841	2,004,008
	<u>1,090,922</u>	<u>1,737,514</u>	<u>1,730,694</u>	<u>2,149,405</u>

	The Company			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Deferred issue costs	1,424	8,496	14,739	19,524
Other receivables	<u>332</u>	<u>387</u>	<u>2,330</u>	<u>3,206</u>
	1,756	8,883	17,069	22,730

Note:

- (a) Unbilled receivables represents accrued sales for goods delivered by the Group but yet to bill. The Group has unconditional right to the payment of the unbilled receivables which is expected to be billed within 180 days and received within 12 months from the end of respective reporting period.

During the Track Record Period, the Group engaged an independent third party as its designated agent (the "Agent") to purchase raw materials from overseas suppliers and sell them to domestic customers of the Group under the Group's instruction. The Agent will collect the sales proceed and settle the purchase costs on behalf of the Group. Such arrangement has been terminated since October 2021. Included in the unbilled receivables as at 31 March 2021, 2022, 2023 and 30 November 2023, approximately RMB55,614,000, RMB97,846,000, nil and nil was arising from the above arrangement. During the year ended 31 March 2023, the Group issued an invoice amounted to approximately RMB97,846,000 to the Agent, and received full settlement from the Agent.

As at 1 April 2020, gross trade receivables and unbilled receivables from contracts with customers amount to RMB665,736,000 in aggregate.

The Group generally allows credit period ranging from 0 to 180 days. The Group will assess the credit quality of each potential customer and define rating and credit limit for each customer.

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on the invoice date at the end of each reporting period:

	As at 31 March			As at 30 November
	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
Within 90 days	7,866	43,594	26,129	18,557
91-180 days	1,998	38,412	56,203	4,629
181-365 days	827	5,281	8,893	3,930
Over 1 year	22,656	6,312	3,302	1,702
	<u>33,347</u>	<u>93,599</u>	<u>94,527</u>	<u>28,818</u>

The maturity dates of bills receivables at the end of each reporting period are analysed as follows:

	As at 31 March			As at 30 November
	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables				
Within 90 days	133,140	111,502	32,042	9,030
91-180 days	74,141	184,068	104,744	3,964
181-365 days	1,320	7,143	4,100	–
	<u>208,601</u>	<u>302,713</u>	<u>140,886</u>	<u>12,994</u>

As at 31 March 2021, 2022, 2023 and 30 November 2023, total bills received amounting to approximately RMB208,601,000, RMB301,103,000, RMB130,185,000 and RMB12,841,000, respectively, were further discounted or endorsed by the Group. The Group continues to recognise their full carrying amounts at the end of each reporting period and details are disclosed in note 33. All bills received by the Group are with a maturity period of less than one year.

As at 31 March 2021, 2022, 2023 and 30 November 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB25,481,000, RMB50,005,000, RMB68,398,000 and RMB10,261,000 which are past due as at the reporting date. Out of the past due balances, RMB23,483,000, RMB11,593,000, RMB12,195,000 and RMB5,632,000 has been past due for 90 days or more and is not considered as in default based on good repayment records for those customers. The Group does not hold any collateral over these balances.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 as disclosed in note 35. For trade receivables with significant amounts, they are assessed individually for impairment allowance and collectively for remaining trade receivables based on the Group's internal credit rating, 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. Details of impairment assessment of trade and other receivables are set out in note 35.

23. RELATED PARTY BALANCES AND TRANSACTIONS

The Group

(a) The Group had the following related party balances:

	As at 31 March			As at
	2021	2022	2023	30 November
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from a related company (Note (a)):				
Trade nature				
– Liaoning Migao (Note (b))	21,575	–	N/A	N/A
	<u>21,575</u>	<u>–</u>	<u>N/A</u>	<u>N/A</u>
Amounts due from joint ventures:				
Trade nature (Note (c))				
– Yunnan EuroChem Fertiliser Technology Co., Ltd. (“Yunnan Eurochem”)	–	15,187	14,258	13,966
	<u>–</u>	<u>15,187</u>	<u>14,258</u>	<u>13,966</u>
Non-trade nature (Note (d))				
– Eurochem JV	29,801	15,230	13,232	4,661
	<u>29,801</u>	<u>15,230</u>	<u>13,232</u>	<u>4,661</u>
	<u>29,801</u>	<u>30,417</u>	<u>27,490</u>	<u>18,627</u>
Loans to joint ventures (Note (j))				
Non-trade nature	237,249	–	–	–
	<u>237,249</u>	<u>–</u>	<u>–</u>	<u>–</u>
Amount due from a shareholder				
Non-trade nature				
Mr. Liu (Note (g))	2,234	1,838	3,535	900
	<u>2,234</u>	<u>1,838</u>	<u>3,535</u>	<u>900</u>

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Amounts due to related companies				
(Note (a)):				
Trade nature (Note (e))				
– Shanghai Migao	(1,724)	–	–	–
– Zunyi Migao	(66)	(621)	–	–
– Liaoning Migao	(15,150)	(19,750)	N/A	N/A
	<u>(16,940)</u>	<u>(20,371)</u>	<u>–</u>	<u>–</u>
Non-trade nature				
– APPH (Note (f))	(72,896)	(158,530)	(175,716)	(16,848)
	<u>(89,836)</u>	<u>(178,901)</u>	<u>(175,716)</u>	<u>(16,848)</u>
Amounts due to joint ventures:				
Trade nature (Note (h))				
– Anda Migao	(4,017)	–	N/A	N/A
– Baoqing Migao	(48,657)	–	N/A	N/A
– Yunnan Eurochem	(59,120)	(34,709)	–	–
	<u>(111,794)</u>	<u>(34,709)</u>	<u>–</u>	<u>–</u>
Amount due to a non-controlling interest				
Trade nature				
Guizhou Tobacco Investment Co., Ltd. (“Guizhou Tobacco”) (Note (i))	(29,119)	(6,168)	–	–
	<u>(29,119)</u>	<u>(6,168)</u>	<u>–</u>	<u>–</u>
Loans from related companies				
(Note (k))				
Non-trade nature	–	(95,020)	(105,817)	(109,259)
	<u>–</u>	<u>(95,020)</u>	<u>(105,817)</u>	<u>(109,259)</u>

Notes:

- (a) These entities have been identified as related parties of the Group as they are controlled by Mr. Liu or his close family member.
- (b) Trade related balance with Liaoning Migao arose from sales of finished goods. In general, 90 days credit period is allowed. This balance was unsecured and interest-free.

The following is an aged analysis of the Group's trade related balance with Liaoning Migao at the end of each reporting period presented based on invoice date:

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
90-180 days	21,575	–	N/A	N/A

On 15 June 2022, Mr. Liu disposed of all his equity interest in Liaoning Migao to an independent third party and Liaoning Migao became a third party of the Group since 15 June 2022.

The Group made an unsecured and interest-free advance of approximately RMB20,450,000 to Liaoning Migao in July 2022 for short-term working capital purpose. The advance has been fully repaid in August 2022.

- (c) Yunnan Eurochem is the joint venture of Eurochem JV. Trade related balances with joint ventures arose from sales of finished goods. In general, 90 days credit period is allowed. These balances were unsecured and interest-free.

The following is an aged analysis of the Group's trade related balances with joint ventures at the end of each reporting period presented based on invoice date:

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
0-90 days	–	15,187	14,258	13,966

- (d) The amount due from Eurochem JV mainly represents the general and administrative expenses that the Group paid on behalf of Eurochem JV. The amounts are non-trade nature, interest-free, unsecured and repayable on demand. As represented by the directors of the Company, the balance will be fully settled prior to the proposed listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing").

	Maximum amount during the			Eight months
	Year ended 31 March			ended
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
Eurochem JV	29,801	29,801	15,378	13,232

- (e) Trade related balances with these related companies arose from purchase of raw materials and finished goods. In general, 30 to 180 days credit period is allowed. These balances were unsecured and interest-free.

The following is an aged analysis of the Group's trade related balances with related companies at the end of each reporting period presented based on invoice date:

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Within 90 days	(15,216)	(20,371)	–	–
91-180 days	(1,724)	–	–	–
	<u>(16,940)</u>	<u>(20,371)</u>	<u>–</u>	<u>–</u>

Included in the amount due to related companies, amounts of RMB19,950,000 were settled by endorsed bills for which the maturity dates of the bills receivables have not yet fallen due as at 31 March 2022 (see note 33).

As at 31 March 2021, the Group made prepayments for purchase of raw materials to Liaoning Migao of RMB15,150,000 by endorsed bills for which the maturity dates of the bills receivables have not yet fallen due (see note 33).

As at 31 March 2022, the Group made prepayments for purchase of equipment to Chengdu Aoke Saiya Engineering Technology Corporation Ltd. (formerly known as Chengdu Migao Engineering Technology Corporation Ltd.) ("Chengdu Migao") of RMB13,206,000 by endorsed bills for which the maturity dates of the bills receivables have not yet fallen due (see note 33).

- (f) The amount due to APPH is non-trade nature, interest-free, unsecured and repayable on demand. As represented by the directors of the Company, the balance will be fully settled prior to the Listing.

During the year ended 31 March 2023, the Group received and paid the cash on behalf of APPH for a transaction entered into between APPH and a supplier. As part of the arrangement, the Group repaid certain amount due to APPH by transferring the same amount to that supplier. The arrangement had been completed during the year ended 31 March 2023.

- (g) The amount due from Mr. Liu is non-trade nature, interest-free, unsecured and repayable on demand. As represented by the directors of the Company, the balance will be fully settled prior to the Listing.

	Maximum amount during the			Eight months
	Year ended 31 March			ended
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Mr. Liu	<u>2,234</u>	<u>2,234</u>	<u>3,535</u>	<u>3,535</u>

- (h) Trade related balances with joint ventures arose from purchase of raw materials and finished goods. In general, 30 to 180 days credit period is allowed. These balances were unsecured and interest-free.

The following is an aged analysis of the Group's trade related balances with joint ventures at the end of each reporting period presented based on invoice date:

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Within 90 days	(62,381)	(22,451)	–	–
91-180 days	(40,413)	(12,258)	–	–
Over 1 year	(9,000)	–	–	–
	<u>(111,794)</u>	<u>(34,709)</u>	<u>–</u>	<u>–</u>

Included in the amounts due to joint ventures, amounts of RMB67,937,000 and RMB34,709,000, respectively, were settled by endorsed bills for which the maturity dates of the bills receivables have not yet fallen due as at 31 March 2021 and 2022 (see note 33).

As at 31 March 2023 and 30 November 2023, the Group made prepayment for purchase of raw materials and finished goods to the joint venture of RMB33,061,000 and nil by endorsed billed for which the maturity dates of the bills receivables have not yet fallen due (see note 33).

- (i) Guizhou Tobacco is a non-controlling shareholder of Daxing Migao. Trade related balances with Guizhou Tobacco arose from sale of finished goods to Guizhou Tobacco and purchase of raw materials from Guizhou Tobacco. In general, 180 days credit period is allowed. These balances were unsecured and interest-free.

The following is an aged analysis of the Group's trade related balances with Guizhou Tobacco at the end of each reporting period presented based on invoice date:

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Within 90 days	(29,119)	–	–	–
Over 1 year	–	(6,168)	–	–
	<u>(29,119)</u>	<u>(6,168)</u>	<u>–</u>	<u>–</u>

- (j) During the Track Record Period, the Group made several loans to its joint ventures, Baoqing Migao and Anda Migao. The loans are non-trade nature, unsecured, carry interest at fixed rate of 6% per annum and repayable within one year from the dates of draw down of respective loans.
- (k) In January 2022, Anda Migao obtained a loan from a related company of Heilongjiang Beidahuang Modern Agricultural Services Group Agricultural Materials Co., Ltd. (formerly known as Heilongjiang Beidahuang Seed Industry Group Agricultural Production Materials Co., Ltd.) ("Heilongjiang Beidahuang"), a non-controlling shareholder. The loan is non-trade nature, unsecured, carries interest at fixed rate of 6% per annum and fully repaid in January 2023.

In February 2023, Anda Migao obtained a new loan of RMB105,000,000 from the immediate holding company of Heilongjiang Beidahuang. The loan is non-trade nature, unsecured, carries interest at fixed rate of 5% per annum. The loan has been subsequently fully repaid by the Group in December 2023.

