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 one of the largest potash fertiliser companies, in terms of sales volume of potash fertilisers in China in 2022, with comprehensive sourcing, manufacturing, processing and selling capabilities offering various potash fertiliser products, including KCL, SOP, NOP and compound fertilisers. According to the Frost & Sullivan Report, we ranked the third among potash fertiliser companies in China in terms of sales volume of potash fertilisers in 2022 and we ranked the second among non reserve-based potash fertiliser companies in China in 2022 by the same measure. We accounted for approximately 6.0% of the total sales revenue of potash fertilisers in China for the same year. In terms of sales volume 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. Among the top five potash fertiliser companies in China, we are the only fertiliser supplier that offers comprehensive product lines, namely KCL, SOP, NOP and compound fertilisers. In 2020, we were granted the "Meritorious Enterprise of the Potash Salt and Potash Fertiliser Industry of China" by the potash salt and potash fertilisers branch of the China National Inorganic Salts Industry Association. We have been appraised as the "Top Ten Potash Fertilisers of China" and the "Top 100 Chemical Fertiliser Enterprises of China" of the year consecutively since 2016 by China National Chemical Information Center and China Chemical Industry Information Association.

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, among which, Baoqing Production Facility and Anda Production Facility in Heilongjiang Province are owned by Baoqing Migao and Anda Migao respectively, which have become our subsidiaries since 31 March 2022. We also had our Chengdu Production Facility located in Sichuan Province, which is subject to relocation due to change of zoning policy by the local government. All of our production facilities are well situated at main plantation zones in China. The strategic site selection of our physical presence and well-developed transportation networks enjoyed by these production facilities enable us to provide potash fertiliser products to our customers in a timely and cost-effective manner and to promptly provide after-sales services.

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, SOP and compound fertiliser products were 390,000 tonnes, 400,000 tonnes, and 172,000 tonnes, respectively. We also manufactured NOP products at our Chengdu Production Facility prior to cessation of production in January 2019 due to change of zoning policy by the local government for the area where our Chengdu Production Facility is located. We are currently planning to build our New Sichuan Production Facility in Mianyang City, Sichuan Province, which is expected to commence construction around the first half of 2024, to enable us to resume the production of NOP.

During the Track Record Period, benefited from the steady growth in demand for potash fertilisers in the PRC market, we achieved a steady growth. 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.

COMPETITIVE STRENGTHS

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

- we are one of the largest potash fertiliser companies, in terms of sales volume of potash fertilisers in China in 2022, offering quality and diversified potash fertiliser products;

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

- we have multiple channels for comprehensive procurement of raw materials for potash fertilisers to secure steady supply;

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

- our management team possess profound 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:

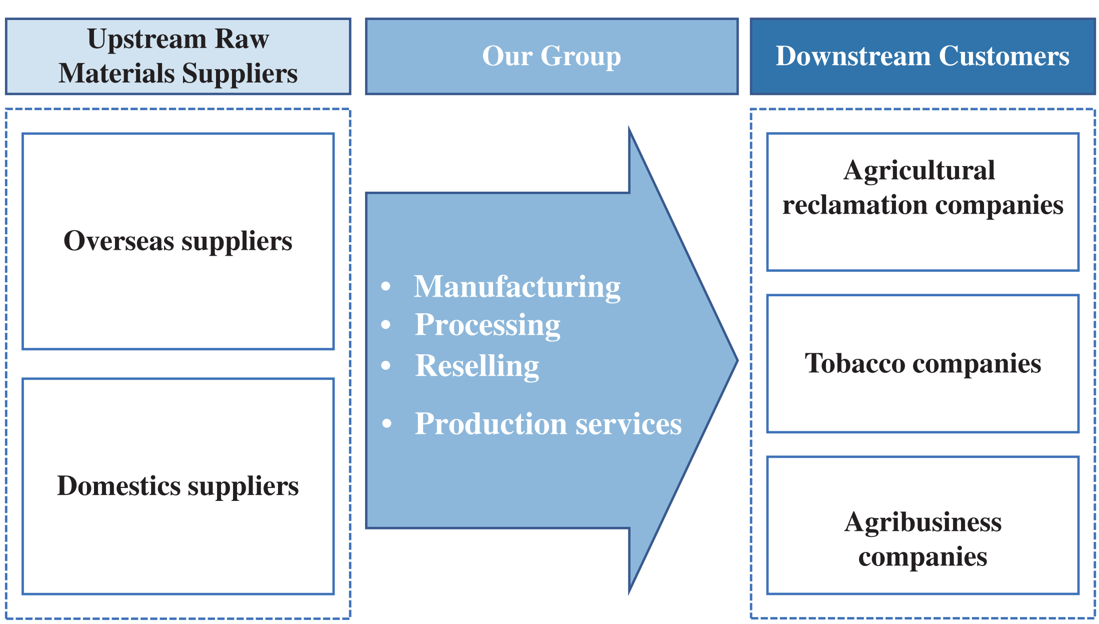
- strengthening our cooperation with major customers and expansion of our customer base;
- expansion of procurement scale and diversification of procurement channels;
- continuous investment in research and development to maintain industrial position, and enhancing product competitiveness; and
- establishment 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.

BUSINESS MODEL

During the Track Record Period, our major products were KCL and SOP. The aggregate sales of KCL and SOP contributed to approximately 85.2%, 96.7% and 95.3% of our total revenue for FY2021, FY2022 and FY2023, respectively, while the remaining were primarily generated from the sales of NOP, compound fertilisers, and by-products and other products, which primarily consist of HCL, as a by-product from the manufacturing process of SOP, and fertiliser additive.

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



Our SOP and compound fertiliser products are manufactured and our KCL are granulated at our own production facilities in accordance with PRC national standard and/or our customers' specifications. In addition, we also sell processed KCL products to our customers. We generally engage third parties to process our purchased KCL by adding certain additives and repackage the processed KCL products for sale to our customers. We also source and resell KCL, SOP, NOP and compound fertiliser products to our customers without further manufacturing or processing.

Since the fourth quarter of 2021, we started to provide fertiliser production services to one of our customers where it would provide us with the principal raw materials and we would manufacture them into compound fertiliser products in accordance with the stipulated product specifications. We charge a production fee for such services.

PRODUCTION FACILITIES AND UTILISATION

As at the Latest Practicable Date, we had five key production facilities. We also had our Chengdu Production Facility located in Sichuan Province, which is subject to relocation. 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, SOP and compound fertiliser products were 390,000 tonnes, 400,000 tonnes, and 172,000 tonnes, respectively.

