The following is the text of a report, prepared for inclusion in this document, 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-3 to I-[●], which comprises the consolidated statements of financial position of the Group as at 31 March 2021, 2022 and 2023, the statements of financial position of the Company as at 31 March 2021, 2022 and 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 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] 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 and 2023, of the Company's financial position as at 31 March 2021, 2022 and 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.

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-3 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
[Date]

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 2021	2022	2023
		RMB'000	RMB'000	RMB'000
Revenue	6	2,081,579	3,841,400	4,722,749
Cost of goods sold		(1,830,838)	(3,207,977)	(3,955,216)
Gross profit		250,741	633,423	767,533
Other income	7	15,545	17,416	6,847
Other gains and losses	8	126,982	12,055	(16,908)
Impairment losses, net of reversal	35	2,954	(11,181)	1,655
Distribution and selling expenses		(28,304)	(74,768)	(61,716)
General and administrative expenses		(62,800)	(63,607)	(105,689)
Research and development expenses		(24,515)	(38,854)	(31,037)
[**REDACTED**] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Other expenses	11	(1,424)	–	–
Share of results of joint ventures	19	(2,038)	28,287	11,267
Finance costs	9	(10,471)	(9,661)	(17,651)
Profit before tax		264,926	471,044	533,414
Income tax expense	10	(58,401)	(74,464)	(111,900)
Profit for the year	11	206,525	396,580	421,514
Other comprehensive income (expense)				
Item that may be reclassified subsequently to profit or loss:				
– Exchange difference arising on translation of a foreign operation		9,456	4,258	(10,097)
Total comprehensive income for the year		215,981	400,838	411,417
Profit for the year attributable to:				
– Owners of the Company		202,294	396,337	405,089
– Non-controlling interests		4,231	243	16,425
		206,525	396,580	421,514
Total comprehensive income for the year attributable to:				
– Owners of the Company		211,750	400,595	394,992
– Non-controlling interests		4,231	243	16,425
		215,981	400,838	411,417
Earnings per Share				
– Basic (RMB)	14	[0.30]	[0.59]	[0.60]

STATEMENTS OF FINANCIAL POSITION

		The Group As at 31 March		
	NOTES	**2021** *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Non-current assets				
Plant and equipment	*15*	195,262	487,945	486,442
Right-of-use assets	*16*	47,495	68,984	153,077
Prepayments for plant and equipment		958	35,628	4,378
Goodwill	*17*	2,606	12,069	12,069
Intangible asset	*18*	8,717	7,132	5,547
Interests in joint ventures	*19*	302,482	111,032	122,299
Deferred tax assets	*20*	2,070	4,974	4,451
		559,590	727,764	788,263
Current assets				
Inventories	*21*	164,392	740,470	151,589
Trade and other receivables and prepayments	*22*	1,090,922	1,737,514	1,730,694
Amount due from a related company	*23*	21,575	–	–
Amounts due from joint ventures	*23*	29,801	30,417	27,490
Loans to joint ventures	*23*	237,249	–	–
Amount due from a shareholder	*23*	2,234	1,838	3,535
Tax recoverable		–	–	1,029
Restricted cash	*24*	245,570	190,298	170,484
Bank balances and cash	*24*	54,707	283,456	365,731
		1,846,450	2,983,993	2,450,552
Current liabilities				
Trade and other payables	*25*	860,120	1,152,972	630,630
Contract liabilities	*26*	408,775	611,973	335,978
Amounts due to joint ventures	*23*	111,794	34,709	–
Amounts due to related companies	*23*	89,836	178,901	175,716
Amount due to a non-controlling interest	*23*	29,119	6,168	–
Loans from related companies	*23*	–	95,020	105,817
Tax liabilities		62,504	112,770	155,813
Bank borrowings	*27*	129,018	292,427	164,738
Lease liabilities	*28*	4,406	3,770	5,681
		1,695,572	2,488,710	1,574,373
Net current assets		150,878	495,283	876,179
Total assets less current liabilities		710,468	1,223,047	1,664,442

		The Group		
		As at 31 March		
	NOTES	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Capital and reserves				
Share capital	*29*	66	66	66
Reserves		626,624	1,027,219	1,420,746
Equity attributable to owners of the Company		626,690	1,027,285	1,420,812
Non-controlling interests		29,067	147,633	155,081
Total equity		655,757	1,174,918	1,575,893
Non-current liabilities				
Deferred tax liabilities	*20*	3,351	3,581	3,173
Bank borrowings	*27*	50,000	40,000	80,000
Lease liabilities	*28*	1,360	4,548	5,376
		54,711	48,129	88,549
		710,468	1,223,047	1,664,442

		The Company		
		As at 31 March		
	NOTES	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Non-current asset				
Investments in subsidiaries	*38*	–	–	–
Current assets				
Other receivables and prepayments	*22*	1,756	8,883	17,069
Amount due from a subsidiary	*23*	–	–	830
Bank balances and cash	*24*	10	13	21
		1,766	8,896	17,920
Current liabilities				
Other payables	*25*	3,031	21,875	12,475
Amounts due to subsidiaries	*23*	14,507	24,537	63,415
		17,538	46,412	75,890
Net liabilities		(15,772)	(37,516)	(57,970)
Capital and deficits				
Share capital	*29*	66	66	66
Accumulated losses		(15,838)	(37,582)	(58,036)
		(15,772)	(37,516)	(57,970)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	Statutory reserve	Translation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	*RMB'000* *(note a)*	*RMB'000*	*RMB'000* *(note b)*	*RMB'000*	*RMB'000*	*RMB'000*	*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							
	Share capital	Statutory reserve	Translation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	*RMB'000* *(note a)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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