(b) The Group entered into the following transactions with related parties during the Track Record Period:

Name of related companies	Nature of transactions	Year ended 31 March			Eight months ended 30 November	
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000
Joint ventures						
Baoqing Migao	Sales of finished goods	104,502	–	N/A	N/A	N/A
	Purchases of raw materials and finished goods	119,152	114,111	N/A	N/A	N/A
	Interest income	6,354	3,718	N/A	N/A	N/A
Anda Migao	Sales of finished goods	–	385	N/A	N/A	N/A
	Purchases of raw materials and finished goods	3,686	145,097	N/A	N/A	N/A
	Interest income	806	9,011	N/A	N/A	N/A
Yunnan Eurochem	Sales of raw materials and finished goods	30,713	90,202	156,515	93,699	220,091
	Purchases of raw materials and finished goods	50,821	54,369	2,994	–	1,028
Related companies						
Liaoning Migao	Sales of finished goods	39,021	–	–	–	N/A
	Purchases of raw materials	4,615	87,627	–	–	N/A
Shanghai Migao	Purchases of raw materials	3,650	3,438	410	410	–
	Purchases of equipment	–	221	–	–	–
Zunyi Migao	Purchases of raw materials	544	3,374	–	–	–
	Repayment of lease liabilities	2,066	2,162	2,626	1,655	1,790
Chengdu Migao	Purchase of raw materials	–	200	–	–	–
Beijing Weidesen International Trade Co., Ltd.*	Sales of finished goods	107	–	–	–	–
Twin Castle International Limited (“Twin Castle”)**	Sales of finished goods	–	–	27,000	27,000	N/A
A related company of Heilongjiang BeidaHuang	Interest expense	–	–	5,008	3,843	3,442
The immediate holding company of Heilongjiang Beidahuang	Interest expense	–	–	817	–	–
Non-controlling interest						
Guizhou Tobacco	Sales of finished goods	31,023	1,604	–	–	–
	Purchase of raw materials	107,148	–	–	–	–

* This entity has been identified as a related party of the Group as it is controlled by Mr. Liu and his spouse.

** Twin Castle has been identified as a related party of the Group as they are controlled by Mr. Liu's close family member. Twin Castle has been disposed of by Mr. Liu's close family member to an independent third party on 6 February 2023 and became a third party of the Group since 6 February 2023.

As at 31 March 2021, 2022, 2023 and 30 November 2023, the Group provided financial guarantees in respect of bank facilities granted to a related company and a joint venture amounted to RMB191,000,000, nil, nil and nil, respectively.

As at 31 March 2021, 2022, 2023 and 30 November 2023, related parties of the Company provided financial guarantees in respect of bank facilities granted to the Group amounted to RMB547,000,000, RMB374,010,000, RMB280,000,000 and RMB130,000,000, respectively. As represented by the directors of the Company, the related financial guarantees will be released prior to the Listing.

As at 31 March 2021, 2022, 2023 and 30 November 2023, some independent third parties provided financial guarantees in respect of bank facilities granted to the Group amounted to RMB7,000,000, nil, nil and nil, respectively.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Period is set out in note 13.

The Company

Amounts due from (to) subsidiaries

The amounts are non-trade nature, interest-free, unsecured and repayable on demand.

24. RESTRICTED CASH/BANK BALANCES AND CASH

As of 31 March 2021, 2022, 2023 and 30 November 2023, the Group had restricted cash pledged for credit facilities as follows:

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Bills payables	161,035	185,226	148,775	68,591
Deposits for letter of credits	84,535	5,072	21,709	39,615
	<u>245,570</u>	<u>190,298</u>	<u>170,484</u>	<u>108,206</u>

A bills payable is a draft issued by a bank for payments in future, which defers the payment until the due date for redeeming the bill. According to the bills payables agreement with the bank, a certain percentage of the bills amount is required to be deposited at the bank as security for bills payables which total of approximately RMB338,801,000, RMB350,209,000, RMB281,722,000 and RMB158,640,000 as at 31 March 2021, 2022, 2023 and 30 November 2023. The interest rate of restricted cash ranged from 0.01% to 2.25%, 0.01% to 2.25%, 0.01% to 2.25% and 0.01% to 2.25% as at 31 March 2021, 2022 and 2023 and 30 November 2023.

Bank balances of the Group and the Company carry interest at prevailing market interest rates.

25. TRADE AND OTHER PAYABLES

	The Group			As at
	As at 31 March			30 November
	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	358,433	609,255	215,153	165,969
Bills payables	338,801	350,209	281,722	158,640
Other tax payables	107,306	87,710	97,455	131,698
Accrued employee expense	2,824	5,211	4,561	5,018
Accrued issue costs and listing expenses	1,963	16,449	8,043	9,372
Payables for transportation costs	13,568	24,263	2,798	3,987
Payables for CIP and PPE	3,680	34,488	–	339
Others	33,545	25,387	20,898	19,907
	<u>860,120</u>	<u>1,152,972</u>	<u>630,630</u>	<u>494,930</u>

	The Company			As at
	As at 31 March			30 November
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrued issue costs and listing expenses	1,963	16,449	8,043	9,372
Others	1,068	5,426	4,432	3,548
	<u>3,031</u>	<u>21,875</u>	<u>12,475</u>	<u>12,920</u>

The Group normally receives credit terms of 90 to 180 days from its suppliers. The following is an analysis of the trade and bills payables by age, presented based on the invoice date at the end of each reporting period:

	As at 31 March			As at
	2022			30 November
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables				
0 – 90 days	232,346	529,988	66,221	155,092
91 – 180 days	45,621	70,148	104,101	4,903
181 – 360 days	2,720	5,626	41,075	354
Over 1 year	77,746	3,493	3,756	5,620
	<u>358,433</u>	<u>609,255</u>	<u>215,153</u>	<u>165,969</u>

	As at 31 March			As at
	2022			30 November
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bills payables				
0 – 90 days	27,741	75,999	88,714	59,340
91 – 180 days	60,940	82,809	28,728	99,300
181 – 360 days	250,120	191,401	164,280	–
	<u>338,801</u>	<u>350,209</u>	<u>281,722</u>	<u>158,640</u>

During the year ended 31 March 2023, the Group had tripartite settlement arrangement in respect of the outstanding payable and prepayment amongst four suppliers to set off the amount due to/from between them. After the tripartite settlement arrangement, the outstanding payable to a supplier was reduced to approximately RMB2,508,000.

Included in the trade payables, are RMB113,514,000, RMB78,617,000, RMB97,124,000 and RMB12,841,000, respectively, which had been settled by endorsed bills for which the maturity dates of the bills receivables have not yet fallen due as at the end of each reporting period (see note 33).

26. CONTRACT LIABILITIES

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Current				
Contract liabilities				
– third parties	373,705	611,973	335,978	812,896
– a joint venture	35,070	–	–	16,120
	<u>408,775</u>	<u>611,973</u>	<u>335,978</u>	<u>829,016</u>

As at 1 April 2020, contract liabilities from contracts with customers amounted to RMB137,119,000.

Contract liabilities are recognised when the Group receives an amount from customers before goods are delivered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received. The Group typically receives a deposit of 30% - 100% of total consideration from certain customers when they enter into the contracts with the Group.

Revenue recognised during each reporting period included the whole amount of contract liabilities at the beginning of the respective reporting period. There was no revenue recognised during the Track Record Period that related to performance obligations that were satisfied in prior years.

27. BANK BORROWINGS

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Secured or guaranteed bank loans	167,018	179,265	244,738	328,870
Advance from banks on discounted bills receivables with recourse (note 33)	12,000	153,162	–	–
	<u>179,018</u>	<u>332,427</u>	<u>244,738</u>	<u>328,870</u>
Analysed as:				
Current	129,018	292,427	164,738	208,920
Non-current	50,000	40,000	80,000	119,950
	<u>179,018</u>	<u>332,427</u>	<u>244,738</u>	<u>328,870</u>
Carrying amount repayable within one year and shown under current liabilities	129,018	292,427	164,738	208,920
Carrying amount repayable within a period of more than one year but not exceeding two years and shown under non-current liabilities	50,000	40,000	80,000	119,950
	<u>179,018</u>	<u>332,427</u>	<u>244,738</u>	<u>328,870</u>

The Group had pledged the following assets to banks as securities against the banking facilities granted to the Group at the end of each reporting period:

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Plant and equipment	31,652	29,489	30,484	58,312
Right-of-use assets	5,928	5,759	18,278	21,947
	<u>37,580</u>	<u>35,248</u>	<u>48,762</u>	<u>80,259</u>

The ranges of effective interest rates per annum (which are also equal to contractual interest rates) on the Group's bank borrowings and their carrying values are as follow:

	THE GROUP			
	2021	As at 31 March	2023	As at
	RMB'000	RMB'000	RMB'000	30 November
				2023
				RMB'000
Fixed-rate borrowings:				
Denominated in RMB (ranging from 2.85% to 5.00%, 1.90% to 6.15%, 3.40% to 5.00% and 2.23% to 4.50% as at 31 March 2021, 2022, 2023 and 30 November 2023 respectively)	86,000	242,427	90,000	148,920
Denominated in US\$ (3.60%, nil, 4.05% and nil as at 31 March 2021, 2022, 2023 and 30 November 2023, respectively)	43,018	–	24,738	–
	<u>129,018</u>	<u>242,427</u>	<u>114,738</u>	<u>148,920</u>
Variable-rate borrowings:				
Denominated in RMB (5.10%, 5.10%, ranging from 3.25% to 4.95% and ranging from 3.25% to 4.75% as at 31 March 2021, 2022, 2023 and 30 November 2023, respectively) (Note)	50,000	90,000	130,000	179,950
	<u>179,018</u>	<u>332,427</u>	<u>244,738</u>	<u>328,870</u>

Note: For variable-rate bank borrowings denominated in RMB, the variable rates at 134% of Prime, 134% of Prime, range from 89% of Prime to 136% of Prime and range from 94% of Prime to 138% of Prime as at 31 March 2021, 2022, 2023 and 30 November 2023, respectively. Prime is the prime rate in China, which is determined and announced by the People Bank of China.

28. LEASE LIABILITIES

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Maturity analysis:				
Less than one year	4,582	4,142	6,151	6,095
1 to 2 years	1,376	2,775	4,977	1,468
2 to 5 years	–	2,012	536	–
	<u>5,958</u>	<u>8,929</u>	<u>11,664</u>	<u>7,563</u>
Less: Future finance charges	<u>(192)</u>	<u>(611)</u>	<u>(607)</u>	<u>(257)</u>
Present value of lease obligations	<u>5,766</u>	<u>8,318</u>	<u>11,057</u>	<u>7,306</u>
Analysed as:				
Current	4,406	3,770	5,681	5,855
Non-current	<u>1,360</u>	<u>4,548</u>	<u>5,376</u>	<u>1,451</u>
	<u>5,766</u>	<u>8,318</u>	<u>11,057</u>	<u>7,306</u>

The weighted average incremental borrowing rates applied by the relevant group entities range from 5.35% to 6.30%.

29. SHARE CAPITAL

The Group

The share capital of the Group as at 1 April 2020, 31 March 2021, 2022, 2023 and 30 November 2023 represented the share capital of the Company of approximately RMB66,000.

The Company

	Number of shares	Share capital USD	Presented as RMB'000
Ordinary shares of USD1 each			
Authorised			
At 31 March 2021, 2022, 2023 and 30 November 2023	<u>50,000</u>	<u>50,000</u>	<u>330</u>
Issued and fully paid			
At 31 March 2021, 2022, 2023 and 30 November 2023	<u>10,000</u>	<u>10,000</u>	<u>66</u>

The Company was incorporated in the Cayman Islands on 21 November 2017 with authorised share capital of USD50,000 divided into 50,000 shares of USD1 each. Upon incorporation, (i) one share was allotted and issued to the initial subscriber, which was in turn transferred to Migao Holdings on the same day and (ii) 9,999 shares were allotted and issued to Migao Holdings. The Company has not carried on any business since the date of incorporation except for the group reorganisation.

30. RETIREMENT BENEFIT SCHEME

The employees of the Company's subsidiaries are members of a state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost of state-managed retirement benefits charged to profit or loss for the years ended 31 March 2021, 2022, 2023 and the eight months ended 30 November 2022 and 2023 amounted to approximately RMB933,000, RMB2,865,000, RMB4,229,000, RMB2,790,000 (unaudited) and RMB2,764,000, respectively.

31. OPERATING LEASES**The Group as lessor**

Property rental income earned during the Track Record Period was RMB2,799,000, RMB1,473,000, RMB1,127,000, RMB819,000 (unaudited) and RMB679,000. The properties held have committed tenants for the next 5 years.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 March			As at 30 November
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,586	970	977	1,403
In the second year	970	970	347	–
In the third year	970	347	–	–
In the fourth year	347	–	–	–
	<u>3,873</u>	<u>2,287</u>	<u>1,324</u>	<u>1,403</u>

32. CAPITAL COMMITMENTS

	As at 31 March			As at 30 November
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Commitments for capital expenditure	<u>1,567</u>	<u>19,449</u>	<u>231</u>	<u>1,703</u>

33. TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 March 2021, 2022, 2023 and 30 November 2023 that were transferred to banks or suppliers by discounting or endorsing those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as a secured borrowing (see note 27) for discounted bills receivables or it continues to recognise the full carrying amount of the bills receivables and the full carrying amount of the trade payables (see note 25), the amount due from a related company and amounts due to joint ventures (see note 23) for endorsed bills receivables. These financial assets are carried at amortised cost in the Group's consolidated statements of financial position.

