
SUMMARY

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

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

OVERVIEW

We are a national potash fertiliser company in China with sourcing and procurement, and processing and manufacturing capabilities selling various potash fertiliser products, including KCL, SOP, NOP and compound fertilisers. We ranked the third among potash fertiliser companies in China in terms of sales volume of potash fertilisers in 2022 and we ranked the second among fertiliser companies without its own potash mineral resources (i.e., non reserve-based potash fertiliser companies) in China in 2022 by the same measure. We accounted for approximately 7.1% of the total sales volume of potash fertilisers in China for 2022. In terms of sales revenue of KCL, SOP and NOP in 2022, we ranked the third, the fourth and the fifth among potash fertiliser companies in China, respectively, and accounted for approximately 7.0%, 4.0% and 0.3% of the total sales revenue of KCL, SOP and NOP, respectively, in China for the same year. Due to the discontinuation of production of our Chengdu Production Facility, we did not manufacture any NOP and only sold NOP to our customers by resale during the Track Record Period.

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

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

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

Notes:

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

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

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

COMPETITIVE STRENGTHS

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

BUSINESS STRATEGIES

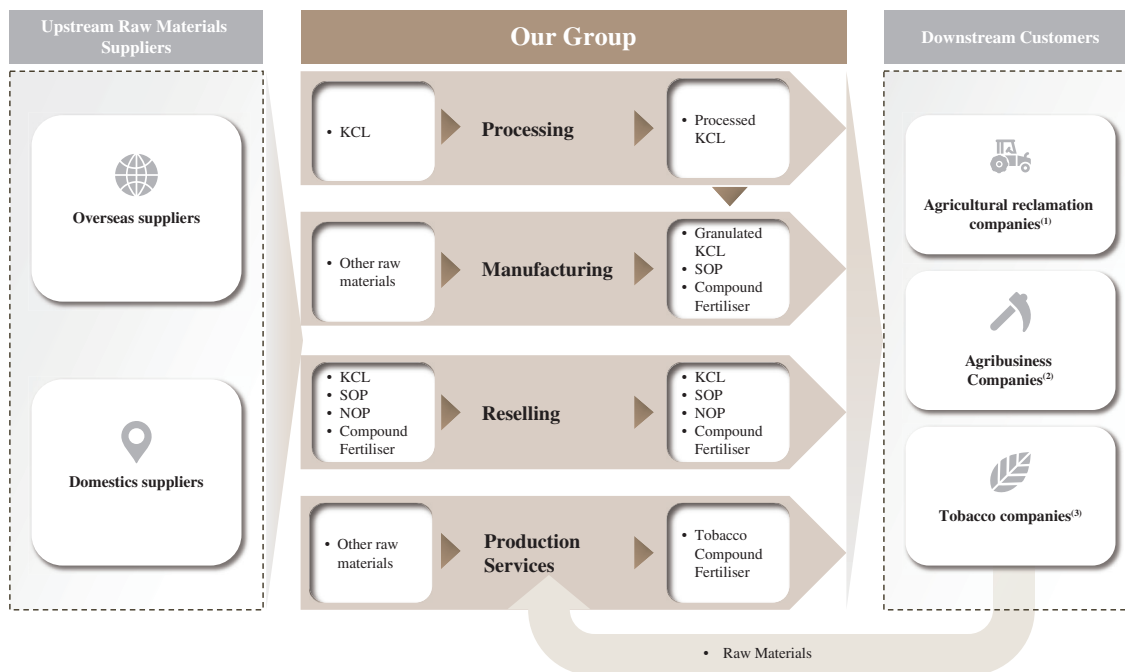
We intend to continue to strengthen and develop our existing market and industry position by adopting the following strategies while striving to enhance shareholder value and pursue growth strategies: (i) strengthening our cooperation with major customers and expansion of our customer base; (ii) expansion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

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BUSINESS MODEL

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

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



Notes:

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

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

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

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

PRODUCTION FACILITIES AND UTILISATION

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

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

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

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

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

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

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

CUSTOMERS AND SUPPLIERS

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

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

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strategic relationships and cooperations would benefit our customers and us mutually, as our customers are able to secure stable supply of quality fertiliser products while we are able to secure solid and stable demand for our fertiliser products.

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

PURCHASES AND SALES

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

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

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	Year ended 31 March			Eight months ended	
				30 November	
	2021	2022	2023	2022	2023
Sales volume					
• KCL (Tonne)	725,405	1,109,099	1,066,950	578,170	749,913
• SOP (Tonne)	224,201	162,599	123,642	53,036	81,670
• NOP (Tonne)	13,167	2,230	2,520	2,177	388
• Compound fertilisers ⁽⁵⁾ (Tonne)	81,892	10,982	19,085	3,632	3,489
Average selling price⁽³⁾					
• KCL (RMB/tonne) ⁽⁴⁾	1,723.9	2,867.7	3,771.6	4,112.8	2,598.2
• SOP (RMB/tonne)	2,328.4	3,281.5	3,850.3	4,030.4	3,065.8
• NOP (RMB/tonne)	3,726.6	4,006.1	6,097.7	5,691.4	6,043.7
• Compound fertilisers ⁽⁵⁾ (RMB/tonne)	2,364.5	2,275.7	2,501.8	2,701.8	2,397.2
Gross profit margin					
Overall gross profit margin (%)	12.0	16.5	16.3	16.9	14.4
• KCL (%)	10.3	15.0	17.1	17.5	13.5
• SOP (%)	15.6	23.5	10.5	13.5	22.0
• NOP (%)	2.9	(1.1)	8.5	10.4	7.5
• Compound fertiliser (%) ⁽⁵⁾	11.8	1.7	15.2	13.8	15.2
Change in profit before tax if unit cost of goods sold of KCL increases/(decreases) by					
• 10% (RMB'000)	(112,147)/ 112,147	(270,493)/ 270,493	(333,555)/ 333,555	(196,238)/ 196,238	(168,612)/ 168,612
• 20% (RMB'000)	(224,294)/ 224,294	(540,986)/ 540,986	(667,109)/ 667,109	(392,475)/ 392,475	(337,224)/ 337,224
• 100% (RMB'000)	(1,121,468)/ 1,121,468	(2,704,932)/ 2,704,932	(3,335,547)/ 3,335,547	(1,962,376)/ 1,962,376	(1,686,118)/ 1,686,118