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"), Migao Chemical Industry (Shanghai) Co., Ltd. ("Shanghai Migao"), Migao (Zunyi) Real Estate Leasing Co., Ltd. (formerly known as Migao (Zunyi) Technology Fertiliser Co., Ltd. ("Zunyi Migao") and Migao 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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before tax	264,926	471,044	533,414
Adjustments for:			
Depreciation of plant and equipment	6,933	7,152	8,425
Amortisation of intangible asset	1,585	1,585	1,585
Depreciation of right-of-use assets	5,564	5,132	7,744
Share of results of joint ventures	2,038	(28,287)	(11,267)
Gain on deemed disposal of joint ventures	–	(12,962)	–
Impairment losses, net of reversal	(2,954)	11,181	(1,655)
Finance costs	10,471	9,661	17,651
Interest income	(11,851)	(15,645)	(3,539)
(Gain) loss on disposal of plant and equipment	(30,319)	117	12
Gain on disposal of right-of-use assets	(94,363)	–	–
Operating cash flows before movements in working capital	152,030	448,978	552,370
Decrease (increase) in trade and other receivables and prepayments	68,187	(535,338)	(154,662)
(Increase) decrease in inventories	(68,750)	(522,668)	625,271
(Decrease) increase in trade and other payables	(246,513)	256,630	(504,437)
Increase (decrease) in contract liabilities	271,656	189,658	(275,995)
(Increase) decrease in amount due from a related company	(21,575)	21,575	–
Increase (decrease) in amounts due to related companies	1,790	(14,575)	(421)
Increase (decrease) in amounts due to joint ventures	101,852	227,262	(33,061)
Decrease (increase) in amounts due from joint ventures	25,665	(15,187)	929
Decrease in amount due to a non-controlling interest	(23,409)	(22,951)	(6,168)
Cash generated from operations	260,933	33,384	203,826
Income taxes refunded (paid)	303	(33,716)	(69,771)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	261,236	(332)	134,055

	Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES			
Placement of restricted cash	(1,007,698)	(1,384,299)	(436,395)
Advance to a shareholder	(2,234)	–	(2,097)
Repayment from a shareholder	–	396	400
Purchase of plant and equipment	(18,822)	(13,104)	(46,788)
Upfront payments for right-of-use assets	–	–	(83,330)
Withdrawal of restricted cash	1,036,836	1,439,571	456,209
Return of prepayment of plant and machinery from a related company	–	–	13,206
Interest income received	3,587	4,857	3,539
Advances to joint ventures	(647)	–	(24,449)
Repayments from joint ventures	–	14,571	26,447
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 *(note 23(a))*	–	–	(20,450)
Repayment from a third party *(note 23(a))*	–	–	20,450
Net cash inflow on acquisition of subsidiaries *(note 37)*	–	28,381	1,702
Proceeds from disposal of plant and equipment	81,807	231	286
NET CASH USED IN INVESTING ACTIVITIES	(79,655)	(6,243)	(91,270)
FINANCING ACTIVITIES			
Repayments of bank borrowings	(306,297)	(343,786)	(233,946)
Interest paid	(10,471)	(9,661)	(16,834)
Repayments of lease liabilities	(4,945)	(5,029)	(5,768)
Dividend paid to non-controlling interests	(1,960)	(2,205)	(8,977)
Repayments to related companies	(174,166)	–	(240,449)
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
Advances from related companies	93,352	86,994	243,071
Advance from a shareholder	2,948	–	–
New loan from a related company	–	–	105,000
Share issue cost paid	(748)	(3,115)	(8,189)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(132,118)	232,393	37,548
NET INCREASE IN CASH AND CASH EQUIVALENTS	49,463	225,818	80,333
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6,049	54,707	283,456
Effect of foreign exchange rate changes	(805)	2,931	1,942
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	54,707	283,456	365,731

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 Document.

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 NEW AND 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 2022, throughout the Track Record Period.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after 1 January 2024

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

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 contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, 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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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

Except for leases of low value 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;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

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 lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurates with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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

Borrowing costs directly attributable to acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs 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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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. Taxable profit differs from profit/loss 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. 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. 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.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated 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" in the consolidated statements of financial position. 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.

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, which are described in note 4, 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 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 and 2023, the carrying amounts of trade and unbilled receivables are approximately RMB223,033,000, RMB289,247,000 and RMB182,967,000, net of allowance for credit losses of approximately RMB7,877,000, RMB19,058,000 and RMB17,403,000, respectively.

As at 31 March 2021, 2022 and 2023, the carrying amounts of amounts due from related parties are approximately RMB290,859,000, RMB32,255,000 and RMB31,025,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

The Group 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. 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 purchased 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 SOP, Potassium Nitrate ("NOP") and compound fertilizers to customers without further manufacturing or processing.

