OVERVIEW

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

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

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

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

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

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

COMPETITIVE STRENGTHS

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

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

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

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

Our potash fertiliser products are well-recognised by customers and the industry. We believe our "Migao" brand is a renowned brand in the potash fertiliser market in China. Our potash fertiliser products have been granted various awards from government authorities and industry associations for their high quality, including, among others, a number of awards of municipal, provincial and national levels. In 2020, we were granted the "Meritorious Enterprise of the Potash Salt and Potash Fertiliser Industry of China" by the potash salt and potash fertilisers branch of the China National Inorganic Salts Industry Association. We have been appraised as the "Top Ten Potash Fertilisers of China" and the "Top 100 Chemical Fertiliser Enterprises of China" of the year consecutively since 2016 by China National Chemical Information Center and China Chemical Industry Information Association.

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

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

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

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

Moreover, we deploy customer service network strategically in addressing market demand. All of our production facilities are well situated at main plantation zones in China at (i) the Northeast Soybean, Spring Wheat, Maize and Beet Area, (ii) the Northern Plateau Small Grains and Beet Area, (iii) the Sichuan and Shaanxi Basin Rice, Maize, Potato, Citrus and

Mulberry Area, (iv) the Yunnan-Guizhou Plateau Rice, Maize, Tobacco Area and (v) the South China Double Cropping of Rice, Tropical Crops and Sugarcane Area. Approximately 95.3%, 76.1%, 70.8% and 69.6% of our revenue were derived from customers located in these plantation zones for FY2021, FY2022, FY2023 and 8MFY2024, respectively. In addition, the strategic site selection of our physical presence and well-developed transportation networks enjoyed by these sites enable us to provide potash fertiliser products to our customers in a timely and cost-effective manner and to promptly provide after-sales services (such as responding to any queries and following up on feedback from our customers on our fertiliser products). We do not additionally charge our customers for our after-sales services.

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

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

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

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

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

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

We have research and development employees in Heilongjiang Province, Jilin Province, Sichuan Province, Guizhou Province and Guangdong Province. As at the Latest Practicable Date, we had 73 employees in our research and development team. Mr. Sun Pingfu, our chief

research and development officer, has over 30 years of experience in technology development, production management and project management in the chemical industry and is one of the drafters of GB/T 20784-2018, the state standard for NOP. Mr. Sun Pingfu was appraised as a "Meritorious Person of Potash Salt and Potash Fertiliser Industry of China" by the China National Inorganic Salts Industry Association in 2020.

Since the establishment of our Group, we have identified research and development as an important part of our strategy. Our research and development team initiated over 140 research and development projects, aiming at (i) improving production methods and promoting automatic production procedures, (ii) enhancing compliance with environmental standards for production, (iii) reducing energy consumption and enhancing production efficiency, (iv) developing specific compound fertilisers and new types of fertilisers, and (v) improving product quality and stability. For FY2021, FY2022, FY2023 and 8MFY2024, our research and development costs and expenses were RMB24.5 million, RMB38.9 million, RMB31.0 million and RMB26.3 million, respectively. As at the Latest Practicable Date, we had 106 registered patents in China, including 19 invention patents and 87 utility model patents, and were in the process of applying for 13 invention patents.

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

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

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

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

Our management team works closely to formulate business and growth strategies. Most of our executive Directors and members of our senior management have been with us for more than ten years, which, in our opinion, indicates that we have a stable and harmonious working environment. It has fostered a corporate culture of cooperation and cohesion, which we believe

contributes to our continued success. We consider that our stable management team and their extensive experience will enable us to travel through industry cycles and continue to capture future market opportunities and achieve our goals.

BUSINESS STRATEGIES

We intend to continue to strengthen and develop our existing market and industry position by adopting the following strategies while striving to enhance shareholder value and pursue growth strategies:

Strengthening our cooperation with major customers and expansion of our customer base

We have focused on building a strong customer network with key customers including large agricultural reclamation companies, state-owned tobacco companies, and agribusiness companies. Generally, those customers are companies of larger scale with good credit and strong financial position, which form our solid customer base. To enhance cooperation with existing major customers and further expand our customer base, we intend to (i) enhance the production and supply capacity of SOP and NOP, (ii) expand strategic cooperation network with customers, and (iii) enrich offerings of compound fertiliser to address the demand for customised high-end potash fertilisers for crops.