Notes:

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

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Purchases

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

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

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

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into account of the trend of the prevailing international market price of KCL at the relevant time. As direct materials is a significant contribution to our cost of goods sold and purchase costs of KCL is a significant contribution to our direct materials cost, changes in our purchase price of imported KCL will therefore affect the changes in our unit cost of goods sold.

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

Sales

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

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

Pricing and Profitability

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

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

INVENTORY

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

COMPETITION

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

RISK FACTORS

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

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

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

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

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

SUMMARY

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

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

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

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

SUMMARY

Profit for the year/period

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

Summary of Consolidated Statements of Financial Position

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

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

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

SUMMARY

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

Summary of Consolidated Cash Flow

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

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

SUMMARY

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

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

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

SUMMARY

Key Financial Ratios

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

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

SHAREHOLDER INFORMATION

Our Controlling Shareholders

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

[REDACTED] STATISTICS

Expected market [REDACTED]⁽¹⁾:

HK\$[REDACTED] million to
HK\$[REDACTED] million

[REDACTED]:

[REDACTED] Shares (subject to the
[REDACTED])

[REDACTED]:

Not more than HK\$[REDACTED] per
[REDACTED] and is expected to be not
less than HK\$[REDACTED] per
[REDACTED] (excluding brokerage, SFC
transaction levy, Hong Kong Stock
Exchange trading fee and the AFRC
transaction levy)

SUMMARY

Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 30 November 2023 per Share ⁽²⁾ :	HK\$[REDACTED] (based on the [REDACTED] of HK\$[REDACTED] per [REDACTED])
	HK\$[REDACTED] (based on the [REDACTED] of HK\$[REDACTED] per [REDACTED])

Notes:

- (1) The calculation of market [REDACTED] is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised at all).
- (2) Please refer to Appendix II to this document for the bases and assumptions in calculating this figure.

USE OF [REDACTED]

We estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million from the [REDACTED]), assuming that the [REDACTED] is not exercised, after deducting the [REDACTED] commissions and other estimated [REDACTED] expenses payable by us and assuming the initial [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range. We intend to use (i) approximately [REDACTED]% of the net [REDACTED] from the [REDACTED] for the investment and construction of the Heilongjiang Warehousing and Production Centre; (ii) approximately [REDACTED] of the net [REDACTED] from the [REDACTED] for the investment and construction of our New Sichuan Production Facility; (iii) approximately [REDACTED]% of the net [REDACTED] from the [REDACTED] to fund the establishment of a research and development centre; (iv) approximately [REDACTED]% of the net [REDACTED] from the [REDACTED] to purchase new equipment and machinery; and (v) approximately [REDACTED]% of the [REDACTED] from the [REDACTED] for additional working capital and other general corporate purposes. Please refer to the section headed “Future Plans and Use of [REDACTED]” in this document for details.

DIVIDENDS

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

SUMMARY

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

[REDACTED] EXPENSES

Our [REDACTED] expenses primarily consist of [REDACTED] commissions and professional fees paid to the professional advisers for their services rendered in relation to the [REDACTED] and the [REDACTED]. The total estimated [REDACTED] expenses (based on the midpoint of our indicative price range for the [REDACTED] and assuming that the [REDACTED] is not exercised, including [REDACTED] commissions and excluding any discretionary incentive fee which may be payable by us) in relation to the [REDACTED] are RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED], of which (i) RMB[REDACTED] million, RMB[REDACTED] million, RMB[REDACTED] million, RMB[REDACTED] million and RMB[REDACTED] million has been charged to our consolidated statements of profit or loss for the period before the Track Record Period, FY2021, FY2022, FY2023 and 8MFY2024, respectively; (ii) RMB[REDACTED] million is expected to be charged to our consolidated statements of profit or loss after the Track Record Period; and (iii) RMB[REDACTED] million is expected to be accounted for as a deduction from equity upon the [REDACTED]. The aforementioned estimated [REDACTED] expenses of approximately HK\$[REDACTED] million include (i) [REDACTED] related expenses of approximately HK\$[REDACTED] million; (ii) non-[REDACTED] related fees and expenses paid and payable to legal advisers and reporting accountants, of approximately HK\$[REDACTED] million; and (iii) other non-[REDACTED] related fees and expenses of HK\$[REDACTED] million.

BUSINESS DEALINGS WITH THIRD PARTIES SUBJECT TO INTERNATIONAL SANCTIONS

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

SUMMARY

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

MEASURES TAKEN BY US TO ADDRESS KCL SUPPLY UNCERTAINTY

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

COVID-19

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

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

SUMMARY

this document. Although some parts of our operations have been affected by the COVID-19 pandemic, the COVID-19 pandemic outbreak has not materially adversely affected our overall results of operations or financial conditions as we recorded an increasing trend in our revenue from FY2021 to FY2023.

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

RECENT DEVELOPMENTS

Recent Operational Developments

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

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

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

SUMMARY

[REDACTED]

NO MATERIAL ADVERSE CHANGE

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