During the years ended 31 March 2022 and 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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Sales of products			
KCL	1,250,489	3,180,575	4,024,088
SOP	522,039	533,569	476,058
NOP	49,068	8,933	15,366
Compound fertilizers	193,629	24,992	47,747
Others	66,354	72,527	129,449
	2,081,579	3,820,596	4,692,708
Provision of production services	–	20,804	30,041
Total	2,081,579	3,841,400	4,722,749

Timing of revenue recognition

At a point in time	2,081,579	3,820,596	4,692,708
Over-time	–	20,804	30,041
Total	2,081,579	3,841,400	4,722,749

Revenue by types of customers

	Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
State-owned enterprise ("SOE")	1,212,761	2,608,427	2,660,983
Non-SOE	868,818	1,232,973	2,061,766
Total	2,081,579	3,841,400	4,722,749

(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 30 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 years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	580,059	861,044	945,404
Customer B	260,945	N/A[1]	N/A[1]
Customer C	N/A[1]	847,338	646,657

1 The corresponding revenue did not contribute over 10% of total revenue of the Group for the relevant year.

7. OTHER INCOME

	Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	4,691	2,916	3,539
Interest income from joint ventures *(note 23(b))*	7,160	12,729	–
Government grants *(note i)*	415	249	2,007
Rental income	2,799	1,473	1,127
Others	480	49	174
	15,545	17,416	6,847

Note:

(i) 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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Gain (loss) on disposal of plant and equipment	30,319	(117)	(12)
Gain on disposal of right-of-use assets *(note 16)*	94,363	–	–
Net foreign exchange gains (losses)	11,630	(485)	(16,357)
Gain on deemed disposal of joint ventures *(note 37)*	–	12,962	–
Surcharges and others *(note i)*	(9,330)	(10)	(88)
Others	–	(295)	(451)
	126,982	12,055	(16,908)

Note:

(i) The amounts represent the provision for surcharges and others on late tax filings.

9. FINANCE COSTS

	Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on bank borrowings	10,197	9,362	11,203
Interest expenses on loans from related companies *(note 23 (b))*	–	–	5,825
Interest expenses on lease liabilities	274	299	623
	10,471	9,661	17,651

10. INCOME TAX EXPENSE

	Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Income tax expense comprised of:			
Current tax:			
PRC Enterprise Income Tax ("EIT")	50,286	77,783	111,785
Deferred tax *(note 20)*	8,115	(3,319)	115
	58,401	74,464	111,900

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.

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 and RMB2,110,183,000 as at 31 March 2021, 2022 and 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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	264,926	471,044	533,414
Tax at PRC EIT rate of 25%	66,232	117,761	133,354
Tax effect of expenses not deductible for tax purpose	6,646	13,821	13,581
Tax effect of income not taxable for tax purpose	–	(3,241)	–
Tax effect of super deduction for research and development expenses *(Note)*	–	(5,584)	(3,768)
Tax effect of share of results of joint ventures	510	(7,072)	(2,817)
Effect of tax concessionary rates granted to the PRC subsidiaries	(14,949)	(41,301)	(28,291)
Others	(38)	80	(159)
	58,401	74,464	111,900

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 year ended 31 March 2022 and 2023.

11. PROFIT FOR THE YEAR

	Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year has been arrived at after charging			
Cost of inventories recognised as an expense	1,830,838	3,193,158	3,935,097
Amortisation of intangible asset	1,585	1,585	1,585
Depreciation of plant and equipment	21,326	21,354	44,815
Depreciation of right-of-use assets	5,564	5,132	7,744
Total depreciation and amortisation	28,475	28,071	54,144
Less: capitalised as cost of inventories	(14,393)	(14,202)	(36,390)
	14,082	13,869	17,754

	Year ended 31 March		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Auditor's remuneration	401	240	288
[**REDACTED**] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Other expenses *(note)*	1,424	–	–
Staff costs (including directors' emoluments)			
– Directors' emoluments *(note 13)*	2,633	4,997	5,137
– Salaries and other benefits	33,058	30,114	52,485
– Retirement benefit scheme contributions (excluding directors)	849	2,708	4,038
	36,540	37,819	61,660
Less: capitalised as cost of inventories	(12,709)	(11,381)	(24,254)
	23,831	26,438	37,406

Note: Amounts represented professional service fees incurred in relation to a previous potential [**REDACTED**] exercise that were expensed during the Track Record Period.

12. DIVIDENDS

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	Salaries and other allowances	Retirement benefit scheme contributions	Performance related bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(note iii)*	*RMB'000*
Year ended 31 March 2021					
Executive directors:					
Mr. Liu *(note i)*	–	2,224	46	–	2,270
Mr. Sun Pingfu *(note ii)*	–	213	22	–	235
Mr. Dong Benzi *(note ii)*	–	112	16	–	128
Total	–	2,549	84	–	2,633

	Fee	Salaries and other allowances	Retirement benefit scheme contributions	Performance related bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(note iii)*	*RMB'000*
Year ended 31 March 2022					
Executive directors:					
Mr. Liu *(note i)*	–	4,412	56	–	4,468
Mr. Sun Pingfu *(note ii)*	–	320	53	–	373
Mr. Dong Benzi *(note ii)*	–	108	48	–	156
Total	–	4,840	157	–	4,997

	Fee	Salaries and other allowances	Retirement benefit scheme contributions	Performance related bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(note iii)*	*RMB'000*
Year ended 31 March 2023					
Executive directors:					
Mr. Liu *(note i)*	–	4,493	78	–	4,571
Mr. Sun Pingfu *(note ii)*	–	342	80	–	422
Mr. Dong Benzi *(note ii)*	–	111	33	–	144
Total	–	4,946	191	–	5,137

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 and two directors whose emoluments are included in the disclosure above for the Track Record Period. The remuneration of the remaining three, three and three individuals for the Track Record Period were as follows:

	Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other allowances	605	472	1,814
Performance related bonuses	–	–	–
Retirement benefit scheme contributions	55	44	67
	660	516	1,881

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		
	2021	**2022**	**2023**
Nil to HK$1,000,000	3	3	2
HK$1,000,001 to HK$1,500,000	–	–	1
	3	3	3