To enhance our production capabilities for SOP, phase II of our Anda Production Facility in Heilongjiang, which contains an additional four SOP production lines, commenced trial production in the second half of 2022 and received the construction completion approval in December 2023. As at the Latest Practicable Date, our total estimated production capacity of SOP of our Group had reached 363,000 tonnes, which are strategically located close to our major customers. Moreover, to resume our production capacities for NOP and further enhance our production capacities for SOP and compound fertilisers, we have entered into cooperation agreement with local governments of China, pursuant to which we planned to construct our New Sichuan Production Facility in Mianyang City, Sichuan Province. Construction of such facility is expected to be completed by the second half of 2025 with estimated production capacity of SOP, NOP and compound fertilisers of 80,000 tonnes, 60,000 tonnes and 200,000 tonnes respectively. Please refer to the section headed "Business – Expansion Plan" in this document for further information. Meanwhile, we are in active discussions with suppliers to expand the scale of procurement to be commensurate with the increase in production capacity.

To expand our strategic cooperation network with customers, we intend to continue, as and when appropriate, to establish partnerships or joint ventures with selected existing and potential customers to expand. We have strategically established production facilities in close proximity to our customers, allowing us to supply fertiliser products at lower cost and in shorter time, which we believe has placed us in a better position to establish long-term relationships with them.

To enrich our offerings of compound fertiliser, we intend to further address our customer demand for customised high-end potash fertilisers through the development and improvement of new compound fertiliser formulae. During the Track Record Period, we worked with our tobacco company customers to ensure that our fertiliser products are tailored to our customers' needs and are suitable for different planting stages of tobacco crops as well as the climatic and soil conditions of the region in which they are planted. In addition, we have developed specific compound fertilisers for crops such as chilis, fruits, tea leaves and vegetables. We plan to expand the existing product offerings by taking advantage of this experience and tap into the market of other high-end crops, such as mushrooms and flowers. We believe that we are able to capture the demands from these markets through our extensive experiences in the potash fertiliser industry, and advanced production technologies and facilities, thereby enhancing our customer base.

Expansion of procurement scale and diversification of procurement channels

It is expected that consumption of potash fertilisers in China will maintain steady growth to 2027. In order to meet the market demand for potash fertiliser products in China and to pursue our capacity expansion strategies, we intend to expand our procurement scale of KCL by increasing purchase through active negotiation with existing major suppliers, while exploring cooperation opportunities with other major potash suppliers in areas with rich premium potassium mineral.

For FY2021, FY2022, FY2023 and 8MFY2024, our total purchase volume of KCL amounted to approximately 927,000 tonnes, 1,310,000 tonnes, 1,010,000 tonnes and 943,000 tonnes, respectively. For FY2021 and FY2022, Supplier A, Supplier B, Supplier C and Supplier D were our top five suppliers, and Supplier B and Supplier C remained as our top five suppliers in FY2023 and 8MFY2024. Our purchase volume of KCL from them amounted to approximately 799,000 tonnes, 625,000 tonnes, 627,500 tonnes and 579,100 tonnes, respectively, which accounted for approximately 86.2%, 47.7%, 62.1% and 61.4% of our total KCL purchase volume for the same years/periods, respectively. We ceased entering into new purchase contracts with Supplier D subsequent to December 2021. On 25 January 2022, we entered into a memorandum of cooperation (as further supplemented on 16 May 2022 and 5 December 2022 and further renewed on 15 January 2024) with Supplier A, agreeing on a supply of 500,000 tonnes of imported KCL to us from 2022 to December 2024. In addition, we actively expanded our supply channels and entered into a memorandum of understanding with a large SOE in the PRC, China National Chemical Construction Corporation ("**CNCCC**"), agreeing on a supply of 500,000 tonnes of imported KCL to us from January 2024 to December 2024. Further, we also expanded our domestic sourcing of KCL and entered into a memorandum of understanding with Sichuan Southwest Salt Lake Trading Company Limited* (四川西南鹽湖貿易有限公司) ("**Southwest Salt Lake**"), an associate company of the largest domestic potash producer group in the PRC, agreeing on a supply of 300,000 tonnes of premium grade potash to us from September 2022 to August 2023. In spite of the express term of the memorandum of understanding which was only for one year from September 2022 to August 2023, our PRC Legal Advisers have confirmed that pursuant to the Southwest Salt Lake's subsequent confirmation the memorandum of understanding shall remain effective until the 300,000 tonnes of potash under the memorandum of understanding have been purchased.

We have also planned to explore cooperation opportunities with other suppliers with sources of KCL from other areas. Through these efforts, we believe we can secure a safe, steady and reliable system of a diversified supply chain, thereby further consolidating our market position in the industry.

Continuous investment in research and development to maintain industrial position, and enhancing product competitiveness

In order to maintain our leading position in the industry, we will continue to keep track on the latest technological developments in the market, regularly evaluate our production methods and production facilities in areas to be improved, and make improvement as necessary, so as to enhance efficiency and maintain growth and our position in the industry. We intend to continuously improve the production methods (i) to enhance the performance stability of our equipment to enhance product quality and production efficiency; (ii) to enhance automation level to reduce labour costs and human errors, improve safety and reduce environmental incidents; and (iii) to increase product offerings to diversify our customer base.