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. Our KCL utilisation rate was 132.0%, 129.8% and 102.7% for FY2021, FY2022 and FY2023, respectively. Our KCL utilisation rate exceeded 100% for FY2021, FY2022 and FY2023 mainly because we occasionally utilised the granulating equipment of our SOP production lines at our Changchun Production Facility and Anda Production Facility for KCL granulation.

Our SOP utilisation rate was 78.7%, 53.0% and 29.7% for FY2021, FY2022 and FY2023, respectively. We had a low SOP utilisation rate of approximately 53.0% for SOP products for FY2022 primarily due to the general lower demand of SOP products by our customers as a result of high selling prices of SOP products. It led to some of our customers to choose to use KCL products as alternative to SOP products as KCL products can in general be used to replace, to some extent, SOP products, and thereby resulting in lower demand of SOP products for FY2022. We had a low SOP utilisation rate of approximately 29.7% for SOP products for FY2023 primarily due to a decrease in demand of SOP products by our customers as a result of a higher average selling price of SOP products during FY2023 as compared to that of FY2022.

Our compound fertiliser utilisation rate was 44.0%, 36.1% and 44.9% for FY2021, FY2022 and FY2023, respectively. Although all our fertiliser products are subject to seasonality impact, our compound fertiliser products are especially affected by seasonality impact. Given that compound fertiliser products generally need to be tailor made, we are not able to manufacture our compound fertiliser products during our non-peak season until we have confirmed the specific formulae with the customers which are generally provided to us close to the plantation season.

CUSTOMERS AND PRICING

During the Track Record Period and up to the Latest Practicable Date, we sold substantially all of our products in the PRC. We primarily sell our fertiliser products to agricultural reclamation companies, tobacco companies and agribusiness companies and primarily sell our by-products to industrial companies.

For FY2021, FY2022 and FY2023, sales to our largest customer accounted for approximately 27.9%, 22.4% and 20.0% of our total revenue, respectively, and sales to our top five customers accounted for approximately 58.1%, 59.4% and 52.4% of our total revenue, respectively.

We generally adopt a cost-plus approach to determine the prices of our products, under which we add a premium to the products' unit costs, which are calculated based on the raw material costs and their estimated manufacturing, administrative and sales costs, with reference to the prevailing market prices of similar products. For FY2021, FY2022 and FY2023, our average selling prices per tonne of our KCL, SOP, NOP and compound fertiliser products (excluding production fees) ranged from approximately RMB1,723.9 to RMB3,771.6, RMB2,328.4 to RMB3,850.3, RMB3,726.6 to RMB6,097.7 and RMB2,275.7 to RMB2,501.8, respectively. In general, SOP and NOP products which require chemical and more complicated manufacturing processes and have higher raw material costs are sold for higher prices than KCL products and compound fertiliser products.

We have developed strategic relationships and cooperations with our major customers. In 2018, (i) EuroChem Migao, our joint venture, sold 30% equity interests of Yunnan EuroChem to one of our key tobacco company customers; 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, with the remaining 49% owned by Guizhou Tobacco Investment, another key tobacco company customer of us. We believe that such strategic relationships and cooperations would benefit our customers and us mutually, as our customers are able to secure stable supply of quality fertiliser products while we are able to secure solid and stable demand for our fertiliser products.

RAW MATERIALS AND SUPPLIERS

Our primary raw materials used for the production of our fertiliser products are KCL, SOP, NOP and sulphuric acid, among which KCL is our main raw material. 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 designated agent. We also purchase KCL from domestic KCL suppliers who mostly source KCL overseas due to China's geologically lack of quality potash reserves and reliance on import of KCL from overseas countries. For FY2021, FY2022 and FY2023, our purchase of KCL accounted for approximately 77.7%, 86.6% and 90.4% of our total purchases, respectively.

According to the Frost & Sullivan Report, the price of KCL imported by sea in China is determined by the market selling price in China with reference to the sea import master contract price (the "**Sea Import Master Contract Price**") negotiated by a consortium of PRC state-owned enterprises with overseas KCL producers and suppliers usually each year in an annual master contract which specifies the price term. Further, according to the Frost & Sullivan Report, the import price of KCL in China by ground transportation (the "**Land Import Price**") is negotiated by a group of licenced cross-border trading companies. The Land Import Price is generally determined with reference to the Sea Import Master Contract Price and international market price for KCL.

For domestic suppliers, the price of KCL is commercially negotiated between us and these domestic KCL suppliers. For FY2021, FY2022 and FY2023, our average purchase price per tonne of KCL from overseas suppliers was approximately RMB1,539.8, RMB2,657.4, and RMB2,297.9, respectively, while our average purchase price per tonne of KCL from domestic suppliers for FY2021, FY2022 and FY2023 was approximately RMB1,818.4, RMB2,366.6 and RMB3,047.1, respectively. Our purchase price of KCL is determined by market conditions and prevailing market price with reference to the Sea Import Master Contract Price and the Land Import Price depending on the mode of purchase. The fluctuation of our average purchase price of KCL from overseas suppliers and domestic suppliers generally follows the general trend of fluctuation of the Sea Import Master Contract Price, save for our purchase of KCL from overseas suppliers in FY2023 as majority of such purchases were made in January 2023 to March 2023 where the market price of KCL had significantly declined.

For FY2021, FY2022 and FY2023, our unit cost of goods sold of KCL was RMB1,546.0 per tonne, RMB2,438.9 per tonne and RMB3,126.2 per tonne, respectively. Assuming all other variables remain constant, the following sensitivity analysis illustrates the impact of hypothetical fluctuations in the unit cost of goods sold of our KCL per tonne on our profit before tax for the years indicated. Based on the historical fluctuation of the unit cost of goods sold of our KCL and the Sea Import Master Contract Price during the Track Record Period up to the Latest Practicable Date, fluctuations are assumed to be 10%, 20% and 100% for the relevant indicated years:

	For the year ended 31 March		
	2021	**2022**	**2023**
		RMB'000	
Change in profit before tax if unit cost of goods sold KCL increases/(decreases) by 10%	(112,147)/ 112,147	(270,493)/ 270,493	(333,555)/ 333,555
Change in profit before tax if unit cost of goods sold KCL increases/(decreases) by 20%	(224,294)/ 224,294	(540,986)/ 540,986	(667,109)/ 667,109
Change in profit before tax if unit cost of goods sold KCL increases/(decreases) by 100%	(1,121,468)/ 1,121,468	(2,704,932)/ 2,704,932	(3,335,547)/ 3,335,547

The other major raw materials used in our production, namely, SOP, NOP and sulphuric acid, are procured in the PRC. We generally purchase SOP and NOP from local suppliers; we also purchase SOP and NOP from Guizhou Tobacco Investment, our tobacco company customer, for the manufacturing of compound fertiliser products for it. For sulphuric acid, we purchase from local suppliers in local areas close to our production facilities. Our total aggregate purchases of SOP, NOP and sulphuric acid for FY2021, FY2022 and FY2023, amounted to approximately RMB263.2 million, RMB236.8 million and RMB62.2 million, respectively, representing approximately 13.0%, 6.4% and 1.9% of our total purchases for the respective year.