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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Earnings for the purpose of calculating basic earnings per share for the year attributable to the owners of the Company	202,294	396,337	405,089
	No. of Shares	**No. of Shares**	**No. of Shares**
	'000	*'000*	*'000*
Number of ordinary shares for the purpose of calculating basic earnings per share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined based on the assumption that [the [**REDACTED**] as described in note 39 and Appendix IV to the Document] 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	Machinery and equipment	Vehicles	Office equipment	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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 subsidaries *(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
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)
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
CARRYING VALUES						
At 31 March 2021	145,475	46,209	2,139	1,439	–	195,262
At 31 March 2022	261,278	207,083	3,382	2,529	13,673	487,945
At 31 March 2023	270,034	209,982	3,284	2,499	643	486,442

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 and 2 years during the years ended 31 March 2021, 2022 and 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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amounts			
Leasehold land	42,008	60,070	141,085
Office premises	5,487	8,914	11,992
	47,495	68,984	153,077

As at 31 March 2021, 2022 and 2023, lease liabilities of approximately RMB5,766,000, RMB8,318,000 and RMB11,057,000 are recognised with related right-of-use assets of approximately RMB5,487,000, RMB8,040,000 and RMB11,117,000, 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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation recognised in profit or loss			
Leasehold land	742	977	2,315
Office premises	4,822	4,155	5,429
	5,564	5,132	7,744

	Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total cash outflow for leases	5,219	5,328	89,721
Additions to right-of-use assets	4,323	7,581	91,837
Additions to right-of-use assets through acquisition of business *(note 37)*	–	19,040	–

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 *(Note a)* *RMB'000*	**Acquisition of Baoqing Migao** *(Note b)* *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
At 31 March 2022 and 2023	2,606	9,463	12,069

Notes:

(a) The goodwill was arising from acquisition of Zunyi Daxing Compound Fertiliser Co., Ltd. ("Daxing Migao") during the year ended 31 March 2017.

(b) The goodwill was arising from acquisition of Baoqing Migao Agricultural Technology Co., Ltd. ("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	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Daxing Migao	2,606	2,606	2,606
Baoqing Migao	–	9,463	9,463
	2,606	12,069	12,069

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 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 the CGU, with all other variables held constant.

Based on the sensitivity test performed, no material impairment issue was noted for the Track Record Period. The headroom of the CGUs at the end of each reporting period is not less than 26% for the Track Record Period.

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 *RMB'000*
COST	
At 1 April 2020, 31 March 2021, 2022 and 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
CARRYING VALUES	
At 31 March 2021	8,717
At 31 March 2022	7,132
At 31 March 2023	5,547

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	
	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Cost of unlisted interests in joint ventures	273,847	79,847	79,847
Share of post-acquisition, profits and other comprehensive income, net of dividends received	28,635	31,185	42,452
	302,482	111,032	122,299

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 31 March 2021	At 31 March 2022	At 31 March 2023	Date of the report	At 31 March 2021	At 31 March 2022	At 31 March 2023	Date of the report	
Eurochem Migao Limited ("Eurochem JV")	Hong Kong	The PRC	50%	50%	50%	50%	50%	50%	50%	50%	Investment holding
Baoqing Migao *(Note)*	The PRC	The PRC	77%	N/A	N/A	N/A	50%	N/A	N/A	N/A	Manufacturing and trading of specialty potash-based fertilizer
Anda Beidahuang Migao Agricultural Technology Co., Ltd. ("Anda Migao") *(Note)*	The PRC	The PRC	65%	N/A	N/A	N/A	50%	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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	21,848	189	2,125
Non-current assets	197,847	221,875	242,473
Current liabilities	(3,761)	–	–
Net assets	215,934	222,064	244,598

	Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	–	–	–
(Loss) profit and total comprehensive (expense) income for the year	(11,760)	6,130	22,534

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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net assets of Eurochem JV	215,934	222,064	244,598
Proportion of the Group's ownership interest in Eurochem JV	50%	50%	50%
Carrying amount of the Group's interest in Eurochem JV	107,967	111,032	122,299

Baoqing Migao

	As at 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	260,315	N/A	N/A
Non-current assets	94,308	N/A	N/A
Current liabilities	(248,697)	N/A	N/A
Net assets	105,926	N/A	N/A

	Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	196,462	225,205	N/A
Profit and total comprehensive income for the year	10,247	13,668	N/A
Dividends paid or payable during the year	5,456	5,529	N/A
Dividends received or receivables from Baoqing Migao during the year	4,201	4,258	N/A
The above profit for the year include the following:			
Depreciation of plant and equipment	6,384	6,833	N/A
Depreciation of right-of-use assets	92	92	N/A
Interest expense	8,815	4,468	N/A
Income tax expense	3,314	2,347	N/A

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	77%
Carrying amount of the Group's interest in Baoqing Migao	81,563

Anda Migao

	As at 31 March		
	2021 *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Current assets	329,021	N/A	N/A
Non-current assets	134,480	N/A	N/A
Current liabilities	(285,329)	N/A	N/A
Non-current liabilities	(4,400)	N/A	N/A
Net assets	173,772	N/A	N/A

	Year ended 31 March		
	2021 *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Revenue	42,210	603,761	N/A
(Loss) profit and total comprehensive (expense) income for the year	(6,228)	22,612	N/A
The above (loss) profit for the year include the following:			
Depreciation of plant and equipment	1,073	8,690	N/A
Depreciation of right-of-use assets	274	274	N/A
Interest expense	2,503	14,287	N/A
Income tax expense	–	7,537	N/A

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%
Carrying amount of the Group's interest in Anda Migao	112,952