As at 31 March 2021

	Bills receivables discounted to banks with full recourse RMB'000	Bills receivables endorsed to suppliers with full recourse RMB'000	Bills receivables endorsed to related companies with full recourse RMB'000	Bills receivables endorsed to joint ventures with full recourse RMB'000	Total RMB'000
Carrying amount of transferred assets	12,000	113,514	15,150	67,937	208,601
Carrying amount of associated liabilities	(12,000)	(113,514)	–	(67,937)	(193,451)
	<u>–</u>	<u>–</u>	<u>15,150</u>	<u>–</u>	<u>15,150</u>

As at 31 March 2022

	Bills receivables discounted to banks with full recourse RMB'000	Bills receivables endorsed to suppliers with full recourse RMB'000	Bills receivables endorsed to related companies with full recourse RMB'000	Bills receivables endorsed to a joint venture with full recourse RMB'000	Total RMB'000
Carrying amount of transferred assets	154,621	78,617	33,156	34,709	301,103
Carrying amount of associated liabilities	(153,162)	(78,617)	(19,950)	(34,709)	(286,438)
	<u>1,459</u>	<u>–</u>	<u>13,206</u>	<u>–</u>	<u>14,665</u>

As at 31 March 2023

	Bills receivables discounted to banks with full recourse RMB'000	Bills receivables endorsed to suppliers with full recourse RMB'000	Bills receivables endorsed to related companies with full recourse RMB'000	Bills receivables endorsed to a joint venture with full recourse RMB'000	Total RMB'000
Carrying amount of transferred assets	–	97,124	–	33,061	130,185
Carrying amount of associated liabilities	–	(97,124)	–	–	(97,124)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>33,061</u>	<u>33,061</u>

As at 30 November 2023

	Bills receivables discounted to banks with full recourse <i>RMB'000</i>	Bills receivables endorsed to suppliers with full recourse <i>RMB'000</i>	Bills receivables endorsed to related companies with full recourse <i>RMB'000</i>	Bills receivables endorsed to a joint venture with full recourse <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount of transferred assets	–	12,841	–	–	12,841
Carrying amount of associated liabilities	–	(12,841)	–	–	(12,841)
	–	–	–	–	–

34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to be continued as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of bank borrowings disclosed in note 27, non-trade amounts due to related companies and loans from related companies, disclosed in note 23, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of the review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends, new share issues, raising of new debts and repayment of existing debts.

35. FINANCIAL INSTRUMENTS**a. Categories of the financial instruments****The Group**

	As at 31 March			As at
	2021	2022	2023	30 November
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023 <i>RMB'000</i>
Financial assets:				
Financial assets at amortised cost (including bank balances and cash)	1,080,677	1,166,733	918,646	493,351
Financial liabilities:				
Amortised cost	1,159,757	1,707,276	1,054,885	813,191

The Company

	As at 31 March			As at
	2021	2022	2023	30 November
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Financial assets:				
Financial assets at amortised cost (including bank balances and cash)	342	400	3,181	4,059
Financial liabilities:				
Amortised cost	17,538	46,412	75,890	96,907

b. Financial risk management objectives and policies

The major financial instruments of the Group and the Company include trade and other receivables, amount due from a related company, amounts due from joint ventures, loans to joint ventures, amount due from a shareholder, restricted cash, bank balances and cash, trade and other payables, amounts due to joint ventures, amounts due to related companies, amount due to a non-controlling interest, loans from related companies, amounts due to subsidiaries, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk*Currency risk*

The Group has foreign-currency bank balances, amount due from a related company, trade and other receivables, bank borrowings and amounts due to related companies, which expose the Group to foreign currency risk. The Group currently does not have a foreign exchange hedging policy. However, the directors of the Group monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	Assets				Liabilities			
	As at 31 March		As at 30 November		As at 31 March		As at 30 November	
	2021	2022	2023	2023	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollar ("US\$")	2,309	2,675	34	4,675	43,875	–	27,247	7,087

Sensitivity analysis

The Group is exposed to fluctuation in US\$ against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US\$ for each of the years ended 31 March 2021, 2022, 2023 and the eight months ended 30 November 2023. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the years ended 31 March 2021, 2022, 2023 and the eight months ended 30 November 2023 where RMB strengthen 5% against the US\$. For a 5% weakening of RMB against US\$, there would be an equal and opposite impact on the post-tax profit for the years ended 31 March 2021, 2022, 2023 and the eight months ended 30 November 2023.

	Year ended 31 March			Eight months ended
	2021	2022	2023	30 November 2023
	RMB'000	RMB'000	RMB'000	RMB'000
US\$	1,767	(114)	1,157	71

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings, loans to joint ventures and loans from related companies.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, restricted cash and bank balances. The Group's policy is to maintain short-term borrowings at prevailing market rates so as to minimise the fair value interest rate risk. The cash flow interest rate risk is mainly concentrated on the fluctuation in Prime arising from the Group's bank borrowings.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arises.

The management of the Group considers the exposure of the restricted cash and bank balances to interest rate risk is insignificant as these balances are within short maturity period and the fluctuation of market interest rate is not expected to be significant.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for variable-rate bank borrowings as at 31 March 2021, 2022, 2023 and 30 November 2023. The analysis is prepared assuming the amount of bank borrowings outstanding at 31 March 2021, 2022, 2023 and 30 November 2023 was outstanding for the whole year. A 50 basis points increase or decrease representing management's assessment of the reasonably possible change in interest rate is used.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2021, 2022, 2023 and the eight months ended 30 November 2023 would be decreased/increased by approximately RMB188,000, RMB338,000, RMB488,000 and RMB450,000, respectively.

(ii) Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position and financial guarantee contracts.

In order to minimise the credit risk, the directors of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual significant trade debt at the end of each reporting period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 March 2021, 2022, 2023 and 30 November 2023 on the trade and bills receivables from one of the Group's largest customers amounting to approximately RMB4,756,000, RMB15,433,000, RMB26,164,000 and RMB27,117,000, respectively and accounted for 1%, 3%, 8% and 19%, respectively, of the Group's trade and bills receivables. In the opinion of the management of the Group, the customer is reputable organisation in the market and have good repayment records. The management of the Group considers that the credit risk is limited in this regard.

The Group also has concentration of credit risk on trade and bills receivables as at 31 March 2021, 2022, 2023 and 30 November 2023, 25%, 7%, 29%, and 49% of the total trade and bills receivables was due from the Group's top five customers, respectively. In addition, the Group also has concentration of credit risk on unbilled receivables due from the designated agent and amounts due from joint ventures and loans to joint ventures as at 31 March 2021, 2022, 2023 and 30 November 2023.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default who does not have past due amounts and does not have material long aged unbilled receivables	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full or have long aged unbilled receivables but usually settle in full after billed	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

In determining the ECL for other receivables, amount due from a related company, amounts due from joint ventures, loans to joint ventures and amount due from a shareholder, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Group has considered the consistently low default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding receivables is insignificant.

For financial guarantee contracts, the aggregate amount of outstanding financial guarantees issued to banks in respect of bank facilities granted to a related company and a joint venture that the Group could be required to pay amounted to RMB191,000,000, nil, nil and nil as at 31 March 2021, 2022, 2023 and 30 November 2023. The outstanding financial guarantees of RMB123,630,000, nil, nil and nil has been utilised by the related company and the joint venture as at 31 March 2021, 2022, 2023 and 30 November 2023. The fair value of these financial guarantee, as at dates of initial recognition, were considered insignificant. As at 31 March 2021, 2022, 2023 and 30 November 2023, the management has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognised in the profit or loss.

The credit risks on bills receivables, restricted cash and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts as at 31 March 2021, 2022, 2023 and 30 November 2023, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount			
					As at 31 March			As at
					2021	2022	2023	30 November 2023
					RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost								
Trade and unbilled receivables	22	N/A	(Note 1)	Lifetime ECL (collective assessment)	116,934	170,826	118,246	50,031
			Low risk	Lifetime ECL (individual assessment)	107,339	130,693	70,384	85,179
			Loss	Credit-impaired	6,637	6,786	11,740	11,665
					230,910	308,305	200,370	146,875
Bills receivables	22	N/A	Low risk	12-month ECL	208,601	302,713	140,886	12,994
Other receivables	22	N/A	Low risk	12-month ECL	57,907	68,764	27,553	6,716
Amounts due from joint ventures	23	N/A	Low risk	12-month ECL	29,801	30,417	27,490	18,627
Amount due from a related company	23	N/A	Low risk	Lifetime ECL (individual assessment)	21,575	-	N/A	N/A
Loans to joint ventures	23	N/A	Low risk	12-month ECL	237,249	-	-	-
Amount due from a shareholder	23	N/A	Low risk	12-month ECL	2,234	1,838	3,535	900
Restricted cash	24	Baa3 – Aa3	N/A	12-month ECL	245,570	190,298	170,484	108,206
Bank balances	24	Baa3 – Aa3	N/A	12-month ECL	54,707	283,456	365,731	213,505
Other item								
Financial guarantee contracts (Note 2)	23	N/A	Low risk	12-month ECL	191,000	-	-	-

Notes:

- (1) For trade and unbilled receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using collective assessment, grouped by internal credit rating.
- (2) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

Collective assessment – internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on collective assessment as at 31 March 2021, 2022, 2023 and 30 November 2023 within lifetime ECL (not credit impaired). Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of RMB113,976,000, RMB137,479,000, RMB82,124,000 and RMB96,844,000 respectively as at 31 March 2021, 2022, 2023 and 30 November 2023 were assessed individually. The average loss rates for debtors with significant outstanding balances are assessed to be ranging from approximately 1% to 3%.

*Gross carrying amount***Internal credit rating**

	Trade and unbilled receivables							
			As at 31 March			As at 30 November		
	Average loss rate	2021	Average loss rate	2022	Average loss rate	2023	Average loss rate	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Low risk	0.47%	28,482	3.05%	127,454	1.90%	36,792	1.88%	29,490
Watch list	0.68%	88,452	10.13%	43,372	3.85%	81,454	3.16%	20,541
		<u>116,934</u>		<u>170,826</u>		<u>118,246</u>		<u>50,031</u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information (for example, the macroeconomic conditions affecting the industry and the impact that may affect debtor ability to make payments) that is available without undue cost or effort. The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on good repayment records for those customers and long-term/continuous business with the Group. Large number of small customers are assessed collectively based on historical credit loss experience adjusted by forward looking estimates. Individual customers with significant balances are assessed individually for the credit risk based on their probability of default and exposure of default. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

During the year ended 31 March 2022, the Group recognised net impairment allowance of approximately RMB7,549,000 for trade and unbilled receivables, based on the collective assessment. During the years ended 31 March 2021 and 2023 and the eight months ended 30 November 2023, the Group reversed net impairment allowance of approximately RMB2,037,000, RMB3,958,000 and RMB3,121,000 for trade and unbilled receivables, based on the collective assessment.

During the year ended 31 March 2022 and the eight months ended 30 November 2023, the Group recognised net impairment allowance of approximately RMB3,483,000 and RMB265,000 for debtors with significant balances and not credit-impaired. During the year ended 31 March 2021 and 2023, the Group reversed net impairment allowance of approximately RMB7,554,000 and RMB2,651,000 for debtors with significant balances and not credit-impaired.

During the years ended 31 March 2021, 2022 and 2023, the Group recognised net impairment allowance of approximately RMB6,637,000, RMB149,000 and RMB4,954,000 for debtors with significant balances and credit impaired debtors, respectively. During the eight months ended 30 November 2023, the Group reversed net impairment allowance of approximately RMB75,000 for debtors with significant balances and credit impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade and unbilled receivables under the simplified approach.

	Lifetime ECL (not credit- impaired) <i>RMB'000</i>	Lifetime ECL (credit- impaired) <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 April 2020	10,831	–	10,831
Impairment loss recognised	536	6,637	7,173
Impairment loss reversed	(10,127)	–	(10,127)
	<hr/>	<hr/>	<hr/>
As at 31 March 2021	1,240	6,637	7,877
Impairment loss recognised	11,381	149	11,530
Impairment loss reversed	(349)	–	(349)
	<hr/>	<hr/>	<hr/>
As at 31 March 2022	12,272	6,786	19,058
Impairment loss recognised	4,255	4,954	9,209
Impairment loss reversed	(10,864)	–	(10,864)
	<hr/>	<hr/>	<hr/>
As at 31 March 2023	5,663	11,740	17,403
Impairment loss recognised	1,664	26	1,690
Impairment loss reversed	(4,520)	(101)	(4,621)
	<hr/>	<hr/>	<hr/>
As at 30 November 2023	<u>2,807</u>	<u>11,665</u>	<u>14,472</u>

None of the trade receivables that have been written off is subject to enforcement activities.