In addition, with the introduction of a number of policies and measures by the PRC government, we plan to apply various new technologies to our production with an aim to improve our equipment and upgrade our production facilities to ensure our compliance with environmental regulations and to reduce labour cost and emissions.

We invested substantially in our research and development in the past, and we intend to continue to support our internal research and development team, as well as to cooperate with external research institutions and enterprises to research and develop new production methods in order to maintain our competitiveness in the industry.

Further, we intend to invest in the establishment of a research and development centre in Chengdu City, Sichuan Province to centralise our research and development team to enhance its efficiency. Please refer to the section headed "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**] – Research and Development Centre" in this document for further information.

Establishment of sales network in Southeast Asia for further expansion of overseas markets

We have been operating in China for more than 20 years. Although our revenue was derived substantially from China during the Track Record Period, we intend to tap into certain overseas markets to further expand our customer base and implement our strategies for global development given that the huge potential of the overseas potash fertiliser market. During the Track Record Period, we exported potash fertiliser products produced in China to overseas markets through Singapore Migao, one of our subsidiaries established in 2010. For FY2021, FY2022, FY2023 and 8MFY2024, our sales to areas outside of China amounted to RMB22.5 million, RMB15.6 million, RMB86.7 million and RMB44.2 million, respectively.

Leveraging the strategic location of Singapore as a regional hub in Southeast Asia and our long established presence in Singapore, we believe we are well positioned to further expand our business in the Southeast Asia, a region with active plantation activities and strong agricultural industry traditionally.

According to the Frost & Sullivan Report, demand for potash fertilisers in Southeast Asia is expected to keep growing due to the advantage they deliver to crops. Consumption of potash fertilisers in Southeast Asia is expected to maintain its growth trend in the future. The market size of Southeast Asia by sale volume of potash fertilisers is expected to be increased from 3.5 million tonnes in 2023 to 4.0 million tonnes in 2027.

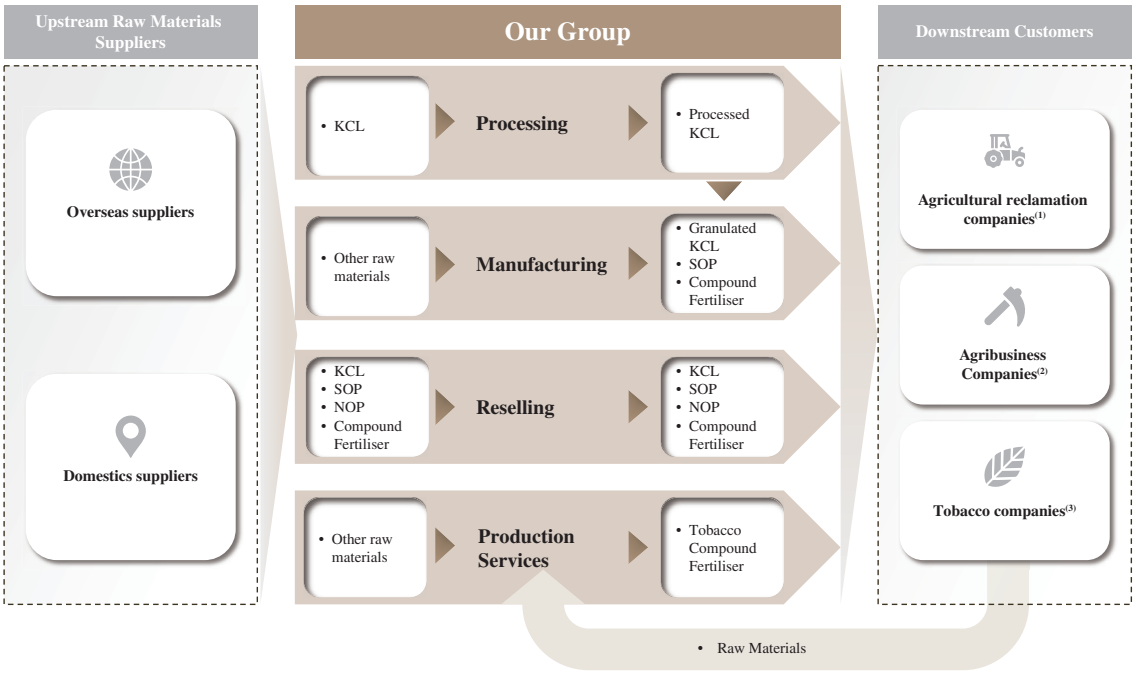
To build a sales network in Southeast Asia and to further expand to other overseas markets where opportunity arises, our preliminary plan is to (i) promote our potash fertiliser products by increasing cooperation with and through local large scale fertiliser merchants and producers; and (ii) step up in deployment of local sales network and offices to further expand our customer base and implement our development strategies overseas.