20. DEFERRED TAXATION

	As at 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax liabilities	3,351	3,581	3,173
Deferred tax assets	(2,070)	(4,974)	(4,451)
	1,281	(1,393)	(1,278)

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)

21. INVENTORIES

	As at 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	55,936	668,355	121,553
Finished goods	17,304	40,605	19,773
Packing and other materials	6,228	7,608	4,698
Goods in transit	84,924	23,902	5,565
	164,392	740,470	151,589

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	The Group As at 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	40,167	104,741	109,512
Unbilled receivables *(Note a)*	190,743	203,564	90,858
Less: allowance for credit losses	(7,877)	(19,058)	(17,403)
	223,033	289,247	182,967
Bills receivables	208,601	302,713	140,886
	431,634	591,960	323,853
Inventories prepayment			
– third parties	589,332	1,042,565	1,278,116
– a joint venture	–	–	30,520
	589,332	1,042,565	1,308,636
Supplier rebate receivables	9,607	39,216	–
Deferred issue costs	1,424	8,496	14,739
Value-added tax receivables	279	9,350	30,016
Other receivables, deposits and prepayments	58,646	45,927	53,450
	659,288	1,145,554	1,406,841
	1,090,922	1,737,514	1,730,694

	The Company As at 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Deferred issue costs	1,424	8,496	14,739
Other receivables	332	387	2,330
	1,756	8,883	17,069

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 and 2023, approximately RMB55,614,000, RMB97,846,000 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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
Within 90 days	7,866	43,594	26,129
91-180 days	1,998	38,412	56,203
181-365 days	827	5,281	8,893
Over 1 year	22,656	6,312	3,302
	33,347	93,599	94,527

The maturity dates of bills receivables at the end of the reporting period are analysed as follows:

	As at 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Bills receivables			
Within 90 days	133,140	111,502	32,042
91-180 days	74,141	184,068	104,744
181-365 days	1,320	7,143	4,100
	208,601	302,713	140,886

As at 31 March 2021, 2022 and 2023, total bills received amounting to approximately RMB208,601,000, RMB301,103,000 and RMB130,185,000, 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 and 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB25,481,000, RMB50,005,000 and RMB68,398,000 which are past due as at the reporting date. Out of the past due balances, RMB23,483,000, RMB11,593,000 and RMB12,195,000 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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from a related company *(Note (a))*:			
Trade nature			
– Liaoning Migao *(Note (b))*	21,575	–	N/A
Amounts due from joint ventures:			
Trade nature *(Note (c))*			
– Yunnan EuroChem Fertiliser Technology Co., Ltd. ("Yunnan Eurochem")	–	15,187	14,258
Non-trade nature *(Note (d))*			
– Eurochem JV	29,801	15,230	13,232
	29,801	30,417	27,490
Loans to joint ventures *(Note (j))*			
Non-trade nature	237,249	–	–
Amount due from a shareholder			
Non-trade nature			
Mr. Liu *(Note (g))*	2,234	1,838	3,535
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
	(16,940)	(20,371)	–
Non-trade nature			
– APPH *(Note (f))*	(72,896)	(158,530)	(175,716)
	(89,836)	(178,901)	(175,716)

	As at 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to joint ventures:			
Trade nature *(Note (h))*			
– Anda Migao	(4,017)	–	N/A
– Baoqing Migao	(48,657)	–	N/A
– Yunnan Eurochem	(59,120)	(34,709)	–
	(111,794)	(34,709)	–
Amount due to a non-controlling interest			
Trade nature			
Guizhou Tobacco Investment Co., Ltd. ("Guizhou Tobacco") *(Note (i))*	(29,119)	(6,168)	–
Loans from related companies *(Note (k))*			
Non-trade nature	–	(95,020)	(105,817)

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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
90-180 days	21,575	–	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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
0-90 days	–	15,187	14,258

(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 [**REDACTED**] of the Company's shares on the Main Board of the Stock Exchange (the "[**REDACTED**]").

	Maximum amount during the Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Eurochem JV	29,801	29,801	15,378

(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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	(15,216)	(20,371)	–
91-180 days	(1,724)	–	–
	(16,940)	(20,371)	–

Included in the amount due to related companies, amounts of nil, RMB19,950,000 and nil, 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, 2022 and 2023 (see note 33).

As at 31 March 2021 and 2022, the Group made prepayments for purchase of raw materials to Liaoning Migao of RMB15,150,000 and nil, respectively, 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).

As at 31 March 2021, 2022 and 2023, the Group made prepayments for purchase of equipment to Chengdu Migao Engineering Technology Corporation Ltd ("Chengdu Migao") of nil, RMB13,206,000 and nil, respectively, 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).

(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 [**REDACTED**].

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.

(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 [**REDACTED**].

	Maximum amount during the Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Liu	2,234	2,234	3,535

(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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	(62,381)	(22,451)	–
91-180 days	(40,413)	(12,258)	–
Over 1 year	(9,000)	–	–
	(111,794)	(34,709)	–

Included in the amounts due to joint ventures, amounts of RMB67,937,000, RMB34,709,000 and nil, 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, 2022 and 2023 (see note 33).

As at 31 March 2021, 2022 and 2023, the Group made prepayment for purchase of raw materials and finished goods to the joint venture of nil, nil and RMB33,061,000, respectively, by endorsed billed 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).

(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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	(29,119)	–	–
Over 1 year	–	(6,168)	–
	(29,119)	(6,168)	–

(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 and repayable on 31 December 2023. As represented by the directors of the Company, the balance will be fully settled prior to the [**REDACTED**].