(iii) Liquidity risk

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on cash generated from/used in operations and banking facilities to finance its operation. As at 31 March 2021, 2022, 2023 and 30 November 2023, the Group had available unutilised aggregate banking facilities of approximately RMB425,341,000, RMB395,926,000, RMB643,540,000 and RMB640,080,000, respectively.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The Group

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<u>As at 31 March 2021</u>							
Financial liabilities							
Trade payables	–	126,086	232,347	–	–	358,433	358,433
Bills payables	–	2,727	25,015	311,059	–	338,801	338,801
Other payables	–	52,756	–	–	–	52,756	52,756
Bank borrowings	4.31	–	74,390	56,052	53,400	183,842	179,018
Amounts due to joint ventures	–	111,794	–	–	–	111,794	111,794
Amounts due to related companies	–	89,836	–	–	–	89,836	89,836
Amount due to a non-controlling interest	–	29,119	–	–	–	29,119	29,119
Lease liabilities	5.58	419	838	3,325	1,376	5,958	5,766
Financial guarantee contracts (Note)	–	–	–	–	191,000	191,000	–
Total		<u>412,737</u>	<u>332,590</u>	<u>370,436</u>	<u>245,776</u>	<u>1,361,539</u>	<u>1,165,523</u>
<u>As at 31 March 2022</u>							
Financial liabilities							
Trade payables	–	79,267	529,988	–	–	609,255	609,255
Bills payables	–	–	76,000	274,209	–	350,209	350,209
Other payables	–	100,587	–	–	–	100,587	100,587
Bank borrowings	4.16	–	35,200	259,616	42,669	337,485	332,427
Amount due to a joint venture	–	34,709	–	–	–	34,709	34,709
Amounts due to related companies	–	178,901	–	–	–	178,901	178,901
Amount due to a non-controlling interest	–	6,168	–	–	–	6,168	6,168
Loan from a related company	6.00	–	–	95,020	–	95,020	95,020
Lease liabilities	5.60	499	998	2,645	4,787	8,929	8,318
Total		<u>400,131</u>	<u>642,186</u>	<u>631,490</u>	<u>47,456</u>	<u>1,721,263</u>	<u>1,715,594</u>

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<u>As at 31 March 2023</u>							
Financial liabilities							
Trade payables	–	148,931	66,222	–	–	215,153	215,153
Bills payables	–	25,085	63,629	193,008	–	281,722	281,722
Other payables	–	31,739	–	–	–	31,739	31,739
Bank borrowings	4.60	20,083	24,988	122,141	83,258	250,470	244,738
Amount due to a related company	–	175,716	–	–	–	175,716	175,716
Loan from a related company	5.00	–	–	109,755	–	109,755	105,817
Lease liabilities	5.92	513	1,025	4,613	5,513	11,664	11,057
Total		<u>402,067</u>	<u>155,864</u>	<u>429,517</u>	<u>88,771</u>	<u>1,076,219</u>	<u>1,065,942</u>

<u>As at 30 November 2023</u>							
Financial liabilities							
Trade payables	–	10,877	155,092	–	–	165,969	165,969
Bills payables	–	40,000	59,300	59,340	–	158,640	158,640
Other payables	–	33,605	–	–	–	33,605	33,605
Bank borrowings	3.36	50,167	37,992	124,184	127,583	339,926	328,870
Amounts due to related companies	–	16,848	–	–	–	16,848	16,848
Loan from a related company	5.00	–	109,755	–	–	109,755	109,259
Lease liabilities	5.89	513	1,025	4,557	1,468	7,563	7,306
Total		<u>152,010</u>	<u>363,164</u>	<u>188,081</u>	<u>129,051</u>	<u>832,306</u>	<u>820,497</u>

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The Company

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<u>As at 31 March 2021</u>							
Financial liabilities							
Other payables	–	3,031	–	–	–	3,031	3,031
Amounts due to subsidiaries	–	14,507	–	–	–	14,507	14,507
Total		<u>17,538</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>17,538</u>	<u>17,538</u>

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<u>As at 31 March 2022</u>							
Financial liabilities							
Other payables	-	21,875	-	-	-	21,875	21,875
Amounts due to subsidiaries	-	24,537	-	-	-	24,537	24,537
Total		46,412	-	-	-	46,412	46,412
<u>As at 31 March 2023</u>							
Financial liabilities							
Other payables	-	12,475	-	-	-	12,475	12,475
Amounts due to subsidiaries	-	63,415	-	-	-	63,415	63,415
Total		75,890	-	-	-	75,890	75,890
<u>As at 30 November 2023</u>							
Financial liabilities							
Other payables	-	12,920	-	-	-	12,920	12,920
Amounts due to subsidiaries	-	83,987	-	-	-	83,987	83,987
Total		96,907	-	-	-	96,907	96,907

c. Fair value measurements of financial instruments

Fair value of the Group's and the Company's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the Historical Financial Information approximate to their fair value based on discounted cash flows analysis.

d. Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statements of financial position.

The amounts recognised for the restricted cash and bills payable do not meet the criteria for offsetting in the Group's consolidated statements of financial position since the offset of the recognised amounts will only occur upon default of payment by the Group.

As at 31 March 2021

	Gross amounts presented on consolidated statement of financial position <i>RMB'000</i>	Related amounts not set off in the consolidated statement of financial position	
		Financial instruments <i>RMB'000</i>	Net amount <i>RMB'000</i>
Financial asset			
Restricted cash	245,570	(161,035)	84,535
	<u>245,570</u>	<u>(161,035)</u>	<u>84,535</u>
Financial liability			
Bills payables	(338,801)	161,035	(177,766)
	<u>(338,801)</u>	<u>161,035</u>	<u>(177,766)</u>

As at 31 March 2022

	Gross amounts presented on consolidated statement of financial position <i>RMB'000</i>	Related amounts not set off in the consolidated statement of financial position	
		Financial instruments <i>RMB'000</i>	Net amount <i>RMB'000</i>
Financial asset			
Restricted cash	190,298	(185,226)	5,072
	<u>190,298</u>	<u>(185,226)</u>	<u>5,072</u>
Financial liability			
Bills payables	(350,209)	185,226	(164,983)
	<u>(350,209)</u>	<u>185,226</u>	<u>(164,983)</u>

As at 31 March 2023

	Gross amounts presented on consolidated statement of financial position <i>RMB'000</i>	Related amounts not set off in the consolidated statement of financial position	
		Financial instruments <i>RMB'000</i>	Net amount <i>RMB'000</i>
Financial asset			
Restricted cash	170,484	(148,775)	21,709
	<u>170,484</u>	<u>(148,775)</u>	<u>21,709</u>
Financial liability			
Bills payables	(281,722)	148,775	(132,947)
	<u>(281,722)</u>	<u>148,775</u>	<u>(132,947)</u>

As at 30 November 2023

	Gross amounts presented on consolidated statement of financial position <i>RMB'000</i>	Related amounts not set off in the consolidated statement of financial position	
		Financial instruments <i>RMB'000</i>	Net amount <i>RMB'000</i>
Financial asset			
Restricted cash	108,206	(68,591)	39,615
Financial liability			
Bills payables	(158,640)	68,591	(90,049)

The gross amounts of the recognised financial asset and financial liability as presented in the Group's consolidated statements of financial position, both of which have been disclosed in the above tables, are measured at amortised cost.

36(i). RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank borrowings <i>RMB'000</i>	Amounts due to related companies <i>RMB'000</i>	Loans from related companies <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Dividend payable <i>RMB'000</i>	Accrued issue cost <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 April 2020	289,198	164,059	–	6,388	–	685	460,330
Finance costs	10,197	–	–	274	–	–	10,471
Financing cash flow	(43,377)	(80,814)	–	(5,219)	(1,960)	(748)	(132,118)
Dividend declared	–	–	–	–	1,960	–	1,960
Issue cost accruals	–	–	–	–	–	554	554
Exchange adjustments	–	(10,349)	–	–	–	–	(10,349)
New leases entered	–	–	–	4,323	–	–	4,323
Offset with bills receivables (Note)	(77,000)	–	–	–	–	–	(77,000)
At 31 March 2021	179,018	72,896	–	5,766	–	491	258,171
Finance costs	9,362	–	–	299	–	–	9,661
Financing cash flow	156,047	86,994	–	(5,328)	(2,205)	(3,115)	232,393
Dividend declared	–	–	–	–	2,205	–	2,205
Issue cost accruals	–	–	–	–	–	7,072	7,072
Exchange adjustments	–	(1,360)	–	–	–	–	(1,360)
New leases entered	–	–	–	7,581	–	–	7,581
Offset with bills receivables (Note)	(12,000)	–	–	–	–	–	(12,000)
Acquired on acquisition of subsidiaries (note 37)	–	–	95,020	–	–	–	95,020

	Bank borrowings	Amounts due to related companies	Loans from related companies	Lease liabilities	Dividend payable	Accrued issue cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 March 2022	332,427	158,530	95,020	8,318	–	4,448	598,743
Finance costs	11,203	–	5,825	623	–	–	17,651
Financing cash flow	53,511	2,622	4,972	(6,391)	(8,977)	(8,189)	37,548
Dividend declared	–	–	–	–	8,977	–	8,977
Issue cost accruals	–	–	–	–	–	6,243	6,243
Exchange adjustments	759	11,340	–	–	–	–	12,099
New leases entered	–	–	–	8,507	–	–	8,507
Offset with bills receivables (Note)	(153,162)	–	–	–	–	–	(153,162)
Acquired on acquisition of a subsidiary (note 37)	–	3,224	–	–	–	–	3,224
	<u>244,738</u>	<u>175,716</u>	<u>105,817</u>	<u>11,057</u>	<u>–</u>	<u>2,502</u>	<u>539,830</u>
At 31 March 2023	244,738	175,716	105,817	11,057	–	2,502	539,830
Finance costs	8,936	–	3,442	351	–	–	12,729
Financing cash flow	75,196	(164,078)	–	(4,102)	(1,960)	(4,453)	(99,397)
Dividend declared	–	–	–	–	1,960	–	1,960
Issue cost accruals	–	–	–	–	–	4,785	4,785
Exchange adjustments	–	5,210	–	–	–	–	5,210
	<u>328,870</u>	<u>16,848</u>	<u>109,259</u>	<u>7,306</u>	<u>–</u>	<u>2,834</u>	<u>465,117</u>
At 30 November 2023	328,870	16,848	109,259	7,306	–	2,834	465,117
	<u>332,427</u>	<u>158,530</u>	<u>95,020</u>	<u>8,318</u>	<u>–</u>	<u>4,448</u>	<u>598,743</u>
At 31 March 2022	332,427	158,530	95,020	8,318	–	4,448	598,743
Finance costs	8,005	–	3,843	392	–	–	12,240
Financing cash flow	31,431	(25,021)	–	(4,170)	(7,017)	(6,268)	(11,045)
Dividend declared	–	–	–	–	8,977	–	8,977
Issue cost accruals	–	–	–	–	–	3,867	3,867
Exchange adjustments	1,858	18,459	–	–	–	–	20,317
New leases entered	–	–	–	8,336	–	–	8,336
Offset with bills receivables (Note)	(153,162)	–	–	–	–	–	(153,162)
Acquired on acquisition of a subsidiary	–	3,224	–	–	–	–	3,224
	<u>220,559</u>	<u>155,192</u>	<u>98,863</u>	<u>12,876</u>	<u>1,960</u>	<u>2,047</u>	<u>491,497</u>
At 30 November 2022 (unaudited)	220,559	155,192	98,863	12,876	1,960	2,047	491,497

Note: Amounts represented bank borrowings derecognised when the related discounted bills receivables were matured.

36(ii) NON-CASH TRANSACTION

As at 31 March 2021, 2022, 2023 and 30 November 2023, the Group offset the amounts due to joint ventures with loans to joint ventures amounted to approximately RMB72,301,000, RMB189,986,000, nil and nil, respectively.

As at 31 March 2021, 2022, 2023 and 30 November 2023, the Group made prepayments for purchase of equipment to Chengdu Migao of nil, RMB13,206,000, nil and nil, respectively, by endorsed bills.

During the year ended 31 March 2022, the Group received dividends of approximately RMB4,258,000 from a joint venture, in which RMB3,257,000 was settled through current account.