BUSINESS MODEL

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

KCL is also our major raw material for other potash related products, and our purchase of KCL accounted for more than 75.0% of our total purchases during each year/period of the Track Record Period. We purchase KCL from both overseas and domestic suppliers. Our customers are primarily agricultural reclamation companies, tobacco companies, and agribusiness companies in China.

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



Notes:

(1) Our Group's agricultural reclamation company customers include, among others, companies engaged in the plantation of agricultural products and several of them are large state owned enterprises such as Hulunbuir Agricultural.

(2) Our Group's agribusiness company customers include, among others, companies engaged in the production, processing and sales of agricultural related supplies.

(3) Our Group's tobacco company customers include, among others, companies engaged in the plantation of tobacco and production and sales of tobacco products and several of them are large state owned enterprises such as Guizhou Tobacco Investment.

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

In relation to the sales of KCL, we typically either (i) sell the KCL directly to our customers after processing (i.e. processed KCL), or (ii) granulate the KCL into KCL granules before delivery upon our customers' request (i.e. granulated KCL). For FY2021, FY2022, FY2023 and 8MFY2024, we sold approximately 377,000 tonnes, 650,000 tonnes, 750,000 tonnes and 560,000 tonnes of processed KCL, respectively, and our revenue generated from sales of processed KCL amounted to RMB637.1 million, RMB1,809.4 million, RMB2,812.8 million and RMB1,452.7 million respectively, representing approximately 30.6%, 47.1%, 59.6% and 63.6% of our total revenue respectively; while we sold approximately 348,000 tonnes, 458,000 tonnes, 315,000 tonnes and 190,000 tonnes of granulated KCL, respectively,

and our revenue generated from sales of granulated KCL amounted to RMB613.4 million, RMB1,369.4 million, RMB1,201.8 million and RMB495.7 million respectively, representing approximately 29.5%, 35.6%, 25.4% and 21.7% of our total revenue respectively.

We also manufacture and sell SOP and compound fertilisers to our customers. Our SOP and compound fertiliser are manufactured in accordance with our customers' specifications at our production facilities. We also sell HCL, the by-products derived from the manufacturing of SOP, to certain customers.

Further, we also resell a small portion of our potash fertiliser products to our customers without further processing, granulation or manufacturing. Such resale during the Track Record Period was primarily due to the rush orders from our customers, and the then availability of our inventory and production schedule were unable to meet such demand. Furthermore, as our Chengdu Production Facility discontinued manufacturing, our Group resold all NOP to our customers during the Track Record Period and resold compound fertiliser to our customers during FY2021 and FY2022.

Since the fourth quarter of 2021, we have been engaged in providing fertiliser production services for certain tobacco compound fertiliser to Guizhou Tobacco Investment, one of our five largest customers in FY2021. Under this business model, Guizhou Tobacco Investment provides us with the principal raw materials and we manufacture them into the relevant tobacco compound fertiliser in accordance with the stipulated product specifications. We charge a production fee for such services. For further information, please refer to the sections headed "Business – Products – Compound Fertilisers" and "Business – Overlapping Customers and Suppliers" in this document.

PRODUCTS

KCL and SOP are our major products. We also provide NOP, compound fertilisers, and by-products and others, which primarily consist of (i) HCL as by-product during our manufacturing of SOP, and (ii) fertiliser additive.

The key ingredient of our major products is potassium. Potassium, also known as potash, is the principal chemical in our fertiliser products and is one of the three basic plant nutrients along with nitrogen and phosphorus. Potassium is essential for carbohydrate and starch synthesis, and it also helps plants resist wilting. Up to 98% of potassium in the soil is unavailable to plants in its existing form, making potash fertilisers essential for crop production. Potassium salts in the form of sulphates (SOP), chlorides (KCL) and nitrates (NOP) are the forms of potash used in fertilisers. With the help of potash fertilisers, the quality of food being grown and crop yields are improved.

Potash fertilisers offer a wide range of benefits including (i) increase water retention; (ii) resistance to extreme weather; (iii) improve disease and pest resistance; (iv) low harmful effect on the environment and human health; and (v) improve crop yield and quality. Potash fertiliser is the major fertiliser type for high value-added agricultural crops, but its sales volume is usually lower than the sales volume of the other two major fertilisers (i.e., nitrogen and

phosphorus) in the world as its average price is more expensive than nitrogen and phosphorus fertilisers. However, with the fast development of China's agricultural industry and upgrading of dietary structure, the demand for high value-added agricultural crops has increased, which generates rapidly growing sales for potash fertilisers.