(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 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Joint ventures				
Baoqing Migao	Sales of finished goods	104,502	–	N/A
	Purchases of raw materials and finished goods	119,152	114,111	N/A
	Interest income	6,354	3,718	N/A
Anda Migao	Sales of finished goods	–	385	N/A
	Purchases of raw materials and finished goods	3,686	145,097	N/A
	Interest income	806	9,011	N/A
Yunnan Eurochem	Sales of raw materials and finished goods	30,713	90,202	156,515
	Purchases of raw materials and finished goods	50,821	54,369	2,994
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
	Purchases of equipment	–	221	–
Zunyi Migao	Sales of finished goods	–	–	–
	Purchases of raw materials	544	3,374	–
	Purchases of equipment	–	–	–
	Repayment of lease liabilities	2,066	2,162	2,626
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
A related company of Heilongjiang BeidaHuang	Interest expense	–	–	5,008
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 and 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 and nil, respectively.

As at 31 March 2021, 2022 and 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 and RMB280,000,000, respectively. As represented by the directors of the Company, the related financial guarantees will be released prior to the [**REDACTED**].

As at 31 March 2021, 2022 and 2023, some independent third parties provided financial guarantees in respect of bank facilities granted to the Group amounted to RMB7,000,000, 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 and 2023, the Group had restricted cash pledged for credit facilities as follows:

		As at 31 March	
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Bills payables	161,035	185,226	148,775
Deposits for letter of credits	84,535	5,072	21,709
	245,570	190,298	170,484

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 payable amount is required to be deposited at the bank as security for bills payables which total of approximately RMB338,801,000, RMB350,209,000 and RMB281,722,000 as at 31 March 2021, 2022 and 2023. The interest rate of restricted cash ranged from 0.01% to 2.25%, 0.01% to 2.25% and 0.01% to 2.25% as at 31 March 2021, 2022 and 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 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	358,433	609,255	215,153
Bills payables	338,801	350,209	281,722
Other tax payables	107,306	87,710	97,455
Accrued employee expense	2,824	5,211	4,561
Accrued issue costs and [**REDACTED**] expenses	1,963	16,449	8,043
Payables for transportation costs	13,568	24,263	2,798
Payables for CIP and PPE	3,680	34,488	–
Others	33,545	25,387	20,898
	860,120	1,152,972	630,630

	The Company		
	As at 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Accrued issue costs and [**REDACTED**] expenses	1,963	16,449	8,043
Others	1,068	5,426	4,432
	3,031	21,875	12,475

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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
0 – 90 days	232,346	529,988	66,221
91 – 180 days	45,621	70,148	104,101
181 – 360 days	2,720	5,626	41,075
Over 1 year	77,746	3,493	3,756
	358,433	609,255	215,153

	As at 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Bills payables			
0 – 90 days	27,741	75,999	88,714
91 – 180 days	60,940	82,809	28,728
181 – 360 days	250,120	191,401	164,280
	338,801	350,209	281,722

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 and RMB97,124,000, 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	
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Contract liabilities			
– third parties	373,705	611,973	335,978
– a joint venture	35,070	–	–
	408,775	611,973	335,978

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	
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Secured bank loans	167,018	179,265	244,738
Advance from banks on discounted bills receivables with recourse *(note 33)*	12,000	153,162	–
	179,018	332,427	244,738
Analysed as:			
Current	129,018	292,427	164,738
Non-current	50,000	40,000	80,000
	179,018	332,427	244,738
Carrying amount repayable within one year and shown under current liabilities	129,018	292,427	164,738
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
	179,018	332,427	244,738

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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Plant and equipment	31,652	29,489	30,484
Right-of-use assets	5,928	5,759	18,278
	37,580	35,248	48,762

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 As at 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Fixed-rate borrowings:			
Denominated in RMB (ranging from 2.85% to 5.00%, 1.90% to 6.15% and 3.40% to 5.00% as at 31 March 2021, 2022 and 2023 respectively)	86,000	242,427	90,000
Denominated in USD (3.60%, nil and 4.05% as at 31 March 2021, 2022 and 2023, respectively)	43,018	–	24,738
	129,018	242,427	114,738
Variable-rate borrowings:			
Denominated in RMB (5.10%, 5.10% and ranging from 3.25% to 4.95% as at 31 March 2021, 2022 and 2023, respectively) *(Note)*	50,000	90,000	130,000
	179,018	332,427	244,738

Note: For variable-rate bank borrowings denominated in RMB, the variable rates at 134% of Prime, 134% of Prime and range from 89% of Prime to 136% of Prime as at 31 March 2021, 2022 and 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		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Maturity analysis:			
Less than one year	4,582	4,142	6,151
1 to 2 years	1,376	2,775	4,977
2 to 5 years	–	2,012	536
	5,958	8,929	11,664
Less: Future finance charges	(192)	(611)	(607)
Present value of lease obligations	5,766	8,318	11,057
Analysed as:			
Current	4,406	3,770	5,681
Non-current	1,360	4,548	5,376
	5,766	8,318	11,057

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 and 2023 represented the share capital of the Company of approximately RMB66,000.

The Company

	Number of shares	Share capital	Presented as
		USD	*RMB'000*
Ordinary shares of USD1 each			
Authorised			
At 31 March 2021, 2022 and 2023	50,000	50,000	330
Issued and fully paid			
At 31 March 2021, 2022 and 2023	10,000	10,000	66

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 and 2023 amounted to approximately RMB933,000, RMB2,865,000 and RMB4,229,000, respectively.