For FY2021, FY2022 and FY2023, purchases from our largest supplier amounted to approximately RMB451.4 million, RMB706.8 million and RMB976.9 million, respectively, which accounted for approximately 22.4%, 19.1% and 29.2% of our total purchases, respectively. For the same years, purchases from our five largest suppliers amounted to approximately RMB1,531.7 million, RMB2,484.5 million and RMB2,491.4 million, respectively, which accounted for approximately 75.9%, 67.0% and 74.4% of our total purchases, respectively.

COMPETITION

We face intense competition in the potash fertiliser industry in the PRC. According to the Frost & Sullivan Report, 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 products 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) 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; (ii) we are exposed to fluctuation of purchase price and procurement costs of KCL, which could materially and adversely affect our business, financial performance and prospects; (iii) 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; (iv) we are exposed to market risks from fluctuating selling price of our fertiliser products in China; (v) 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; (vi) we rely on our major customers and our customer concentration may expose us to risks relating to fluctuation or decline in our revenue; (vii) decline in market demand for our major fertiliser products may have a material and adverse impact on us; and (viii) various permits and licences are required for our production and any loss of or failure to renew any of the necessary permits and licences may have a material and adverse impact on us.

SUMMARY OF FINANCIAL INFORMATION

The following tables summarise certain items of the historical consolidated financial information of our Group during the Track Record Period 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					
	2021		**2022**		**2023**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Revenue	2,081,579	100.0	3,841,400	100.0	4,722,749	100.0
Cost of goods sold	(1,830,838)	(88.0)	(3,207,977)	(83.5)	(3,955,216)	(83.7)
Gross profit	250,741	12.0	633,423	16.5	767,533	16.3
PROFIT BEFORE TAX	264,926	12.7	471,044	12.3	533,414	11.3
Income tax expense	(58,401)	(2.8)	(74,464)	(1.9)	(111,900)	(2.4)
PROFIT FOR THE YEAR	206,525	9.9	396,580	10.3	421,514	8.9
Profit for the year attributable to:						
Owners of our Company	202,294	9.7	396,337	10.3	405,089	8.6
Non-controlling interests	4,231	0.2	243	0.0	16,425	0.3
	206,525	9.9	396,580	10.3	421,514	8.9

Revenue

The following table sets forth the breakdown of our revenue by sales of each type of products and each item as a percentage of our total revenue for the years indicated:

	For the year ended 31 March					
	2021		**2022**		**2023**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue from sales of products						
– KCL	1,250,489	60.1	3,180,575	82.8	4,024,088	85.2
– SOP	522,039	25.1	533,569	13.9	476,058	10.1
– NOP	49,068	2.4	8,933	0.2	15,366	0.3
– Compound fertilisers	193,629	9.3	24,992	0.7	47,747	1.0
– By-Products and Others	66,354	3.2	72,527	1.9	129,449	2.7
Total	2,081,579	100.0	3,820,596	99.5	4,692,708	99.4

Our revenue was in increasing trend during the Track Record Period primarily due to the increase in sales volume of our KCL products from FY2021 to FY2022 and increase in our average selling price of KCL in each financial year of the Track Record Period. Please refer to the section headed "Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income – Revenue" in this document for further information.

The following table sets forth the breakdown of our revenue by each type of customers and each item as a percentage of our total revenue for the years indicated:

	For the year ended 31 March					
	2021		**2022**		**2023**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue by each type of customer						
– Agribusiness companies	818,978	39.3	2,425,590	63.1	3,220,948	68.2
– Agricultural reclamation companies	844,200	40.6	1,202,222	31.3	1,275,895	27.0
– Tobacco companies	233,364	11.2	71,020	1.8	81,055	1.7
– Others	185,038	8.9	142,568	3.7	144,851	3.1
Total	2,081,579	100.0	3,841,400	100.0	4,722,749	100.0

The major source of our revenue during the Track Record Period was from agribusiness companies, and secondly from agricultural reclamation companies.

Agribusiness Companies

The revenue from agribusiness companies increased from RMB819.0 million for FY2021 to RMB2,425.6 million for FY2022, primarily due to the increase in volume of our fertiliser products sold to agribusiness companies from approximately 426,506 tonnes for FY2021 to approximately 781,997 tonnes for FY2022 mainly as result of the increase in sales volume of KCL products to agribusiness companies from approximately 294,886 tonnes in FY2021 to approximately 699,563 tonnes in FY2022, and the increase in average selling price of our KCL products and SOP products in FY2022 due to the global supply uncertainty of KCL.

The revenue from agribusiness companies increased from RMB2,425.6 million for FY2022 to RMB3,220.9 million for FY2023, primarily due to the increase in sales volume of KCL products to agribusiness companies from approximately 699,563 tonnes in FY2022 to approximately 748,204 tonnes in FY2023 and the increase in the average selling price of our KCL products in FY2023 compared to FY2022 due to the global supply uncertainty of KCL.

Agricultural Reclamation Companies

The revenue from agricultural reclamation companies increased from RMB844.2 million for FY2021 to RMB1,202.2 million for FY2022, primarily due to the increase in average selling price of our KCL products and SOP products due to the global supply uncertainty of KCL.

The revenue from agricultural reclamation companies increased slightly from RMB1,202.2 million for FY2022 to RMB1,275.9 million for FY2023, primarily due to the increase in average selling price of our KCL products due to the global supply uncertainty of KCL.