37. ACQUISITION OF SUBSIDIARIES

On 31 March 2022, the Group entered into supplementary agreements with Heilongjiang Beidahuang Seed Industry Group Agricultural Production Materials Co., Ltd., an independent investor of Baoqing Migao and Anda Migao, to amend certain shareholders and directors' rights in Baoqing Migao and Anda Migao by removing the specific terms which would require consent of all shareholders of Baoqing Migao and Anda Migao in directing certain relevant activities. Thereafter, the decision making on relevant activities of Baoqing Migao and Anda Migao will be passed by simple majority. The Group has 77% and 65% of voting power in Baoqing Migao and Anda Migao and has obtained control over them since 31 March 2022. The acquisitions have been accounted for as acquisition of business using the acquisition method.

Acquisition of Baoqing Migao

Assets acquired and liabilities recognised at the date of acquisition

	<i>RMB'000</i>
Plant and equipment	131,760
Right-of-use assets	8,560
Inventories	17,419
Trade and other receivables and prepayments	22,387
Amounts due from the Group	25,603
Bank balances and cash	24,600
Trade and other payables	(65,223)
Contract liabilities	(10,244)
Loans from the Group	(10,858)
Amount due to a related company	(21,213)
Amounts due to the Group	(3,257)
Tax liabilities	(1,167)
Deferred tax liabilities	(645)
	<hr/>
Total	117,722
	<hr/> <hr/>

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB1,819,000 at the date of acquisition had gross contractual amounts of RMB1,819,000. The fair value of receivables acquired at the date of acquisition approximated to their gross contractual amounts.

Non-controlling interests:

The non-controlling interests (23%) in Baoqing Migao recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to approximately RMB29,253,000.

Goodwill arising on acquisition:

	<i>RMB'000</i>
Interest in Baoqing Migao as joint venture remeasured at fair value immediately before obtaining control (<i>Note</i>)	97,932
Plus: non-controlling interests (23% in Baoqing Migao)	29,253
Less: recognised amounts of net assets acquired	(117,722)
	<hr/>
Goodwill arising on acquisition	9,463
	<hr/> <hr/>

Note: A gain on deemed disposal of interest in Baoqing Migao as joint venture amounted to approximately RMB10,103,000, being the difference of fair value of interest in Baoqing Migao of approximately RMB97,932,000 and carrying amount of interest in Baoqing Migao of approximately RMB87,829,000 as at 31 March 2022, was recognised in profit or loss in the year ended 31 March 2022.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash inflow on acquisition of Baoqing Migao:

	<i>RMB'000</i>
Cash consideration paid	–
Less: cash and cash equivalents balances acquired	24,600
	<u>24,600</u>
	<u><u>24,600</u></u>

Impact of acquisition on the results of the Group:

Included in the profit for the year ended 31 March 2022 is nil attributable to the additional business generated by Baoqing Migao. Revenue for the year ended 31 March 2022 includes nil generated from Baoqing Migao.

Had the acquisition of Baoqing Migao been completed on 1 April 2021, revenue for the year ended 31 March 2022 of the Group would have been RMB3,952,494,000, and profit for the year would have been RMB399,724,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2021, nor is it intended to be a projection of future results. In determining the 'pro-forma' revenue and profit of the Group had Baoqing Migao been acquired on 1 April 2021, the directors of the Company calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

Acquisition of Anda Migao

Assets acquired and liabilities recognised at the date of acquisition

	<i>RMB'000</i>
Plant and equipment	172,492
Right-of-use assets	10,480
Prepayment for plant and equipment	35,412
Inventories	21,789
Trade and other receivables and prepayments	155,095
Amounts due from the Group	55,530
Amount due from a related company	21,213
Bank balances and cash	3,781
Trade and other payables	(5,619)
Contract liabilities	(3,296)
Loan from a related company	(95,020)
Loan from the Group	(106,041)
Tax liabilities	(5,032)
	<u>(5,032)</u>
Total	<u><u>260,784</u></u>

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB143,209,000 at the date of acquisition had gross contractual amounts of RMB143,209,000. The fair value of receivables acquired at the date of acquisition approximated to their gross contractual amounts.

Non-controlling interests:

The non-controlling interests (35%) in Anda Migao recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to RMB91,275,000.

Goodwill arising on acquisition:

	<i>RMB'000</i>
Interest in Anda Migao as joint venture remeasured at fair value immediately before obtaining control (<i>Note</i>)	169,509
Plus: non-controlling interests (35% in Anda Migao)	91,275
Less: recognised amounts of net assets acquired	<u>(260,784)</u>
Goodwill arising on acquisition	<u><u>–</u></u>

Note: A gain on deemed disposal of interest in Anda Migao as joint venture amounted to approximately RMB2,859,000, being the difference of fair value of interest in Anda Migao of approximately RMB169,509,000 and carrying amount of interest in Anda Migao of approximately RMB166,650,000 as at 31 March 2022, was recognised in profit or loss in the year ended 31 March 2022.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash inflow on acquisition of Anda Migao:

	<i>RMB'000</i>
Cash consideration paid	–
Less: cash and cash equivalents balances acquired	<u>3,781</u>
	<u><u>3,781</u></u>

Impact of acquisition on the results of the Group:

Included in the profit for the year ended 31 March 2022 is nil attributable to the additional business generated by Anda Migao. Revenue for the year ended 31 March 2022 includes nil generated from Anda Migao.

Had the acquisition of Anda Migao been completed on 1 April 2021, revenue for the year ended 31 March 2022 of the Group would have been RMB4,299,679,000, and profit for the year would have been RMB404,494,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2021, nor is it intended to be a projection of future results. In determining the 'pro-forma' revenue and profit of the Group had Anda Migao been acquired on 1 April 2021, the directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

Acquisition of Tongjiang Migao

On 26 April 2022, the Group acquired 100% equity interest in Tongjiang Migao to support its development plan to build a warehousing and production centre in Tongjiang City, Heilongjiang Province to enhance the product supply efficiency and capability at a cash consideration of RMB1 from Liaoning Migao. The acquisition is accounted for as asset acquisition.

At the date of acquisition, Tongjiang Migao has net liabilities of approximately RMB1,465,000, the difference between the consideration and the net liabilities of Tongjiang Migao at the date of acquisition was accounted for as deemed distribution to Mr. Liu.

Assets acquired and liabilities recognised at the date of acquisition.

	<i>RMB'000</i>
Other receivables	79
Bank balances	1,702
Other payables	(22)
Amount due to a related company	<u>(3,224)</u>
Total	<u><u>(1,465)</u></u>

Net cash inflow on acquisition of Tongjiang Migao:

	<i>RMB'000</i>
Cash consideration paid	–
Less: cash and cash equivalents balances acquired	<u>1,702</u>
	<u><u>1,702</u></u>

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company during the Track Record Period and at the date of this report are set out below:

Name of subsidiaries	Place and date of incorporation/ establishment/ operation	Registered capital	Issued and fully paid ordinary share	Proportion of equity interest attributable to the Group				As at 30 November 2023 %	Date of the report	Principal activities
				As at 31 March 2021 %	2022 %	2023 %	2023 %			
H.K. Migao Industry Limited (<i>note i</i>)*	Hong Kong 24 August 2005	N/A	HK\$60,878,463	100	100	100	100	100	Investment holding	
Migao International* (Singapore) Pte Ltd. (<i>note ii</i>)	Singapore 31 March 2010	SGD2,800,000	SGD2,800,000	100	100	100	100	100	Trading of specialty potash-based fertilizers	
Guangdong Migao Chemical Co., Ltd. (<i>notes iii & x</i>)	The PRC 30 April 2004	CAD17,000,000	N/A	100	100	100	100	100	Manufacturing and trading of specialty potash-based fertilizers	
Sichuan Migao Chemical Fertiliser Co., Ltd. (<i>notes iv & x</i>)	The PRC 6 June 2003	RMB116,480,000	N/A	100	100	100	100	100	Manufacturing and trading of specialty potash-based fertilizers	
Migao Chemical (Changchun) Co., Ltd. (<i>notes v & x</i>)	The PRC 5 December 2006	CAD13,160,000	N/A	100	100	100	100	100	Manufacturing and trading of specialty potash-based fertilizers	
Daxing Migao (<i>notes vi & xi</i>)	The PRC 5 November 1996	RMB50,000,000	N/A	51	51	51	51	51	Manufacturing and trading of specialty potash-based fertilizers	
Baoqing Migao (<i>notes vii & xi & xii</i>)	The PRC 14 May 2018	RMB100,000,000	N/A	N/A	77	77	77	77	Manufacturing and trading of specialty potash-based fertilizers	

Name of subsidiaries	Place and date of incorporation/ establishment/ operation	Registered capital	Issued and fully paid ordinary share	Proportion of equity interest attributable to the Group			As at 30 November 2023 %	Date of the report	Principal activities
				As at 31 March 2021 %	2022 %	2023 %			
Anda Migao (notes viii & xi & xii)	The PRC 19 June 2018	RMB240,000,000	N/A	N/A	65	65	65	65	Manufacturing and trading of specialty potash-based fertilizers
Malaysia Holding (Malaysia) Sdn. Bhd. (note ix)	Malaysia 24 November 2017	RM2	RM2	100	100	100	100	100	Investment holding
Migao International (Malaysia) Sdn. Bhd. (note ix)	Malaysia 10 July 2017	RM2	RM2	100	100	100	100	100	Investment holding
Tongjiang Migao (notes xiii and xv)	The PRC 27 May 2021	RMB200,000,000	N/A	N/A	N/A	100	100	100	Warehousing and production centre; production and sales of fertilizers
Migao Century Engineering Technology (Chengdu) Co., Ltd (notes x, xiv & xv)	The PRC 11 August 2022	USD20,000,000	N/A	N/A	N/A	100	100	100	Research and development related activities; provision of technical and project management services; sales of fertilizers

* Directly held by the Company.

Notes:

- (i) The statutory financial statements of this subsidiary were prepared in accordance with HKFRSs and were audited by us for the years ended 31 March 2021, 2022 and 2023.
- (ii) The statutory financial statements of this subsidiary were prepared in accordance with Financial Reporting Standards in Singapore and were audited by Lee & Hew Public Accounting Corporation for the years ended 31 March 2021, 2022 and 2023.
- (iii) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 佛山市順鑫會計師事務所 for the years ended 31 December 2020, 2021 and 2022.
- (iv) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 四川蜀華會計師事務所 for the years ended 31 December 2020, 2021 and 2022.
- (v) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 長春中凡會計師事務所有限公司 for the years ended 31 December 2020 and 2021 and was audited by 吉林光大會計師事務所有限公司 for the year ended 31 December 2022.
- (vi) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 遼寧奉達會計師事務所有限責任公司 for the years ended 31 December 2020, 2021, 2022 and 2023.
- (vii) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 寶清誠信會計師事務所 for the year ended 31 December 2021 and 2022.

- (viii) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and was audited by 大慶鑫百湖會計師事務所 for the year ended 31 December 2021 and was audited by 黑龍江恒天會計師事務所(普通合夥) for the year ended 31 December 2022.
- (ix) The statutory financial statements of these subsidiaries established in the Malaysia were prepared in accordance with Malaysian Financial Reporting Standards and were audited by KL Associates for the years ended 31 March 2021, 2022 and 2023.
- (x) These entities are wholly-owned foreign subsidiaries.
- (xi) These entities are non-wholly owned domestic subsidiaries.
- (xii) These entities were acquired by the Group on 31 March 2022.
- (xiii) This subsidiary was acquired by the Group on 26 April 2022.
- (xiv) This subsidiary was established on 11 August 2022.
- (xv) No statutory financial statements have been prepared for these subsidiaries since their respective dates of incorporation as they were incorporated in jurisdictions where there is no statutory audit requirement.

None of the subsidiaries had issued any debt securities at the end of each reporting period.

39. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 November 2023, a dividend in an aggregate amount of RMB8,070,000 and RMB21,611,000 have been declared and paid by Baoqing Migao and Anda Migao, respectively, in which, an aggregate amount of RMB9,420,000 has been distributed to the non-controlling interests of the Group.

On 28 February 2024, the authorised share capital of the Company of US\$50,000 was subdivided from 50,000 shares of US\$1 each to 5,000,000 shares of US\$0.01 each. As a result, the number of issued and fully paid share capital of the Company was increased from 10,000 shares of US\$1 each to 1,000,000 shares of US\$0.01 each. On 28 February 2024, the authorised share capital was increased 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.

Pursuant to the written resolutions of the shareholder passed on 28 February 2024, conditional on the share premium account of the Company being credited as a result of the initial listing of shares of the Company, the directors are authorised to capitalise an amount of US\$6,740,000 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 674,000,000 Shares for allotment and issue to the person(s) of Shares whose name(s) appear on the register of members of the Company, on a pro rate basis at the close of business on the date preceding the date the shares of the Company that are listed on the Hong Kong Stock Exchange (or as they may direct).