31. OPERATING LEASES

The Group as lessor

Property rental income earned during the Track Record Period was RMB2,799,000, RMB1,473,000 and RMB1,127,000. 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	
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,586	970	977
In the second year	970	970	347
In the third year	970	347	–
In the fourth year	347	–	–
	3,873	2,287	1,324

32. CAPITAL COMMITMENTS

		As at 31 March	
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Commitments for capital expenditure	1,567	19,449	231

33. TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 March 2021, 2022 and 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	Bills receivables endorsed to suppliers with full recourse	Bills receivables endorsed to related companies with full recourse	Bills receivables endorsed to joint ventures with full recourse	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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)
	–	–	15,150	–	15,150

As at 31 March 2022

	Bills receivables discounted to banks with full recourse	Bills receivables endorsed to suppliers with full recourse	Bills receivables endorsed to related companies with full recourse	Bills receivables endorsed to a joint venture with full recourse	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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)
	1,459	–	13,206	–	14,665

As at 31 March 2023

	Bills receivables discounted to banks with full recourse	Bills receivables endorsed to suppliers with full recourse	Bills receivables endorsed to related companies with full recourse	Bills receivables endorsed to a joint venture with full recourse	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of transferred assets	–	97,124	–	33,061	130,185
Carrying amount of associated liabilities	–	(97,124)	–	–	(97,124)
	–	–	–	33,061	33,061

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	
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets:			
Financial assets at amortised cost (including bank balances and cash)	1,080,677	1,166,733	918,646
Financial liabilities:			
Amortised cost	1,159,757	1,707,276	1,054,885

The Company

		As at 31 March	
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets:			
Financial assets at amortised cost (including bank balances and cash)	342	400	3,181
Financial liabilities:			
Amortised cost	17,538	46,412	75,890

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 arises.

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 31 March**		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
United States Dollar ("USD")	2,309	2,675	34	43,875	–	27,247

Sensitivity analysis

The Group is exposed to fluctuation in USD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD for each of the years ended 31 March 2021, 2022 and 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 and 2023 where RMB strengthen 5% against the USD. For a 5% weakening of RMB against USD, there would be an equal and opposite impact on the post-tax profit for the years ended 31 March 2021, 2022 and 2023.

	Year ended 31 March		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
USD	1,767	(114)	1,157

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 and 2023. The analysis is prepared assuming the amount of bank borrowings outstanding at 31 March 2021, 2022 and 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 and 2023 would be decreased/increased by approximately RMB188,000, RMB338,000 and RMB488,000, 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 and 2023 on the trade and bills receivables from one of the Group's largest customers amounting to approximately RMB4,756,000, RMB15,433,000 and RMB26,164,000, respectively and accounted for 1%, 3% and 8%, 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 and 2023, 25%, 7% and 29% 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 and 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

Internal credit rating	Description	Trade receivables	Other financial assets/other items
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 and nil as at 31 March 2021, 2022 and 2023. The outstanding financial guarantees of RMB123,630,000, nil and nil has been utilised by the related company and the joint venture as at 31 March 2021, 2022 and 2023. The fair value of these financial guarantee, as at dates of initial recognition, were considered insignificant. As at 31 March 2021, 2022 and 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 and 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		
					2021	**2022**	**2023**
					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
			Low risk	Lifetime ECL (individual assessment)	107,339	130,693	70,384
			Loss	Credit-impaired	6,637	6,786	11,740
					230,910	308,305	200,370
Bills receivables	*22*	N/A	Low risk	12-month ECL	208,601	302,713	140,886
Other receivables	*22*	N/A	Low risk	12-month ECL	57,907	68,764	27,553
Amounts due from joint ventures	*23*	N/A	Low risk	12-month ECL	29,801	30,417	27,490
Amount due from a related company	*23*	N/A	Low risk	Lifetime ECL (individual assessment)	21,575	–	–
Loans to joint ventures	*23*	N/A	Low risk	12-month ECL	237,249	–	–

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount As at 31 March		
					2021	**2022**	**2023**
					RMB'000	*RMB'000*	*RMB'000*
Amount due from a shareholder	*23*	N/A	Low risk	12-month ECL	2,234	1,838	3,535
Restricted cash	*24*	Baa3 – Aa3	N/A	12-month ECL	245,570	190,298	170,484
Bank balances	*24*	Baa3 – Aa3	N/A	12-month ECL	54,707	283,456	365,731
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 and 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 and RMB82,124,000 respectively as at 31 March 2021, 2022 and 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					
	Average loss rate	**2021**	**Average loss rate**	**2022**	**Average loss rate**	**2023**
		RMB'000		*RMB'000*		*RMB'000*
Low risk	0.47%	28,482	3.05%	127,454	1.90%	36,792
Watch list	0.68%	88,452	10.13%	43,372	3.85%	81,454
		116,934		170,826		118,246

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, respectively. During the year ended 31 March 2021 and 2023, the Group reversed net impairment allowance of approximately RMB2,037,000 and RMB3,958,000 for trade and unbilled receivables, based on the collective assessment.

During the year ended 31 March 2022, the Group recognised net impairment allowance of approximately RMB3,483,000 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.

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)	**Lifetime ECL (credit-impaired)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 April 2020	10,831	–	10,831
Impairment loss recognised	536	6,637	7,173
Impairment loss reversed	(10,127)	–	(10,127)
As at 31 March 2021	1,240	6,637	7,877
Impairment loss recognised	11,381	149	11,530
Impairment loss reversed	(349)	–	(349)
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)
As at 31 March 2023	5,663	11,740	17,403

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 and 2023, the Group had available unutilised aggregate banking facilities of approximately RMB425,341,000, RMB395,926,000 and RMB643,540,000, respectively.