Gross Profit and Gross Profit Margin

The following table sets forth the gross profit/(loss) and gross profit/(loss) margin by each type of products for the years indicated:

	For the year ended 31 March					
	2021		**2022**		**2023**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Gross profit/(loss) and gross profit/(loss) margin from sales of products						
– KCL	129,021	10.3	475,643	15.0	688,541	17.1
– SOP	81,552	15.6	125,576	23.5	49,848	10.5
– NOP	1,399	2.9	(102)	(1.1)	1,311	8.5
– Compound fertilisers	22,814	11.8	423	1.7	7,278	15.2
– By-Products and Others	15,955	24.0	25,899	35.7	10,634	8.2
Overall	250,741	12.0	627,439	16.4	757,611	16.1

Our gross profit and gross profit margin increased from FY2021 to FY2022 primarily due to the increase in gross profit and gross profit margin of our KCL products and SOP products from FY2021 to FY2022. Our gross profit increased from FY2022 to FY2023 primarily due to the increased in gross profit of our KCL products and our gross profit margin remained relatively stable for FY2022 and FY2023.

KCL: The increase in gross profit margin for sales of KCL products from approximately 10.3% for FY2021 to approximately 15.0% for FY2022 was primarily due to the significant increase in selling price of our KCL products of approximately 66.3%, which outpaced the increase in unit cost of goods sold of KCL products of approximately 57.8%. The increase in gross profit margin for sales of KCL products from approximately 15.0% for FY2022 to approximately 17.1% for FY2023 was primarily due to the increase in average selling price of our KCL products of approximately 31.5%, which outpaced the increase in unit cost of goods sold of our KCL products of approximately 28.2%.

SOP: The increase in gross profit margin for sales of SOP products from approximately 15.6% for FY2021 to approximately 23.5% for FY2022 was primarily due to the higher increase in the average selling price of our SOP products by approximately 40.9% than the increase in the unit cost of goods sold for SOP of approximately 27.7% as a result of the increase in average purchase price of KCL, despite the decrease in sales volume of SOP products in the same period. The decrease in gross profit margin for sales of SOP products from approximately 23.5% for FY2022 to approximately 10.5% for FY2023 was primarily due to the higher increase in the unit cost of goods sold of our SOP products by approximately 37.4% as a result of the increase in average purchase price of KCL in the same year than the increase in the average selling price of our SOP products of approximately 17.3%.

Please refer to the section headed "Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income – Gross Profit and Gross Profit Margin" in this document for further information.

The following table sets forth the breakdown of our gross profit and gross profit margin by each type of customers for the years indicated:

	For the year ended 31 March					
	2021		2022		2023	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Gross profit and gross profit margin by each type of customers						
– Agribusiness companies	105,094	12.8	519,174	21.4	610,537	19.0
– Agricultural reclamation companies	86,272	10.2	68,334	5.7	139,252	10.9
– Tobacco companies	36,480	15.6	15,874	22.4	11,691	14.4
– Other	22,895	12.4	30,040	21.1	6,052	4.2
Overall	250,741	12.0	633,423	16.5	767,533	16.3

During the Track Record Period, our gross profit was principally derived from the sale of KCL products and SOP products to agribusiness companies and agricultural reclamation companies.

Agribusiness Companies

We recorded an increase in gross profit and gross profit margin of agribusiness companies from FY2021 to FY2022, which is generally in line with the general increasing trend of the overall gross profit and gross profit margin of our KCL products and SOP products for the same years as discussed above.

The increase in gross profit of agribusiness companies from FY2022 to FY2023 was mainly due to the increase in gross profit contributed by the sales of our KCL products to agribusiness companies from RMB460.5 million for FY2022 to RMB556.0 million for FY2023 as a result of the increase in sales volume and average selling price of our KCL products to agribusiness companies. The decrease in gross profit margin of agribusiness companies from FY2022 to FY2023 was mainly due to the decrease in gross profit margin for the sales of our SOP products to agribusiness companies, which is generally in line with the general decreasing trend of the overall gross profit margin of our SOP products for the same year.

Agricultural Reclamation Companies

The decrease in gross profit and gross profit margin of agricultural reclamation companies from FY2021 to FY2022 was primarily due to the decrease in gross profit and gross profit margin for the sales of KCL products to agricultural reclamation companies in FY2022 as a result of the relatively higher unit cost of goods sold for KCL for the sale orders of KCL products to agricultural reclamation companies (mainly placed during the peak season in FY2022) due to global supply uncertainty of KCL.

The increase in gross profit of agricultural reclamation companies from FY2022 to FY2023 was primarily due to the increase in gross profit and gross profit margin for the sales of KCL products to agricultural reclamation companies in FY2023.

Profit for the year

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 products 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 products 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 products from RMB3,180.6 million for FY2022 to RMB4,024.1 million for FY2023.

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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	1,846,450	2,983,993	2,450,552
Current liabilities	1,695,572	2,488,710	1,574,373
Net current assets	150,878	495,283	876,179
Non-current assets	559,590	727,764	788,263
Non-current liabilities	54,711	48,129	88,549
Net assets	655,757	1,174,918	1,575,893
Non-controlling interests	29,067	147,633	155,081

Our net current assets amounted to RMB150.9 million, RMB495.3 million and RMB876.2 million at 31 March 2021, 2022 and 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, primarily attributable to the profit for the year of RMB396.6 million and RMB421.5 million for FY2022 and FY2023, respectively. For detailed information, please refer to the section headed "Financial Information – Selected Balance Sheet Items" in this document.

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.

Summary of Consolidated Cash Flow

The following table sets forth selected cash flow data from our consolidated cash flow statements for the years 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		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net cash from (used in) operating activities	261,236	(332)	134,055
Net cash (used in) investing activities	(79,655)	(6,243)	(91,270)
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

During the Track Record Period, net operating cash outflow of RMB0.3 million was recorded in FY2022. The net operating cash outflow recorded in FY2022 was primarily attributable to the increase in trade and bills receivables and inventories prepayment which is in line with our sales growth and our strategy to maintain higher inventory reserve, partially offset by 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, the increase in amounts due to joint ventures mainly due to increase in outstanding amount payable to Guizhou Tobacco Investment for our purchases of raw materials and finished goods from them and the increase in deposits received from Guizhou Tobacco Investment for our sales of raw materials and finished goods to them, the increase in contract liabilities due to the increase in deposits made by our customers for sales orders in late FY2022, and 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.

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.

Key Financial Ratios

The following table sets forth certain key financial ratios as at or for the years 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		
	2021	**2022**	**2023**
Return on equity(1)	32.3%	38.6%	28.5%
Return on total assets(2)	8.4%	10.7%	12.5%
Current ratio (times)(3)	1.1	1.2	1.6
Gearing ratio(4)	22.2%	29.4%	19.8%
Interest coverage ratio (times)(5)	26.3	49.8	31.2
Net profit margin(6)	9.9%	10.3%	8.9%

Notes:

(1) For the years ended 31 March 2021, 2022 and 2023, return on equity ratio is calculated by dividing profit for the year attributable to the owners of our Company by total equity attributable to the owners of our Company as at each relevant year end and multiplying 100%.