Driven by the growing demand, the sales of our potash fertiliser products had experienced a significant growth during the Track Record Period. We expect to continue to benefit from the growing demand for potash fertiliser products in China. The following table sets forth the breakdown of our revenue by product type during the Track Record Period:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
KCL	1,250,489	60.1	3,180,575	82.8	4,024,088	85.2	2,377,891	87.2	1,948,412	85.3
SOP	522,039	25.1	533,569	13.9	476,058	10.1	213,759	7.8	250,386	11.0
NOP	49,068	2.4	8,933	0.2	15,366	0.3	12,391	0.5	2,347	0.1
Compound fertilisers										
– Sale[(1)]	193,629	9.3	24,992	0.7	47,747	1.0	9,812	0.3	8,363	0.4
– Production fees[(2)]	–	–	20,804	0.5	30,041	0.6	9,975	0.4	5,424	0.2
By-products and others[(3)]	66,354	3.1	72,527	1.9	129,449	2.8	103,395	3.8	68,815	3.0
Total	**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**

Notes:

(1) It represents sale of compound fertiliser to our customers.

(2) It presents the production fees for the provision of production services to Guizhou Tobacco Investment, one of our major customers, for the manufacturing of certain tobacco compound fertiliser for it, a new business arrangement we started to adopt in the fourth quarter of 2021.

(3) By-products and others which mainly consist of HCL and fertiliser additive.

Our average selling prices per tonne of our KCL, SOP, NOP and compound fertiliser (excluding production fees) ranged from approximately RMB1,723.9 to RMB3,771.6, RMB2,328.4 to RMB3,850.3, RMB3,726.6 to RMB6,097.7 and RMB2,275.7 to RMB3,068.6 during the Track Record Period, respectively. For information regarding the sales volume and average selling price of our products by types, please refer to the section headed "Financial Information – Key Factors Affecting our Results of Operations" in this document.

KCL

Potassium chloride, also known as KCL or MOP, is a compound with the chemical formula KCl and contain around 60% potassium oxide (K_2O) equivalent. It is characterised by a colourless, crystalline appearance and an odourless smell. KCL in its solid form can be easily dissolved in water. It is the most commonly used potash fertiliser and could be used to farm a variety of food, like wheat and celery. It can quickly be absorbed by plants and used directly by plants. KCL can also be used as a major raw material for other potash based fertilisers such as SOP, NOP and compound fertilisers. KCL is usually a less expensive source of potash given that it does not require further chemical processing.

Below are photos of our KCL in its powder form, granulated form and our KCL package:

SOP

Potassium sulphate, also known as SOP, is a compound with the chemical formula K_2SO_4 and contains around 50% potassium oxide equivalent and 17.6% sulphur. Normally, SOP appears as a white to faint yellow crystalline powder or crystals. Its hygroscopicity, the capacity of a product to react to the moisture content of the air by absorbing or releasing water vapour, is less than KCL which makes it more resistant to caking. In terms of effect on soil acidity and alkalinity, SOP is neutral and similar to KCL. SOP provides crops with sulphur, making it a useful fertiliser for crops requiring greater sulphur nutrition. Examples of crops which benefit from higher sulphur nutrition are crops in the cabbage, onions and mustard families as well as all oilseed crops and most tropical and temperate fruit crops. Further, SOP not only can supplement potassium for soil like KCL but also supplement zinc, boron, and other elements for the soil and also adjust the chemical structure of the soil and enhance soil fertility.

Below are photos of SOP and our SOP package:

NOP

Potassium nitrate, also known as NOP, is a compound with the chemical formula KNO_3. It contains potassium, oxygen, and nitrogen. It is an alkali metal nitrate white or grey in colour. Agricultural NOP contains around 46% potassium oxide equivalent and nitrogen in the nitrate form; hence, it supplies two primary nutrients to the crops. Since the nutrients are supplied together and potassium improves plant utilisation of nitrate by effecting uptake and translocation, crop quality is more easily achieved when NOP is used. An abundant supply of nitrogen is essential for all high-yielding crops. For crops that prefer nitrate source to an ammonium source of nitrogen, this type of potash fertiliser is a good option and it is moderate in price. It is a suitable fertiliser for special use cropping situations (i.e., tobacco, fruit, vegetables, and flowers) given that NOP is chlorine-free, has high water solubility, and its active ingredients nitrogen and potassium can be quickly absorbed by crops.