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Track Record Period.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out below does not form part of the Accountants' Report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, as set out in Appendix I to this prospectus, and is included in this prospectus for information purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report as set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the proposed Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 November 2023 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 November 2023 or any future dates.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 November 2023 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 November 2023 <i>RMB'000</i> <i>Note 1</i>	Estimated net proceeds from the Global Offering <i>RMB'000</i> <i>Note 2</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 November 2023 <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 November 2023 per Share	
				<i>RMB</i>	<i>HK\$</i>
				<i>Note 3</i>	<i>Note 4</i>
Based on an Offer Price of HK\$3.30 per Offer Share	1,561,123	607,570	2,168,693	2.41	2.66
Based on an Offer Price of HK\$4.30 per Offer Share	1,561,123	805,560	2,366,683	2.63	2.90

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The amount of audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 November 2023 amounting to approximately RMB1,561,123,000 is based on the consolidated net assets of the Group attributable to the owners of the Company of RMB1,573,305,000 as at 30 November 2023 less intangible assets and goodwill of the Group attributable to the owners of the Company of RMB2,290,000 and RMB9,892,000, respectively as at 30 November 2023 as extracted/derived from the Accountants' Report of the Group set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 225,000,000 Offer Shares at the indicative Offer Price of lower limit and upper limit of HK\$3.30 and HK\$4.30 per Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses payable by the Company (excluding listing expenses charged to profit or loss up to 30 November 2023) and without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in HK\$ has been converted into RMB at the rate of HK\$1.1022 to RMB1, which was the exchange rate prevailing on 4 March 2024 with reference to the rate published by the People's Bank of China. No representation is made that the HK\$ denominated amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis of 900,000,000 Shares in total, assuming that the Global Offering of 225,000,000 new shares and the shares to be issued pursuant to the Capitalisation Issue had been completed on 30 November 2023. It does not take into account any shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from RMB to HK\$ at the rate of RMB1 to HK\$1.1022. No representation is made that the RMB denominated amounts have been, would have been or may be converted to HK\$, or vice versa, at that rate or at any other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 November 2023 to reflect any trading results or other transactions of the Group entered into subsequent to 30 November 2023. In particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as shown on Page II-1 have not been adjusted to illustrate the effect of the following:

Subsequent to 30 November 2023, a dividend in an aggregate amount of RMB8,070,000 and RMB21,611,000 have been declared and paid by a 77% owned subsidiary, Baoqing Migao Agricultural Technology Co., Ltd. and a 65% owned subsidiary, Anda Beidahuang Migao Agricultural Technology Co., Ltd., respectively (the "Subsequent Dividend"). After considering the Subsequent Dividend, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 November 2023 would be decreased by RMB9,420,000.

Had the Subsequent Dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 November 2023 per Share would be RMB2.40 (equivalent to HK\$2.64) based on an Offer Price of HK\$3.30 per Share and RMB2.62 (equivalent to HK\$2.89) based on an Offer Price of HK\$4.30 per Share, respectively.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from RMB to HK\$ at the rate of RMB1 to HK\$1.1022. No representation is made that the RMB denominated amounts have been, would have been or may be converted to HK\$, or vice versa, at that rate or at any other rates or at all.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Migao Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Migao Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 November 2023 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 13 March 2024 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering (as defined in the Prospectus) on the Group's financial position as at 30 November 2023 as if the Global Offering had taken place at 30 November 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 March 2023 and the eight months ended 30 November 2023, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 November 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 March 2024

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 November 2017 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 28 February 2024 and will become effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(b) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate general meeting, provided that the necessary quorum shall be two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy at least

one-third of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of a larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Companies Act and the requirements of the Hong Kong Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders. It may also decline to recognise any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Hong Kong Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Hong Kong Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Hong Kong Stock Exchange and/or the SFC.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting or the Articles. Any Director so appointed to fill a casual 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 be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. Every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The Company shall include the particulars of such proposed person for election as a Director in its announcement or supplementary circular, and shall give the shareholders at least seven days to consider the relevant information disclosed in such announcement or supplementary circular prior to the date of the meeting of the election.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns from his office as Director;
- (ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;
- (iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (v) the Director is prohibited from being or ceases to be a Director by operation of law;
- (vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or
- (vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, doing so is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairperson of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of members

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairperson of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (i) at least two members;
- (ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member, including the right to speak and vote individually on a show of hands or on a poll.

All Shareholders of the Company (including a Shareholder which is a Clearing House (or its nominee(s))) shall have the right to (a) speak at a general meeting and (b) vote at a general meeting except where a Shareholder is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, in which case any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting in each financial year. Such meeting must be held within six months after the end of the Company's financial year.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A corporation which is a member may execute a form of proxy under the hand of a duly authorised officer. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) *Members' requisition for meetings*

One or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (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.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members shall appoint auditor(s) to hold office by an ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in general meeting by an ordinary resolution of the members or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Hong Kong Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Hong Kong Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the terms equivalent to the relevant section of the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on 21 November 2017 subject to the Cayman Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Cayman Companies Act;

- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and

- (b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The undertaking for the Company is for a period of 20 years from 25 February 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of directors and officers

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2024 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is on display on the websites of the Hong Kong Stock Exchange and the Company as referred to in the paragraph headed "Appendix V – Documents Delivered to the Registrar of Companies and Documents on Display" to this prospectus. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

We were incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 21 November 2017 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 November 2019. We have established a principal place of business in Hong Kong at Room 801, 8/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong. We have appointed Ms. Wong Wai Yee, Ella (黃慧兒) and Ms. Fung Wai Sum (馮慧森) as the authorised representatives of our Company for the acceptance of service of process and notices on our behalf in Hong Kong. The address for service of process and notices on our Company in Hong Kong is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Act and the Memorandum and the Articles. A summary of certain provisions of the Memorandum and the Articles and relevant aspects of the Cayman Companies Act is set out in Appendix III to this prospectus.

2. Changes in Our Share Capital

As at the date of our incorporation, our authorised share capital was US\$50,000, consisting of 50,000 shares of US\$1.00 each. On 21 November 2017, one Share was allotted and issued to Harneys Fiduciary (Cayman) Limited and such share was subsequently transferred to Migao BVI on 21 November 2017. On 21 November 2017, 9,999 shares of US\$1.00 each were allotted and issued to Migao BVI, which was credited as fully paid. On 28 February 2024, the authorised share capital of our Company was subdivided from US\$50,000 divided into 50,000 Shares of US\$1 each to 5,000,000 Shares of US\$0.01 each. On 28 February 2024, our authorised share capital was increased from 5,000,000 Share of US\$0.01 each to 10,000,000,000 Share of US\$0.01 each. Our Company remained wholly-owned by Migao BVI after the above changes in our authorised share capital. Pursuant to the resolutions of our Shareholder passed on 28 February 2024, 674,000,000 Shares will be allotted and issued to Migao BVI, credited as fully paid at par by capitalising and applying a sum of US\$6,740,000 standing to the credit of the share premium account of our Company on or about the Listing Date.

Immediately following the completion of the Capitalisation Issue and the Global Offering (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), the issued share capital of our Company will be US\$10,000,000, divided into 1,000,000,000 Shares, all fully paid or credited as fully paid.

Save for the aforesaid and as mentioned in the section headed “Appendix IV – Statutory and General Information – A. Further Information about Our Group – 3. Resolutions in Writing of Our Shareholders” below in this prospectus, there has been no alteration in the share capital of our Company since our incorporation.

3. Resolutions in Writing of Our Shareholder

On 28 February 2024, written resolutions of our Shareholder were passed pursuant to which, among others:

- (a) our Company approved and adopted the Memorandum and Articles of Association which will become effective upon Listing;
- (b) conditional on (a) the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the Capitalisation Issue, the Global Offering and the Over-allotment Option; (b) the Offer Price having been determined; (c) the obligations of the Underwriters under the Underwriting Agreement(s) becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Overall Coordinators, for themselves and on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement or otherwise, in each case on or before the date specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares pursuant to the Global Offering;
 - (ii) the grant of the Over-allotment Option was approved and our Directors were authorised to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised; and
 - (iii) conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise the amount of US\$6,740,000 from the amount standing to the credit of the share premium account of our Company to pay up in full at par 674,000,000 Shares for allotment and issue to the person(s) whose name(s) appears on the register of members of our Company, on a pro rata basis at the close of business on the date preceding the Listing Date (or as they may direct) and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;
- (c) a general unconditional mandate was given to our Directors to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or might require Shares to be allotted, issued or dealt with, with an aggregate nominal amount (otherwise than pursuant to, or in consequence of, the Capitalisation Issue or the Global Offering, a rights issue or pursuant to the exercise of any subscription rights which may be granted under any share incentive scheme or any scrip dividend

scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our Shareholders or an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association), not exceeding the sum of 20% of the aggregate nominal amount of our share capital in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (d) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of our share capital in issue immediately following the completion of the Capitalisation Issue and the Global Offering, but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (e) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares, which may be purchased or repurchased pursuant to paragraph (d) above.

4. Corporate Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure – The Reorganisation” in this prospectus.

5. Changes in the Share Capital of Our Subsidiaries

The following set forth the changes to the share capital or registered capital (as the case may be) of our subsidiaries during the two years immediately preceding the date of this prospectus:

Anda Migao

On 16 February 2022, the registered capital of Anda Migao increased from RMB180 million to RMB240 million.

Save as disclosed in this prospectus, there has been no alteration in the share capital or the registered capital (as the case may be) of any of our subsidiaries within the two years preceding the date of this prospectus.

6. Particulars of Our Subsidiaries

Our subsidiaries are set forth in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

7. Repurchase of Our Own Securities

This section includes the information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their own securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the Repurchase Mandate, authority was given to our Directors to repurchase our Shares on the Hong Kong Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose. Details of the Repurchase Mandate is set out above in the section headed "Appendix IV – Statutory and General Information – A. Further Information about Our Group – 3. Resolutions in Writing of Our Shareholder" to this prospectus.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Memorandum and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange as amended from time to time. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company, out of the share premium account of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Act, if so authorised by the Articles, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Act, if so authorised by the Articles, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Hong Kong Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Hong Kong Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Hong Kong Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) *Suspension of Repurchase*

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Hong Kong Stock Exchange other than in exceptional circumstances. In addition, the Hong Kong Stock Exchange may prohibit a repurchase of securities on the Hong Kong Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) *Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a core connected person and a core connected person is prohibited from knowingly selling his securities to the company.

(b) *Reasons for Repurchases*

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material and adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material and adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 900,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), could accordingly result in up to 90,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association and the applicable laws and regulations of the Cayman Islands to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26

of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Hong Kong Stock Exchange, could only be implemented if the Hong Kong Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following material contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this prospectus:

- (a) the Hong Kong Underwriting Agreement.
- (b) a cornerstone investment agreement dated 11 March 2024 entered into between our Company, Shenyang Xinchang Grain Trade Co., Ltd., GF Capital (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited and CMB International Capital Limited, pursuant to which Shenyang Xinchang Grain Trade Co., Ltd. agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be subscribed for in the aggregate amount of US\$20,900,000 at the Offer Price.
- (c) a cornerstone investment agreement dated 11 March 2024 entered into between our Company, Pioneer Top Holdings Limited, GF Capital (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited, CMB International Capital Limited, and Essence International Securities (Hong Kong) Limited pursuant to which Pioneer Top Holdings Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be subscribed for in the aggregate amount of HK\$20,000,000 at the Offer Price.
- (d) a cornerstone investment agreement dated 11 March 2024 entered into between our Company, Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of and for the account of Harvest Prosperity II SP, GF Capital (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited and CMB International Capital Limited, pursuant to which Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of and for the account of Harvest Prosperity II SP agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be subscribed for in the aggregate amount of US\$20,000,000 at the Offer Price.


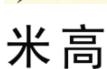


- (e) a cornerstone investment agreement dated 11 March 2024 entered into between our Company, Mega Dynamic Group Limited, GF Capital (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited and CMB International Capital Limited, pursuant to which Mega Dynamic Group Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be subscribed for in the aggregate amount of US\$10,000,000 at the Offer Price.