(2) For 31 March 2021, 2022 and 2023, return on total assets ratio is calculated by dividing profit for the year attributable to the owners of our Company by total assets as at each relevant year end and multiplying 100%.

(3) Current ratio is total current assets as at each relevant year end as a percentage of total current liabilities as at each relevant year end.

(4) Gearing ratio is total debt divided by the sum of total capital plus total debt and multiplied by 100%. Total debt is calculated as the sum of bank borrowings and loans from related companies. Capital includes equity attributable to owners of our Company.

(5) Interest coverage ratio is profit before finance costs and income tax expense for the relevant year divided by finance costs for the relevant year.

(6) Net profit margin is profit for the year divided by revenue for the year and multiplied by 100%.

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.

OUR MILESTONES

Our Group was founded in June 2003 by Mr. Liu, our founder, chairman, chief executive officer, executive Director and our Controlling Shareholder with his personal funds, where he established Sichuan Migao, the first operating PRC subsidiary of our Group and commenced the business in the production of NOP. Since then, our Group has expanded to the production of other products, such as KCL, SOP and compound fertiliser products and we are now one of the largest potash fertiliser companies in terms of sales volume of potash fertilisers in China in 2022, with integrated sourcing, manufacturing, processing and selling capabilities. For further details and our milestones, please refer to the sections headed "History, Reorganisation and Corporate Structure – Overview" and "History, Reorganisation and Corporate Structure – History and Development – Key Business Milestones" in this document.

[**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)
Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 March 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 Logistics 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 purchase new equipment and machinery; (iv) approximately [**REDACTED**]% of the net [**REDACTED**] from the [**REDACTED**] to fund the construction of a research and development centre; and (v) approximately [**REDACTED**]% of the net [**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

No dividend was paid or declared by our Company since its incorporation. However, the group entities comprising our Group has paid or declared dividends during the Track Record Period, which included (i) a final dividend in an aggregate amount of RMB4.0 million, RMB4.5 million and RMB4.0 million has been declared by Daxing Migao during the years ended 31 March 2021, 2022 and 2023, respectively, each of which has been paid by Daxing Migao during the years ended 31 March 2021, 2022 and 2023, respectively; (ii) a final dividend in an aggregate amount of RMB6.4 million has been declared and paid by Baoqing Migao during FY2023; and (iii) a final dividend of RMB15.9 million has been declared and paid by Anda Migao during FY2023.

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$[**REDACTED**] million), representing approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], of which (i) RMB[**REDACTED**] million, RMB[**REDACTED**] million, RMB[**REDACTED**] million and RMB[**REDACTED**] million has been charged to our consolidated statements of profit or loss for the period before the Track Record Period, FY2021, FY2022 and FY2023, respectively; (ii) RMB[**REDACTED**] million is expected to be charged to our consolidated statements of profit or loss for FY2024; and (iii) RMB[**REDACTED**] million is expected to be accounted for as a deduction from equity upon the [**REDACTED**]. The aforementioned estimated [**REDACTED**] expenses of approximately HK$[**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

Belarus

During the Track Record Period, we purchased a large amount of KCL, directly and indirectly, from Supplier D (which is purportedly the trading arm of the Belarus Producer). The Belarus Producer and Supplier D were designated by OFAC as SDNs on 9 August 2021 and 2 December 2021, respectively, accompanied with a general license issued by OFAC to each of them, allowing certain wind down transactions, which in the case of the Belarus Producer expired on 8 December 2021 (the "**Belarus General License 4**") and in the case of Supplier D expired on 1 April 2022 (the "**Belarus General License 5**").

Since Supplier D was designated by OFAC as an SDN, we have ceased entering into new purchase contracts with it. The final shipments of our direct purchase of KCL from Supplier D pursuant to the pre-existing contracts were shipped on 27 December 2021 and were received in China in February 2022; in addition, we had the following dealings with Supplier D as set out in details below.

Rebates from Supplier D and related set off arrangement

Under our purchase agreements with some of our suppliers, we are entitled to rebates on our purchases when we achieved the specified level of purchase volume. During the Track Record Period, we were entitled to rebates on our purchases from Supplier D pursuant to our contracts with Supplier D. As at 31 March 2022, the outstanding rebate receivable by Guangdong Migao from Supplier D amounted to approximately RMB39.2 million (equivalent to US$5.9 million). Such rebate receivable, together with the other excess prepayments by Guangdong Migao to Supplier D arising from previous purchases, was set off against the outstanding trade payable by Guangdong Migao to Supplier D under the 2021 Contract as further described below. Such set off was agreed with Supplier D and as a result of this set off, our remaining outstanding payable to Supplier D amounted to approximately RMB302.6 million (equivalent to US$47.9 million) as at 30 June 2022 (the "**Outstanding Supplier D Payable**"). The Outstanding Supplier D Payable was subsequently and substantially settled by way of a tripartite settlement arrangement as set out below.

The tripartite settlement arrangement in respect of the Outstanding Supplier D Payable involved Guangdong Migao, Supplier D and three fertiliser trading companies and the amount due to/from between them.

Between our Group and Supplier D: Guangdong Migao entered into a contract with Supplier D in March 2021 (as re-affirmed in November 2021) (the "**2021 Contract**") for purchase of potash. Guangdong Migao had made certain prepayments for the purchases under this contract in RMB in December 2021 but had not paid for the remaining accounts payable to Supplier D, being the Outstanding Supplier D Payable, prior to the expiry date of Belarus General License 5 on 1 April 2022. Guangdong Migao obtained confirmation from Supplier D that it had received all potash from the Belarus Producer prior to 8 December 2021 (i.e. the expiry date of Belarus General License 4). In addition, all potash under the 2021 Contract was shipped by Supplier D to us by 27 December 2021 (i.e., prior to 1 April 2022, the expiry date of Belarus General License 5).

Between our Group and the Fertiliser Traders: Separately, on 18 March 2021, Guangdong Migao entered into three contracts with Supplier A and two other fertiliser trading companies (collectively, the "**Fertiliser Traders**"), respectively. Guangdong Migao made various US$ and RMB prepayments to these Fertiliser Traders after 1 April 2022, but they had not fulfilled Guangdong Migao's purchases. While certain of these prepayments were in US$, we confirm that the prepayments were specifically for KCL sourced from Russia, and the Fertiliser Traders also confirmed that the prepayments did not result in any payments made to Supplier D or goods being delivered from Supplier D after 1 April 2022.