We did not manufacture NOP during the Track Record Period since we discontinued manufacturing of NOP in 2019 when we decided to relocate our Chengdu Production Facility, our only production facility that manufactured NOP, due to re-zoning policy of the local government. All our sales of NOP were procured from Yunnan EuroChem, our indirect joint venture, which manufactures NOP at the Yunnan Production Facility, as well as from other domestic suppliers.

Below are photos of NOP and our NOP package:

Compound Fertilisers

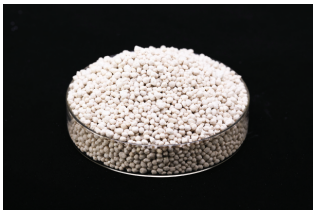
Compound fertiliser is a multi-component fertiliser providing different composition of nitrogen, phosphorus and potassium components. Compound fertilisers have different composition and ratio in their components for different crops and therefore there is a wide range of prices. It can be used for balanced fertilisation and increase the utilisation rate of fertilisers. It has comprehensive nutrition that promotes crop yield and income, restores soil life, balances fertilisation and degradation of agricultural residues.

During the Track Record Period, a significant amount of the compound fertilisers we manufactured were for tobacco planting purposes and were sold to tobacco companies in China. For the tobacco compound fertiliser we manufactured for Guizhou Tobacco Investment, one of our major customers, we generally procure the principal raw materials as specified and

supplied by it as it had stringent requirements on the tobacco compound fertiliser. For our other customers where they do not specify any requirements as to the source of raw materials, we would source and procure the raw materials through our own procurement process.

Starting from the fourth quarter of 2021, we were no longer required to procure the principal raw materials from Guizhou Tobacco Investment for certain tobacco compound fertiliser we manufactured for it. Instead, Guizhou Tobacco Investment provides the principal raw materials to us for manufacturing into tobacco compound fertiliser. Under this new arrangement, the ownership to the raw materials remains with Guizhou Tobacco Investment. We charge a production fee for the provision of production services. Since the adoption of this new business arrangement in the fourth quarter of 2021, we generated production fees of RMB20.8 million, RMB30.0 million and RMB5.4 million in FY2022, FY2023 and 8MFY2024, respectively, representing approximately 0.5%, 0.6% and 0.2% of our total revenue for FY2022, FY2023 and 8MFY2024, respectively. Please refer to the section headed "Business – Overlapping Customers and Suppliers" in this document for further information. We also sell our compound fertilisers to other types of companies such as agricultural reclamation companies.

Below are photos of compound fertiliser and our compound fertiliser package:



By-Product

HCL is an aqueous solution of hydrogen chloride, belonging to one-component inorganic strong acid. HCL is a dangerous chemical with characteristics of colorlessness, irritating odour, high corrosiveness, and volatility. It is an important part of the chlor-alkali industry and can be widely used in medicine, food, metallurgy, printing and dyeing, leather and other industrial fields. HCL is generated as a by-product during the manufacturing of SOP, which we can sell to our customers for additional income apart from the sales of our main products.

PROCESSING AND MANUFACTURING

KCL Processing and Granulating

Upon receipt of KCL from our suppliers, we generally process them either by ourselves or through engaging third parties so that they, after being processed, can be properly stored, transported, sold or used for manufacturing of other fertiliser products, as the imported KCL

may not be supplied to us in physical form and packaging that are suitable for these purposes. For example, during transportation it could expose the imported KCL to humidity, which may cause lumps and significantly affect the physical granularity of the KCL, or it could result in package damage.

For KCL processing, it generally requires (i) mixing various additives such as anti-caking agents and desiccants to the KCL; (ii) quality inspection; and (iii) packaging. If needed, we will grind the KCL using grinding machines before mixing with the additives. While KCL processing is an essential step in our operations and are not complicated, it can be handled by our employees with certain training or by third party service providers under our supervision.

After processing, we will take a portion of the processed KCL to further granulate into KCL granules as specified by our customers. As at the Latest Practicable Date, we had a total of three KCL granulating lines, one of which was located at our Changchun Production Facility and the other two were located at our Anda Production Facility. During the Track Record Period, we occasionally utilised the granulating equipment of other fertiliser production lines for granulation of KCL in order to meet our customers' specific demand.

Our KCL granulating involves the following major steps.