2. Intellectual Property Rights of Our Group



















As at the Latest Practicable Date, we have registered the following intellectual property rights which are material in relation to our business:







(a) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademarks in the PRC, which we consider to be material to our business:











No.	Trademark	Registered owner	Class	Registered Number	Expiry Date
1.		Guangdong Migao	4	7923082	27 January 2031
2.		Guangdong Migao	7	7923133	13 February 2031
3.		Guangdong Migao	1	9152257	6 March 2032
4.		Guangdong Migao	1	9152269	6 March 2032
5.		Guangdong Migao	1	9152264	6 March 2032
6.		Guangdong Migao	7	14237234	6 May 2025
7.		Guangdong Migao	4	14237085	6 May 2025
8.		Guangdong Migao	1	14278801	13 May 2025
9.		Guangdong Migao	1	3709380	6 July 2025
10.		Guangdong Migao	1	14236959	6 August 2025


















No.	Trademark	Registered owner	Class	Registered Number	Expiry Date
11.		Guangdong Migao	7	14234959	13 August 2025
12.		Guangdong Migao	4	14234689	13 August 2025
13.		Guangdong Migao	1	14234602	13 August 2025
14.	米高	Guangdong Migao	7	14234925	6 September 2025
15.		Guangdong Migao	1	22826869	13 October 2028
16.		Changchun Migao	1	14903309	6 October 2025
17.		Sichuan Migao	45	14247153	6 September 2025
18.		Sichuan Migao	43	14247087	6 September 2025
19.		Sichuan Migao	42	14247049	6 September 2025
20.		Sichuan Migao	41	14247022	6 September 2025
21.		Sichuan Migao	40	14246998	6 June 2025
22.		Sichuan Migao	39	14246946	13 August 2025
23.		Sichuan Migao	37	14246918	6 June 2025
24.		Sichuan Migao	36	14238175	6 May 2025
25.		Sichuan Migao	35	14238141	13 August 2025
26.		Sichuan Migao	34	14238112	6 May 2025
27.		Sichuan Migao	32	14238091	6 May 2025
28.		Sichuan Migao	31	14238064	6 May 2025

No.	Trademark	Registered owner	Class	Registered Number	Expiry Date
29.		Sichuan Migao	30	14238031	6 May 2025
30.		Sichuan Migao	29	14237997	6 May 2025
31.		Sichuan Migao	28	14237955	6 May 2025
32.		Sichuan Migao	27	14237934	6 May 2025
33.		Sichuan Migao	26	14237898	6 May 2025
34.		Sichuan Migao	24	14237865	6 May 2025
35.		Sichuan Migao	23	14237817	6 May 2025
36.		Sichuan Migao	22	14237783	6 May 2025
37.		Sichuan Migao	21	14237723	6 May 2025
38.		Sichuan Migao	20	14237678	6 July 2025
39.		Sichuan Migao	19	14237667	6 May 2025
40.		Sichuan Migao	18	14237626	6 May 2025
41.		Sichuan Migao	17	14237574	6 May 2025
42.		Sichuan Migao	16	14237540	6 May 2025
43.		Sichuan Migao	15	14237513	6 May 2025
44.		Sichuan Migao	13	14237487	6 May 2025
45.		Sichuan Migao	11	14237455	13 June 2025
46.		Sichuan Migao	10	14237408	13 June 2025


No.	Trademark	Registered owner	Class	Registered Number	Expiry Date
47.		Sichuan Migao	9	14237372	6 May 2025
48.		Sichuan Migao	8	14237280	6 May 2025
49.		Sichuan Migao	6	14237182	6 July 2025
50.		Sichuan Migao	5	14237126	6 May 2025
51.		Sichuan Migao	3	14237034	6 May 2025
52.		Sichuan Migao	2	14237012	6 August 2025
53.	米高	Sichuan Migao	45	14236618	6 May 2025
54.	米高	Sichuan Migao	44	14236596	6 May 2025
55.	米高	Sichuan Migao	42	14236526	6 September 2025
56.	米高	Sichuan Migao	41	14236487	6 September 2025
57.	米高	Sichuan Migao	40	14236457	6 May 2025
58.	米高	Sichuan Migao	39	14236427	6 May 2025
59.	米高	Sichuan Migao	38	14236366	6 May 2025
60.	米高	Sichuan Migao	37	14236339	6 May 2025
61.	米高	Sichuan Migao	36	14236310	6 May 2025
62.	米高	Sichuan Migao	35	14236296	6 May 2025
63.	米高	Sichuan Migao	34	14236253	6 May 2025
64.	米高	Sichuan Migao	32	14236206	6 August 2025
65.	米高	Sichuan Migao	31	14236189	6 May 2025
66.	米高	Sichuan Migao	30	14236169	6 September 2025

No.	Trademark	Registered owner	Class	Registered Number	Expiry Date
67.	米高	Sichuan Migao	29	14236102	27 July 2025
68.	米高	Sichuan Migao	28	14236092	6 May 2025
69.	米高	Sichuan Migao	27	14235821	27 July 2025
70.	米高	Sichuan Migao	26	14235792	6 May 2025
71.	米高	Sichuan Migao	24	14235771	27 July 2025
72.	米高	Sichuan Migao	23	14235747	6 May 2025
73.	米高	Sichuan Migao	22	14235696	6 May 2025
74.	米高	Sichuan Migao	21	14235636	6 May 2025
75.	米高	Sichuan Migao	19	14235319	6 May 2025
76.	米高	Sichuan Migao	17	14235279	6 May 2025
77.	米高	Sichuan Migao	16	14235259	6 May 2025
78.	米高	Sichuan Migao	15	14235215	6 May 2025
79.	米高	Sichuan Migao	14	14235177	6 May 2025
80.	米高	Sichuan Migao	13	14235147	6 September 2025
81.	米高	Sichuan Migao	11	14235074	6 September 2025
82.	米高	Sichuan Migao	10	14235033	20 May 2025
83.	米高	Sichuan Migao	9	14235000	6 September 2025
84.	米高	Sichuan Migao	8	14234958	6 September 2025
85.	米高	Sichuan Migao	6	14234800	13 June 2025
86.	米高	Sichuan Migao	2	14234673	6 May 2025

No.	Trademark	Registered owner	Class	Registered Number	Expiry Date
87.		Sichuan Migao	45	14236231	6 August 2025
88.		Sichuan Migao	43	14236203	6 August 2025
89.		Sichuan Migao	42	14236187	6 August 2025
90.		Sichuan Migao	41	14236174	20 July 2025
91.		Sichuan Migao	40	14236447	6 May 2025
92.		Sichuan Migao	39	14236128	6 September 2025
93.		Sichuan Migao	37	14236104	6 May 2025
94.		Sichuan Migao	35	14236069	13 August 2025
95.		Sichuan Migao	34	14236050	6 May 2025
96.		Sichuan Migao	32	14235829	6 May 2025
97.		Sichuan Migao	31	14235819	6 May 2025
98.		Sichuan Migao	30	14235782	6 May 2025
99.		Sichuan Migao	29	14235738	6 May 2025
100.		Sichuan Migao	28	14235712	6 May 2025
101.		Sichuan Migao	24	14235614	6 May 2025
102.		Sichuan Migao	22	14235552	20 May 2025
103.		Sichuan Migao	21	14235495	6 May 2025
104.		Sichuan Migao	20	14235464	6 May 2025
105.		Sichuan Migao	19	14235449	6 September 2025

No.	Trademark	Registered owner	Class	Registered Number	Expiry Date
106.		Sichuan Migao	18	14235422	6 May 2025
107.		Sichuan Migao	16	14235403	6 May 2025
108.		Sichuan Migao	15	14235371	6 May 2025
109.		Sichuan Migao	14	14235345	6 May 2025
110.		Sichuan Migao	13	14235301	6 May 2025
111.		Sichuan Migao	12	14235269	6 May 2025
112.		Sichuan Migao	11	14235241	6 May 2025
113.		Sichuan Migao	10	14235197	6 May 2025
114.		Sichuan Migao	9	14235137	13 August 2025
115.		Sichuan Migao	8	14235057	6 May 2025
116.		Sichuan Migao	6	14234833	13 August 2025
117.		Sichuan Migao	5	14234784	13 August 2025
118.		Sichuan Migao	3	14234663	13 June 2025
119.		Sichuan Migao	2	14234640	13 August 2025
120.		Daxing Migao	1	1302525	13 August 2029
121.		Daxing Migao	1	25438117	20 July 2028
122.		Daxing Migao	44	25426155	20 July 2028

As at the Latest Practicable Date, our Group has registered the following trademarks in Hong Kong:

No.	Trademark	Registered owner	Class	Registration date	Expiry date	Registration number
1.		Company	1, 9, 16, 31, 42, 44	27 June 2019	26 June 2029	304974526
2.	MIGAO GROUP	Company	1, 9, 16, 31, 42, 44	2 July 2019	1 July 2029	304978261
3.	米高集團 米高集团	Company	1, 31, 44	2 July 2019	1 July 2029	304978252

(b) Patents

As at the Latest Practicable Date, our Group was the registered owner of the following patents which are material to our business:

No.	Patent title	Place of registration	Registrant	Patent type	Registration number	Expiry date
1.	A kind of method for potash granulation and its granules (一種鉀肥造粒方法及其顆粒)	PRC	Guangdong Migao	Invention	201410501283.8	25 September 2034
2.	A kind of polymer potash and the method for preparation and production (一種高分子鉀肥及製備方法)	PRC	Guangdong Migao	Invention	201410564318.2	21 October 2034

No.	Patent title	Place of registration	Registrant	Patent type	Registration number	Expiry date
3.	Metathesis for preparation and production of potassium nitrate and ammonium chloride (複分解法製備硝酸鉀和氯化銨)	PRC	Sichuan Migao	Invention	200510021224.1	6 July 2025
4.	Metathesis for preparation and production of potassium nitrate (複分解法製備硝酸鉀的方法)	PRC	Sichuan Migao	Invention	201210394332.3	16 October 2032
5.	Recrystallization for preparation and production of industrial potassium nitrate (重結晶法製備工業硝酸鉀的方法)	PRC	Sichuan Migao	Invention	201510173413.4	13 April 2035
6.	A preparation method of compound fertiliser (一種複合肥的製備方法)	PRC	Daxing Migao	Invention	201810910679.6	9 August 2038

No.	Patent title	Place of registration	Registrant	Patent type	Registration number	Expiry date
7.	A type of hydrogen chloride tail gas treatment device (一種氯化氫尾氣處理裝置)	PRC	Guangdong Migao	Utility model	202220499677.4	8 March 2032
8.	A type of floating production mould for tobacco (一種煙苗漂盤生產模具)	PRC	Daxing Migao	Invention	202222311803.1	30 August 2032
9.	A flue-cured tobacco compound fertiliser cooling drum (一種烤煙復混肥冷卻滾筒)	PRC	Daxing Migao	Utility model	202222746448.0	18 October 2032
10.	A water-soluble fertiliser crushing and screening machine (一種水溶肥粉碎篩分機)	PRC	Daxing Migao	Utility model	202222176441.X	17 August 2032

As at the Latest Practicable Date, our Group has applied to register the following patents:

No.	Patent title	Place of application	Applicant	Patent type	Application number	Date of application
1.	Fertiliser production device (肥料生產裝置)	PRC	Daxing Migao	Invention	201810835489.2	26 July 2018

No.	Patent title	Place of application	Applicant	Patent type	Application number	Date of application
2.	Compound fertiliser production device (複合肥料的生產裝置)	PRC	Daxing Migao	Invention	201810844436.7	27 July 2018
3.	Spare stirring device for Compound fertiliser (複合肥製備用攪拌裝置)	PRC	Daxing Migao	Invention	201810846526.X	27 July 2018
4.	Fertiliser granulator (肥料造粒機)	PRC	Daxing Migao	Invention	201810846522.1	27 July 2018
5.	A type of mixing device for chemical fertiliser (一種化肥混合裝置)	PRC	Daxing Migao	Invention	201810909153.6	10 August 2018
6.	Dust collection device for fertiliser's tail gas (肥料尾氣除塵裝置)	PRC	Daxing Migao	Invention	201810909738.8	10 August 2018
7.	A type of floating seedling substrate for tobacco (一種煙草專用漂浮育苗基質)	PRC	Daxing Migao	Invention	202110028984.4	11 January 2021

No.	Patent title	Place of application	Applicant	Patent type	Application number	Date of application
8.	A type of organic and inorganic compound fertiliser for tobacco plantation and preparation method thereof (一種適用煙草種植的有機無機肥複混肥及其製備方法)	PRC	Daxing Migao, Guizhou Tobacco Zunyi	Invention	202110513139.6	11 May 2021
9.	A type of floating production and air treatment equipment (一種漂盤生產及空氣處理設備)	PRC	Daxing Migao	Invention	202210184639.4	28 February 2022
10.	A flue-cured tobacco compound fertiliser production line (一種烤煙複混肥生產線)	PRC	Daxing Migao	Invention	202211286729.0	20 October 2022

No.	Patent title	Place of application	Applicant	Patent type	Application number	Date of application
11.	A production line for tobacco-specific organic-inorganic compound fertiliser with high organic matter content (一種高有機質含量的煙草專用有機無機複混肥生產線)	PRC	Daxing Migao	Invention	202311373584.2	23 October 2023
12.	Fiber insulin antibacterial solution, extraction method, alkali tolerance test method and application (纖維素降解菌、萃取方法、鹼耐受性試驗方法及應用)	PRC	Daxing Migao, Guizhou University	Invention	202310286262.8	22 March 2023
13.	A production process for potassium sulphate fertilizer (一種用於硫酸鉀化肥的生產工藝)	PRC	Guangdong Migao	Invention	202311603571.X	28 November 2023