Between the Fertiliser Traders and Supplier D: The Fertiliser Traders informed Guangdong Migao that they also engaged in fertiliser trading with Supplier D and have made certain purchases for potash from Supplier D for which they prepaid in RMB prior to October or November 2021 (as the case may be). However, Supplier D could not satisfy their purchases and thus owed the Fertiliser Traders certain prepayments.

The Settlements: Supplier D proposed and the parties agreed to set off these debts (among Guangdong Migao, Supplier D and the Fertiliser Traders) in their respective accounting records. This tripartite set off arrangement was documented in three settlement confirmations signed on 31 July 2022 (the "**Settlements**"). As a result of these Settlements, the Outstanding Supplier D Payable was reduced to approximately RMB2.5 million (equivalent to US$0.4 million). Our Group does not intend to make any payment to Supplier D nor any further set off arrangement with Supplier D until and unless all applicable sanctions on Supplier D are lifted.

Indirect purchase transaction with Supplier D

For FY2023, we had domestic purchases of KCL from Company B (a Chinese SOE supplier). One of such purchases amounting to RMB9.2 million was originated from Belarus and it is part of the purchases made pursuant to a purchase and sale contract Guangdong Migao entered into with it in April 2021. The KCL supplied by Company B under that purchase and sale contract was sourced from Supplier D and was shipped to us in multiple shipments, all of which were received by us by October 2021 (before Supplier D was designated as an SDN in December 2021), except for the last shipment which was received by us in April 2022 (the "**April 2022 Shipment**") due to the logistic arrangement of Company B. Based on the confirmation from Company B, the April 2022 Shipment was fully paid for and delivered by Supplier D to Company B in China in July 2021, which was well before the introduction of sanctions on Supplier D. Thus the April 2022 Shipment was not subject to the Belarus sanctions and there was no violation of the sanctions law by us to receive delivery of this shipment in April 2022. Upon receiving the April 2022 Shipment, we have not engaged in any further direct or indirect supply transactions with Supplier D or indirect purchases from the Belarus Producer.

Save for the transactions and dealings disclosed herein, since the imposition of sanctions targeting the Belarus Producer and as at the Latest Practicable Date, there are no other purchases of KCL by us (whether directly or indirectly) whose origins were from Belarus or sourced from the Belarus Producer or Supplier D, and our Group has completely ceased all commercial transactions or dealings of any sort with the Belarus Producer and Supplier D; additionally, we have instituted a compliance system to ensure that no KCL will be sourced (directly or indirectly) from Belarus and any sanctioned parties.

Based on the above facts and confirmations, we are advised by our International Sanctions Legal Advisers that, with respect to U.S. sanctions:

1. in respect of our purchases from Supplier D prior to 9 August 2021, being the date on which the Belarus Producer was designated as an SDN, such purchases were not subject to U.S. primary or secondary sanctions;

2. in respect of our direct purchases from Supplier D after 9 August 2021 pursuant to (a) a contract dated December 2020 and (b) the 2021 Contract for potash sourced from the Belarus Producer, given that (i) the transactions were conducted pursuant to the terms of contracts initially entered into prior to the introduction of sanctions on the Belarus Producer and Supplier D which set out the quantity and quality of the specified potash and (ii) the shipments thereunder were made by Supplier D to us in September 2021 and December 2021, respectively, and (iii) all potash was received by Supplier D from the Belarus Producer before 8 December 2021 (i.e. the expiry of Belarus General License 4), such transactions would be deemed "wind down" transactions within the scope of the Belarus general licenses, and accordingly, such transactions would not be the subject of secondary sanctions enforcement pursuant to published OFAC guidance;

3. in respect of the set off between Supplier D and us using the rebates owed by Supplier D to us, even though they took place after 1 April 2022 (the expiry of Belarus General License 5), on the basis that such rebates set off (i) was not accompanied by any actual payments between us and Supplier D and (ii) merely represented a settlement through bookkeeping/accounting entries, they would not give rise to either U.S. primary or secondary sanctions risks;

4. in respect of the prepayments Guangdong Migao made to the Fertiliser Traders after 1 April 2022, while certain of these prepayments were in US$, on the basis of our confirmations and the Fertiliser Traders' confirmations stated above, these prepayments did not give rise to either U.S. primary or secondary sanctions risks;

5. in respect of the Settlements, they did not give rise to any U.S. primary sanctions risks due to lack of U.S. nexus; in terms of secondary sanctions risks, on the basis that (i) there were no actual payments made between the three parties under the Settlements and that the Settlements represented a tripartite set off of outstanding obligations, and (ii) the U.S. government's policy is to reduce the impact on global food supplies and prices and to ensure world food security, these Settlements are not subject to material risk under U.S. secondary sanctions;

6. in respect of the April 2022 Shipment, on the basis that it was received and fully paid for (by Company B to Supplier D) prior to Supplier D being designated as an SDN, the April 2022 shipment was not subject to the Belarus sanctions and there was no violation of the sanctions law by us to receive delivery of this shipment in April 2022;

7. our procurement of potash sourced from Belarus would not constitute "operating in, or having operated in" the potassium chloride (potash) sector of Belarus. While OFAC has not issued any guidance in respect of the definition of "operating in", such term is commonly interpreted to be limited to investment in, or establishing a legal presence in, the targeted sector and our Group has not undertaken such activities; and

8. our cessation of entering into new purchase contract with Supplier D since its SDN designation, together with our efforts and compliance measures taken to prevent procurement of potash from Belarus after expiry of Belarus General License 5, would help to mitigate any material sanctions risk.

Our International Sanctions Legal Advisers further advised us that, with respect to UN, EU, UK and Canada sanctions, since our business dealings with Supplier D and the Belarus Producer are carried out by our subsidiaries, none of which are incorporated in the EU, UK or Canada and thus EU, UK and Canada sanctions would not apply.

Accordingly, our business dealings with 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 UN, EU, UK and Canada sanctions.

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.