The following tables detail the Group's remaining contractual maturity for its non-derivative 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	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 March 2021							
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		412,737	332,590	370,436	245,776	1,361,539	1,165,523
As at 31 March 2022							
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		400,131	642,186	631,490	47,456	1,721,263	1,715,594
As at 31 March 2023							
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		402,067	155,864	429,517	88,771	1,076,219	1,065,942

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**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**Total undiscounted cash flows**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 March 2021							
Financial liabilities							
Other payables	–	3,031	–	–	–	3,031	3,031
Amounts due to subsidiaries	–	14,507	–	–	–	14,507	14,507
Total		17,538	–	–	–	17,538	17,538
As at 31 March 2022							
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
As at 31 March 2023							
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

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	Related amounts not set off in the consolidated statement of financial position	
		Financial instruments	Net amount
	RMB'000	*RMB'000*	*RMB'000*
Financial asset			
Restricted cash	245,570	(161,035)	84,535
Financial liability			
Bills payables	(338,801)	161,035	(177,766)

As at 31 March 2022

	Gross amounts presented on consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position	
		Financial instruments	Net amount
	RMB'000	*RMB'000*	*RMB'000*
Financial asset			
Restricted cash	190,298	(185,226)	5,072
Financial liability			
Bills payables	(350,209)	185,226	(164,983)

As at 31 March 2023

	Gross amounts presented on consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position	
		Financial instruments	Net amount
	RMB'000	*RMB'000*	*RMB'000*
Financial asset			
Restricted cash	170,484	(148,775)	21,709
Financial liability			
Bills payables	(281,722)	148,775	(132,947)

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	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 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
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
At 31 March 2023	244,738	175,716	105,817	11,057	–	2,502	539,830

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 and 2023, the Group offset the amounts due to joint ventures with loans to joint ventures amounted to approximately RMB72,301,000, RMB189,986,000 and nil, respectively.

As at 31 March 2021, 2022 and 2023, the Group made prepayments for purchase of equipment to Chengdu Migao of nil, RMB13,206,000 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

	RMB'000
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)
Total	117,722

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:

	RMB'000
Interest in Baoqing Migao as joint venture remeasured at fair value immediately before obtaining control *(Note)*	97,932
Plus: non-controlling interests (23% in Baoqing Migao)	29,253
Less: recognised amounts of net assets acquired	(117,722)
Goodwill arising on acquisition	9,463

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:

	RMB'000
Cash consideration paid	–
Less: cash and cash equivalents balances acquired	24,600
	24,600

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

	RMB'000
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)

	RMB'000
Contract liabilities	(3,296)
Loan from a related company	(95,020)
Loan from the Group	(106,041)
Tax liabilities	(5,032)
Total	260,784

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:

	RMB'000
Interest in Anda Migao as joint venture remeasured at fair value immediately before obtaining control *(Note)*	169,509
Plus: non-controlling interests (35% in Anda Migao)	91,275
Less: recognised amounts of net assets acquired	(260,784)
Goodwill arising on acquisition	–

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:

	RMB'000
Cash consideration paid	–
Less: cash and cash equivalents balances acquired	3,781
	3,781

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 logistics and warehousing 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.

	RMB'000
Other receivables	79
Bank balances	1,702
Other payables	(22)
Amount due to a related company	(3,224)
Total	(1,465)

Net cash inflow on acquisition of Tongjiang Migao:

	RMB'000
Cash consideration paid	–
Less: cash and cash equivalents balances acquired	1,702
	1,702

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 31 March 2021 %	2022 %	2023 %	Date of the report %	Principal activities
H.K. Migao Industry Limited *(note i)**	Hong Kong 24 August 2005	N/A	HK$60,878,463	100	100	100	100	Investment holding
Migao International* (Singapore) Pte Ltd. *(note ii)*	Singapore 31 March 2010	SGD2,800,000	SGD2,800,000	100	100	100	100	Trading of specialty potash-based fertilizers
Guangdong Migao Chemical Co., Ltd. *(notes iii & x)*	The PRC 30 April 2004	CAD17,000,000	N/A	100	100	100	100	Manufacturing and trading of specialty potash-based fertilizers
Sichuan Migao Chemical Fertiliser Co., Ltd. *(notes iv & x)*	The PRC 6 June 2003	RMB116,480,000	N/A	100	100	100	100	Manufacturing and trading of specialty potash-based fertilizers
Migao Chemical (Changchun) Co., Ltd. *(notes v & x)*	The PRC 5 December 2006	CAD13,160,000	N/A	100	100	100	100	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 31 March 2021 %	2022 %	2023 %	Date of the report %	Principal activities
Daxing Migao *(notes vi & xi)*	The PRC 5 November 1996	RMB50,000,000	N/A	51	51	51	51	Manufacturing and trading of specialty potash-based fertilizers
Baoqing Migao *(notes vii & xi & xii)*	The PRC 14 May 2018	RMB100,000,000	N/A	N/A	77	77	77	Manufacturing and trading of specialty potash-based fertilizers
Anda Migao *(notes viii & xi & xii)*	The PRC 19 June 2018	RMB240,000,000	N/A	N/A	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	Investment holding
Migao International (Malaysia) Sdn. Bhd. *(note ix)*	Malaysia 10 July 2017	RM2	RM2	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	Logistics and warehousing 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	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 and 2022.

(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

On [●], 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 [●], 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 [●], conditional on the share premium account of the Company being credited as a result of the initial [**REDACTED**] of shares of the Company, the directors are authorised to capitalise an amount of USD[**REDACTED**] 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 [**REDACTED**] 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 preceeding the date the shares of the Company that are [**REDACTED**] 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.