No.	Patent title	Place of application	Applicant	Patent type	Application number	Date of application
14.	A raw material proportioning and adding device for potassium sulfate production (一種硫酸鉀生產原料配比添加裝置)	PRC	Changchun Migao	Invention	202410067679.X	17 January 2024
15.	An automatic storage device for potassium sulfate finished products (一種硫酸鉀成品自動儲存裝置)	PRC	Changchun Migao	Invention	202410044403.X	12 January 2023

(c) *Copyrights*

As at the Latest Practicable Date, our Group has registered the following copyrights:

No.	Name of Copyright	Place of registration	Registrant	Version	Registration number	Completion date
1.	Migao environmental monitoring system for the chemical product storage process [Abbreviation: environmental monitoring system for the product storage process] (米高化工產品儲存過程環境監控系統 [簡稱:產品儲存過程環境監控系統])	PRC	Guangdong Migao	1.0	2016SR047114	30 January 2014

No.	Name of Copyright	Place of registration	Registrant	Version	Registration number	Completion date
2.	Migao chemical material information management system[Abbreviation: chemical material information management system] (米高化工材料信息化管理系統[簡稱:化工材料信息化管理系統])	PRC	Guangdong Migao	1.0	2016SR047094	20 March 2014
3.	Migao chemical wastewater purification process management software [Abbreviation: chemical wastewater purification process management software] (米高化工廢水淨化工藝管理軟件[簡稱:化工廢水淨化工藝管理軟件])	PRC	Guangdong Migao	1.0	2016SR046966	28 June 2014
4.	Migao chemical raw product control management system [Abbreviation: chemical raw product control management system] (米高化工生產品控管理系統 [簡稱:化工生產品控管理系統])	PRC	Guangdong Migao	1.0	2016SR047015	30 August 2014

No.	Name of Copyright	Place of registration	Registrant	Version	Registration number	Completion date
5.	Migao safety operation monitoring system for the chemical production equipment [Abbreviation: safety operation monitoring system for the chemical production equipment] (米高化工生產設備安全運行監控系統[簡稱:化工生產設備安全運行監控系統])	PRC	Guangdong Migao	1.0	2016SR047171	25 November 2014
6.	Migao chemical manufacturing process control system [Abbreviation: chemical manufacturing process control system] (米高化工生產工藝流程管控系統 [簡稱:化工生產工藝流程管控系統])	PRC	Guangdong Migao	1.0	2016SR046967	25 January 2015
7.	Migao chemical production scheduling intelligent management system [Abbreviation: chemical production scheduling intelligent management system] (米高化工生產調度智能管理系統[簡稱:化工生產調度智能管理系統])	PRC	Guangdong Migao	1.0	2016SR046580	28 April 2015

No.	Name of Copyright	Place of registration	Registrant	Version	Registration number	Completion date
8.	Migao chemical raw material detection and analysis system [Abbreviation: chemical raw material detection and analysis system] (米高化工原料檢測分析系統 [簡稱:化工原料檢測分析系統])	PRC	Guangdong Migao	1.0	2016SR047176	30 July 2015
9.	Migao chemical automation safety production control system [Abbreviation: chemical automation safety production control system] (米高化工自動化安全生產控制系統 [簡稱:化工自動化安全生產控制系統])	PRC	Guangdong Migao	1.0	2016SR047227	28 October 2015
10.	Migao material storage management system [Abbreviation: material storage management system] (米高物料倉儲管理系統 [簡稱:物料倉儲管理系統])	PRC	Guangdong Migao	1.0	2016SR047091	30 December 2015

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following the completion of the Capitalisation Issue and Global Offering (assuming the Over-allotment Option is not exercised), the interests or short positions of our Directors or chief executives in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange once the Shares are listed will be as follows:

Interest in Shares or Underlying Shares of Our Company

Name of Director	Nature of Interest	Number of Shares⁽¹⁾	Approximate percentage of shareholding interest
Mr. Liu ⁽²⁾	Interest in controlled corporation	675,000,000(L)	75%

Notes:

- (1) The letter "L" denotes long position in the Shares.
- (2) As all the issued shares of Migao BVI is held by Migao Barbados which in turn is held by Mr. Liu, each of Mr. Liu and Migao Barbados is deemed to be interested in the Shares held by Migao BVI by virtue of the SFO.

(b) Interests and short positions of the substantial Shareholders in the Shares and underlying Shares of Our Company

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and Global Offering (assuming the Over-allotment Option is not exercised), the following persons (not being Directors or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Substantial Shareholder	Nature of Interest	Number of Shares⁽¹⁾	Approximate percentage of shareholding interest
Migao Barbados ⁽²⁾	Interest in controlled corporation	675,000,000(L)	75%
Migao BVI ⁽²⁾	Beneficial owner	675,000,000(L)	75%

Notes:

- (1) The letter “L” denotes long position in the Shares.
- (2) As all the issued shares of Migao BVI is held by Migao Barbados which in turn is held by Mr. Liu, each of Mr. Liu and Migao Barbados is deemed to be interested in the Shares held by Migao BVI by virtue of the SFO.

(c) Interests of the substantial Shareholders of any member of our Group (other than our Company)

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and Global Offering (assuming the Over-allotment Option is not exercised), the following persons (excluding us) will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name of substantial shareholder	Name of member of our Group	Nature of interest	Approximate percentage of interest held by the substantial shareholders
Guizhou Tobacco Investment	Daxing Migao	Beneficial owner	49%
Heilongjiang Beidahuang	Anda Migao	Beneficial owner	35%
Heilongjiang Beidahuang	Baoqing Migao	Beneficial owner	23%

2. Particulars of Service Contracts

(a) *Executive Directors*

Each of the executive Directors has entered into a service contract with us for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or us. The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) *Independent Non-executive Directors*

Each of the independent non-executive Directors has signed an appointment letter with us for a term of three years commencing from the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles and the applicable Listing Rules.

(c) *Others*

- (i) Save as disclosed above, none of our Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (ii) None of our Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Fees or commissions received

Save as disclosed in this prospectus, none of our Directors or any of the persons whose names are listed under the section headed "Appendix IV – Statutory and General Information – D. Other Information – 8. Consent of Experts" to this prospectus below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Hong Kong Stock Exchange, in each case once our Shares are listed on the Hong Kong Stock Exchange;
- (b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (c) none of our Directors nor any of the parties listed in the section headed “Appendix IV – Statutory and General Information – D. Other Information – 7. Qualification of Experts” to this prospectus is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;
- (d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the section headed “Appendix IV – Statutory and General Information – D. Other Information – 7. Qualification of Experts” to this prospectus is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed “Appendix IV – Statutory and General Information – D. Other Information – 7. Qualification of experts” to this prospectus: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. OTHER INFORMATION**1. Tax and other indemnities**

Mr. Liu has entered into the Deed of Indemnity with and in favour of our Company and each of its subsidiaries to provide indemnities in respect of, among others, any demands, actions, claims, losses, liabilities, damages, costs, charges, fees, penalties, fines or expenses made, suffered or incurred by any of our Company and its subsidiaries in respect of or arising directly or indirectly from: (i) any title or other defects that exist and existed on or before the date on which the Global Offering becomes unconditional (the “**Relevant Date**”) with respect to our Group’s owned or leased real estate properties including but not limited to those set forth or otherwise referred to in the paragraphs headed “Business – Land and Properties” of this prospectus; (ii) any non-compliance or alleged non-compliance by any of our Company and its subsidiaries with any applicable laws, rules and regulations in the PRC or any other jurisdictions relevant to our Company and its subsidiaries or any of them for so long as such non-compliance or alleged non-compliance occurs or occurred on or before the Relevant Date; and (iii) the amount of any and all taxation falling on any of our Company and its subsidiaries resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the Relevant Date, or in respect or in consequence of any act, omission or event occurring or deemed to occur on or before the Relevant Date, whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company, including any and all taxation resulting from the receipt by any of our Company and its subsidiaries of any amounts paid by our Controlling Shareholders, unless such liability to taxation is also discharged by such other person, firm or company, save and except that Mr. Liu shall not be liable to indemnify our Company and its subsidiaries (a) to the extent that provision has been made for such liability in the audited consolidated financial statements of our Group as set out in Appendix I; (b) to the extent that such liability falls on any of our Company and its subsidiaries in respect of any accounting period commencing on or after the Listing Date unless such liability would not have arisen but for some act or omission of, or transaction entered into by any of our Company and its subsidiaries (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, on or before the Listing Date; (c) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority, having retrospective effect coming into force after the Listing Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Listing Date with retrospective effect; (d) to the extent that such liability is discharged by another person who is not any of our Company and its subsidiaries, and that none of our Company and its subsidiaries is required to reimburse such person in respect of the discharge of such liability; or (e) to the extent of any provision or reserve made for such liability in the audited accounts referred to

in (a) above which is finally established to be an over provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

2. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

3. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option). The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fees to the Sole Sponsor in the amount of approximately US\$700,000 and are payable by us.

5. Preliminary Expenses

Our preliminary expenses incurred by us in relation to our incorporation were approximately HK\$1,720 and were paid by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Listing. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to any promoters in connection with the Global Offering or the related transactions described in this prospectus.

7. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
GF Capital (Hong Kong) Limited	Licensed to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants Public interest entity auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Harney Westwood & Riegels	Cayman Islands legal advisers
Jingtian & Gongcheng	PRC legal advisers
Ashurst Hong Kong	Legal advisers as to international sanctions laws
Mazars Tax Services Limited	Transfer pricing consultant
Frost & Sullivan	Industry consultant

8. Consent of Experts

Each of the experts named in paragraph 7 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or data (as the case may be) and references to its name included in the form and context in which it respectively appears.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance insofar as applicable.

10. Agency Fees or Commission Received

The Underwriters will receive an underwriting commission, and the Sole Sponsor will receive a sponsorship fee, as referred to under the section headed “Underwriting – Underwriting Arrangements and Expenses – Underwriting Commission and Expenses” in this prospectus.

11. Miscellaneous

- (a) Save as disclosed in this prospectus,
 - (i) within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (cc) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring or agreeing to procure subscription of any Share in our Company or any of its subsidiaries (except for the underwriting paid and payable to commission by the Underwriters);
 - (dd) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (ee) no founders, management or deferred Shares of our Company or any of its subsidiaries have been issued or agreed to be issued; and
 - (ii) our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.
- (b) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (c) Our principal register of members will be maintained by our principal share registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) There are no arrangements in existence under which future dividends are to be or agreed to be waived.
- (g) Our Directors have been advised that, under the Cayman Companies Act, the use of a Chinese name by the Company does not contravene the Cayman Companies Act.

12. No Material Adverse Change

The Directors confirm that there has been no material adverse change in our financial or trading position since 30 November 2023 and that no material changes have occurred since the date of the Accountants' Report up to the date of this prospectus.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND DOCUMENTS ON DISPLAY**

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to the section headed “Appendix IV – Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts” to this prospectus; and
- (b) the written consents referred to in the section headed “Appendix IV – Statutory and General Information – D. Other Information – 8. Consent of Experts” to this prospectus.

2. DOCUMENTS ON DISPLAY

The following documents will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and our Company (www.migaogroup.com) up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountants’ Report from by Deloitte Touche Tohmatsu, the text of which are set out in Appendix I to this prospectus;
- (c) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Company for FY2021, FY2022, FY2023 and 8MFY2024;
- (e) the legal opinions issued by Jingtian & Gongcheng, in respect of certain aspects of the Group and the property interests of the Group;
- (f) the legal opinion issued by Harney Westwood & Riegels summarising the constitution of our Company and certain aspects of the Cayman Companies Act referred to in Appendix III to this prospectus;
- (g) the legal memorandum issued by Ashurst Hong Kong, our legal advisers as to international sanctions laws in respect of our business dealings with certain third parties subject to international sanctions;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
 COMPANIES AND DOCUMENTS ON DISPLAY**

- (h) the transfer pricing review report issued by Mazars Tax Services Limited, our Transfer Pricing Consultant;
- (i) the Cayman Companies Act;
- (j) copies of material contracts referred to the section headed “Appendix IV – Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts” to this prospectus;
- (k) the written consents referred to in the section headed “Appendix IV – Statutory and General Information – D. Other Information – 8. Consent of Experts” to this prospectus;
- (l) service contracts and letters of appointment entered into between our Company and each of our Directors; and
- (m) the Frost & Sullivan Report.



MIGAO GROUP HOLDINGS LIMITED
米高集團控股有限公司