Russia

We have also purchased KCL from Russia, which has been subject to various sanctions measures, including further sanctions measures since its military aggressions in Ukraine in February 2022. However, to ensure global food security, the U.S. Department of Treasury has clarified on 14 July 2022 that agricultural commodities (including fertilisers) are not targets of the sanctions imposed by the U.S. on Russia and the U.S. has not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia. On the same day, the OFAC issued a broad general license to authorise, among other activities, certain transactions related to the production, manufacturing, sale, or transport of agricultural commodities (including fertilisers) relating to Russia. The term "fertilizer" is used in a broad sense as defined in the U.S. Agricultural Trade Act of 1978 and therefore should include potash/KCL products. On 17 January 2023, the OFAC issued General License No. 6C, which replaced General License No. 6B by expanding the applicable scope to include the "provision" of agricultural commodities. Similarly, the EU stated on 21 July 2022 that it is committed to avoiding all measures which might lead to food insecurity around the globe, and it had not adopted any measures targeting the trade in agricultural and food products (including fertilisers) between third countries and Russia. On 9 November 2022, the EU stated that it has essentially exempted the agri-food sector and fertilisers from its restrictive measures against Russia.

Since the U.S. and EU have clarified that the Russia's fertiliser sector is not the target of their sanctions measures targeting Russia and they have not imposed sanctions on Russian fertilisers (including potash), 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 UN, EU, UK and Canada. In addition, on the basis that (i) with respect to U.S. sanctions, our products are produced from (x) raw materials received from non-sanctioned parties, and (y) raw materials from Russia (directly or indirectly) that were purchased by our PRC subsidiaries or our suppliers from Russian counterparties which are not subject to U.S. sanctions (including by virtue of applicable general licenses), and (ii) with respect to EU sanctions, none of our Group's subsidiaries are established in the EU and thus EU economic sanctions do not have jurisdiction over our subsidiaries and their products, it is the view of our International Sanctions Legal Advisers that our products produced from raw materials origin from Russia (either directly or indirectly) during the Track Record Period are not subject to economic sanctions measures imposed by the U.S. and EU. We intend to continue our business dealings in respect of Russia, subject to our strict adherence to our sanction compliance measures, which were designed to minimise our risk exposure to international sanctions in our future dealings with third parties subject to international sanctions of any kind.

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

Alternative Sourcing of KCL

The global supply of KCL has been disturbed since 2021 as a result of the COVID-19 pandemic outbreak, the international sanctions targeting the Belarus Producer, the conflict between Russia and Ukraine and the resulting sweeping sanctions against Russia by the Western countries, the rising costs in logistics and transportation, and many other factors, which have brought uncertainty to the global supply of KCL.

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, for example:

1. we entered into a memorandum of understanding with Supplier A (an international fertiliser trading company), our existing supplier, in January 2022 (further supplemented by an additional agreement to memorandum of understanding in May 2022), and pursuant to which Supplier A agreed to supply 500,000 tonnes of potash originated from Russia or, where unavailable, from non-CIS countries through designated cross-border suppliers to us in 2022. We further extended the term of the memorandum of understanding to 25 January 2024 with Supplier A; and

2. we also entered into a memorandum of understanding with CNCCC, a large Chinese SOE, principally engaged in the sales of chemical products, for the supply of 500,000 tonnes of potash with origin from Russia from March 2022 to February 2023. We further extended the term of the memorandum of understanding to 31 December 2023 with CNCCC.

As our total aggregate purchase volume of KCL from Supplier D and domestic purchase of KCL with origin from Belarus was approximately 257,000 tonnes and 408,000 tonnes for FY2021 and FY2022, respectively, we believe the supply of KCL pursuant to the above memoranda of understanding can fully replace our historical purchase volume of KCL from Supplier D and KCL origin from Belarus. We purchased in aggregate, approximately 206,000 tonnes of KCL with origin from Russia from Supplier A and CNCCC in 2022 and up to 31 March 2023.

In addition, while it is unequivocally confirmed by the U.S. and EU that Russia's potash sector is not a target of their sanctions measures targeting Russia, out of abundance of caution, we decided to explore alternative sources of KCL purchases, with origins from places other than Russia and Belarus, for example, KCL originated from China and Germany.

We have negotiated with Southwest Salt Lake, an associate company of the largest domestic potash producer group in the PRC and have signed a memorandum of understanding with it for the supply of 300,000 tonnes of premium grade potash to us from September 2022 to August 2023. As advised by our PRC Legal Advisers, pursuant to the terms of the memorandum of understanding, we may continue to purchase potash from Southwest Salt Lake until the 300,000 tonnes of potash under the memorandum of understanding have been purchased. The terms of our purchases of KCL with Southwest Salt Lake are similar to the terms of our purchases of KCL with other domestic suppliers of KCL. We purchased a total of approximately 2,000 tonnes of KCL from Southwest Salt Lake in 2022 and up to 31 March 2023.

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 as part of the memorandum of understanding we signed with it in January 2022 as described above. In October 2022, we entered into purchase contract for the purchase of approximately 3,000 tonnes of KCL with origin from a non-CIS country, Germany, from Supplier A.

We plan to continue to develop other alternative sources of KCL. For example, we have historically purchased KCL from a Canadian supplier. We believe we have the capability to continue to purchase from them in the future should the need arises.

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.

Price of KCL

The global prices of potash have reportedly risen significantly in early 2022 to a record high of US$875 per tonne from the 2021 price level of US$481 per tonne. The price of fertiliser peaked in May 2022 and since that point, prices have slowly declined. In China, the Sea Import Master Contract Price has increased to US$590 per tonne in February 2022 from US$247 per tonne in February 2021 and later decreased to US$307 in June 2023. Similar to the global price trend, the price of imported KCL in China has increased significantly in the first half of 2022, peaked in May and June 2022 at approximately US$770 per tonne, and has since recorded gradual decline, according to the Frost & Sullivan Report.

Financial Impact

Despite the global KCL supply uncertainty and the sanctions of Supplier D, our revenue, gross profit and profit for the year continued to grow in FY2023 compared to FY2022. Our revenue increased from RMB3,841.4 million for FY2022 to RMB4,722.7 million for FY2023, our gross profit increased from RMB633.4 million for FY2022 to RMB767.5 million for FY2023 and our profit for the year increased from RMB396.6 million for FY2022 to RMB421.5 million for FY2023.

Although during the Track Record Period our average purchase price of KCL from domestic purchase was generally higher than our average purchase price of KCL from overseas suppliers save for FY2022, our gross profit margin for FY2023 remained relatively stable where we purchased 93.2% of KCL by volume from domestic suppliers. We have recorded a similar gross profit margin for FY2022 and FY2023. Our gross profit margin was approximately 12.0%, 16.5% and 16.3% for FY2021, FY2022 and FY2023, respectively.

During the Track Record Period, we were generally able to pass on most of the impact from the change in our purchase price of KCL to our customers. Our average purchase price per tonne of KCL increased by approximately RMB756.7 from FY2021 to FY2022 and increased by approximately RMB547.6 from FY2022 to FY2023; while our average selling price per tonne of KCL increased by approximately RMB1,143.9 from FY2021 to FY2022 and increased by approximately RMB903.9 from FY2022 to FY2023. We, therefore, witnessed a greater increase in our average selling price per tonne of KCL than our average purchase price per tonne of KCL during the Track Record Period. As such, we have been generally able to pass on the increase in the cost of KCL to our customers during the Track Record Period when the global KCL price has experienced the most significant increase and we believe we will be able to continue to do so, taking into account of the fact that the global KCL price has stabilised since May 2022 and recorded gradual decline.

Operational Impact

The global supply of potash fertilisers and raw materials of potash fertilisers have been disturbed by a number of factors, such as the COVID-19 pandemic outbreak in 2020, the international sanctions targeting the Belarus Producer since August 2021, the conflict between Russia and Ukraine starting in February 2022 and the resulting sweeping sanctions against Russia by the Western countries, the rising costs in logistics and transportation as a result of high energy price and global inflation. To ensure our operation would not be materially impacted by the supply chain interruption, it is our strategy to attempt to, if necessary, stock up inventory of KCL to support the uninterrupted production at our factories. During FY2023, we purchased less than 10% of KCL by volume from overseas suppliers. Instead, we relied on third parties, domestic suppliers, to procure supply of KCL with origin from overseas. As such, there is minimal impact on our business operation in view of the temporary change of our procurement channel from a mix of overseas and domestic purchase of KCL to primarily domestic purchase of KCL during FY2023.

COVID-19

Since the beginning of 2022, the Omicron variant of COVID-19 has rebounded in China, which have impacted our normal business operations including disruption in logistics services leading to prolonged and delayed delivery in the supply of raw materials by our suppliers and sales of our products to our customers. Further, our Changchun Production Facility was temporarily suspended from mid-March 2022 to end of April 2022 following the guidance from the local government on COVID-19 protection measures. In addition, COVID-19 has also delayed our construction plan of our New Sichuan Production Facility and the Heilongjiang Logistics and Production Centre and the completion of the construction of phase II of our Baoqing Production Facility and phase II of our Anda Production Facility. Another round of COVID-19 outbreaks throughout October and November 2022 resulted in multiple cities across China under lock-down. Since late 2022 and early 2023, China has experienced a surge in COVID-19 confirmed cases. Some of our operations was temporarily affected. For example, we experienced a temporary shortage of employees at our Anda Production Facility and there were also disruptions in the transport of raw materials and products to and from our Anda Production Facility during such period.

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. Please refer to the section headed "Business – Impact of the COVID-19 Outbreak on our Business" in this document for further information. 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, the operations of our production facilities or the services provided by our logistics service providers may be adversely affected. The pandemic may also continue to affect the overall economy and demand for our products. In such circumstances, our operations and financial performance maybe adversely affected. Please also refer to the section headed "Risk factors – Risks Relating to Our Business – We face risks related to force majeur events such as health epidemics, infectious diseases and other outbreak, including the COVID-19 outbreak" in this document.

RECENT DEVELOPMENTS

Recent Financial and Operational Developments

Based on our unaudited management accounts for 4MFY2024, our revenue for 4MFY2024 decreased when compared with 4MFY2023 primarily due to the decrease in the selling price and sales volume of our KCL products as the market price of KCL was lower in April to July 2023 as compared to April to July 2022 and our customers did not have to increase their KCL reserve in view of the stabilised market price of KCL. Our gross profit and gross profit margin also decreased for 4MFY2024 compared to 4MFY2023 primarily due to the decrease in gross profit and gross profit margin of our KCL products.

Our sales volume of our KCL products, SOP products, NOP products and compound fertiliser products were approximately 286,800 tonnes, 28,000 tonnes, 100 tonnes and 1,300 tonnes, respectively, for 4MFY2023 and approximately 233,300 tonnes, 34,000 tonnes, 400 tonnes and 800 tonnes, respectively, for 4MFY2024. Our sales volume of our KCL products decreased by approximately 53,500 tonnes from 4MFY2023 to 4MFY2024 primarily due to the increase in potash fertiliser reserves of some of our customers during 4MFY2023 in view of the potential risk of adverse market price fluctuation of KCL as a result of global supply uncertainty, which led to increase in sales of KCL during the low season in 4MFY2023. Our sales volume of our SOP products increased by approximately 6,000 tonnes from 4MFY2023 to 4MFY2024 primarily due to our lower average selling price of our SOP products as a result of the decline in the market price of KCL.

In 2023, with the increase of domestic and foreign supply of potash fertiliser, the price of potash fertiliser continued its downward trend. On 6 June 2023, the Chinese negotiation team reached an agreement on the new Sea Import Master Contract Price of KCL with a Canadian potash company. The new Sea Import Master Contract Price is US$307 per tonne, which represents a significant decrease in price from US$590 per tonne in February 2022. According to the Frost & Sullivan Report, the decline in the Sea Import Master Contract Price is beneficial to Chinese farmers in reducing fertiliser costs, and is expected to stimulate the demand for potash fertilisers in China.

For FY2024, we anticipate that our revenue will decrease compared to FY2023 primarily due to the anticipated decrease in the average selling price of our KCL and SOP products in view of the significant decrease in the Sea Import Master Contract Price from US$590 per tonne in February 2022 to US$307 per tonne in June 2023, but partially offset by an increase in sales volume of our KCL and SOP products due to the expected increase in demand for potash fertilisers in China. Further, we also expect a decline in our gross profit margin for FY2024 compared to FY2023 primarily due to the decrease in selling price of our KCL products, but partially offset by (i) the decrease in unit cost of goods sold of our potash fertiliser products; and (ii) an increase in sales volume of our SOP products which generally has a higher profit margin. We also expect the profit for the year for FY2024 will decrease as compared to FY2023 primarily as a result of the expected decrease in gross profit, but partially offset by (i) decrease in other gains and losses due to decrease in net foreign exchange losses as a result of decrease in the settlements of monetary liabilities denominated in US$; (ii) decrease in distribution and selling expenses in line with the decrease in revenue; and (iii) decrease in income tax expenses in line with the decrease in profit before tax.

Recent Regulatory Developments

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five relevant guidelines, which became effective on 31 March 2023. The Overseas Listing Trial Measures comprehensively improved and reformed the regulatory regime for overseas offering and listing of PRC domestic companies' securities and regulated both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime.

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

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

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that since 31 March 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.