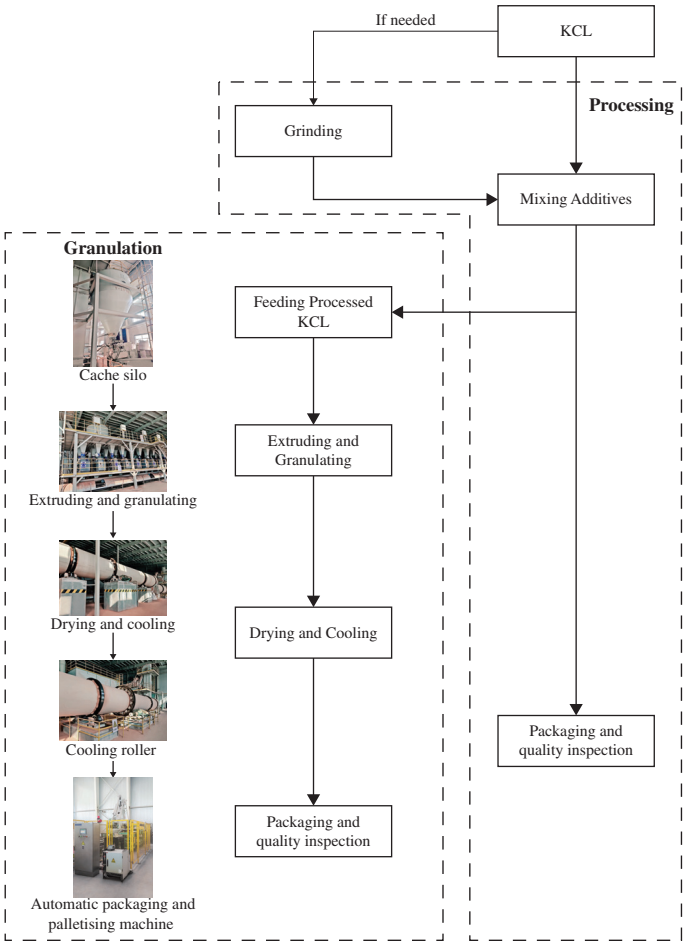
- Step one: The anti-dosing system sends processed KCL to the silo, which then enter into the cache silo through the bucket elevator. After water is injected and mixed well, the mixture are delivered to the materials separation belt through the bucket elevator again for separation.

- Step two: After separation, the mixture will enter into the granulator for extrusion, and extruded particles enter into the semi-finished product roller screen, and unqualified particles enter into the bucket elevator by way of screening to re-enter into the granulator for re-extrusion.

- Step three: Screened semi-finished particles enter into the drying roller before they enter into the cooling roller after being dried. The particles after cooling enter into the finished product roller screen for screening again, while unqualified particles re-enter into the extruding granulator for re-extrusion.

- Step four: Finished KCL granules after screening in step three will enter into the finished product silo and are packaged and weighed by the automatic packer for random inspection. The qualified KCL granules are sent to the finished product warehouse.

The diagram below illustrates the main procedures to process and granulate KCL:



SOP Manufacturing

The major raw materials used for our SOP manufacturing process include KCL and sulphuric acid. SOP is manufactured by the Mannheim Method, and HCL is the by-product during the manufacturing of SOP. We manufacture SOP and we can customise the products to meet our customers' specifications if requested by our customers. We also purchase SOP for further manufacturing into our SOP in accordance with the specifications and requirements as set out by our customers if our customers have tight timeline or additional orders as further manufacturing usually requires less lead time.

As at the Latest Practicable Date, we had a total of 40 SOP production lines, of which 16 were located at our Guangdong Production Facility, and eight were located at each of our Changchun Production Facility, Anda Production Facility and Baoqing Production Facility with a total of 24.

Our SOP manufacturing process involves the following major steps:

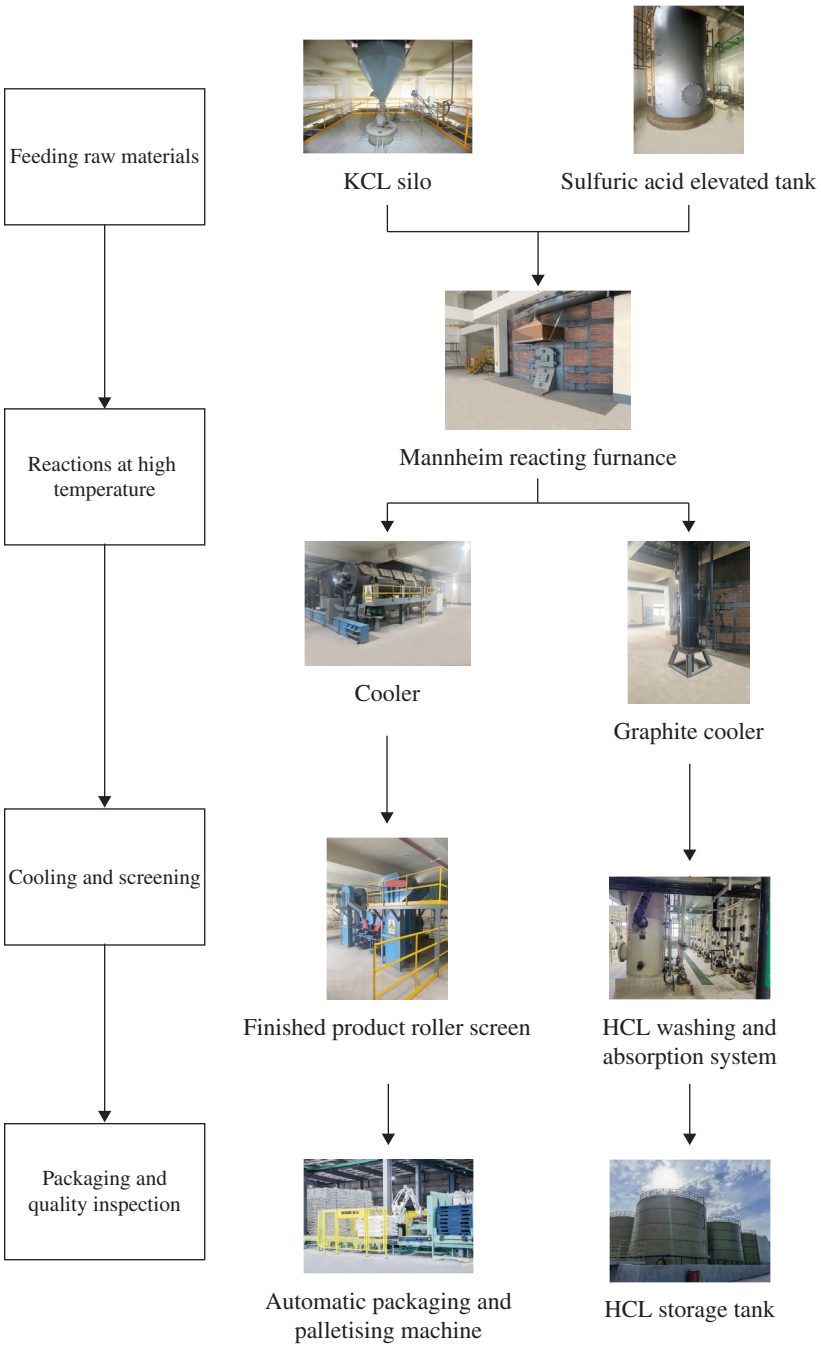
- Step one: KCL is transmitted to the silo through the hoist and sulfuric acid in the sulfuric acid storage tank is transmitted to the sulfuric acid elevated tank through the sulfuric acid pump.

- Step two: Sulfuric acid and KCL are put into the Mannheim reacting furnace. Under chemical reactions at high temperature, the stirrer in the furnace fully stirs KCL and sulfuric acid to generate SOP and HCL gas.

- Step three: SOP generated by the Mannheim Method is transmitted to the cooler and enters into the scrapper after cooling and is then sent to the crusher for crushing. Purchased SOP, if any, will also be added subsequently through the scraper. Crushed SOP is transmitted to the finished product roller screen for screening and unqualified SOP powder is returned to the crusher for re-crushing. HCL produced during the manufacturing of SOP is transmitted to the cooler for cooling and then is transmitted to HCL washing and absorption system.

- Step four: Finished SOP after screening in step three enters into the finished product silo for automatic packaging and granulating and a manual sampling inspection is conducted. Qualified SOP are sent to the finished product warehouse. Meanwhile, HCL is absorbed in the multi-layer absorber through the high-efficiency graphite cooler and then loaded into the HCL storage tank.

The diagram below illustrates the main steps of the manufacturing process of our SOP:



Compound Fertiliser Manufacturing

We primarily use KCL, SOP, NOP, ammonium nitrate phosphate, ammonium dihydrogen phosphate and/or other raw materials to manufacture compound fertilisers. We may purchase compound fertilisers with standardised formulae to further manufacture into our compound fertilisers with tailored formulae based on the final use of the compound fertiliser of our customers, by adding new components and/or other raw materials to the purchased compound fertilisers.

During the Track Record Period, a significant portion of our compound fertilisers were manufactured for tobacco planting applications. We also manufacture a small portion of our compound fertilisers for tea, chili, fruits and vegetables planting applications. As at the Latest Practicable Date, we had three compound fertiliser production lines at our Daxing Production Facility.

For our tobacco compound fertiliser manufacturing process, the raw materials are blended through certain procedures to manufacture tobacco compound fertilisers based on the fertiliser formulae as set out by our tobacco company customers. We also collaborate with our tobacco company customers to research and develop new formulae for compound fertiliser which are well tailored to their needs and are suitable for growth in the regions which they are located.

Compound fertiliser manufacturing process involves the following major steps:

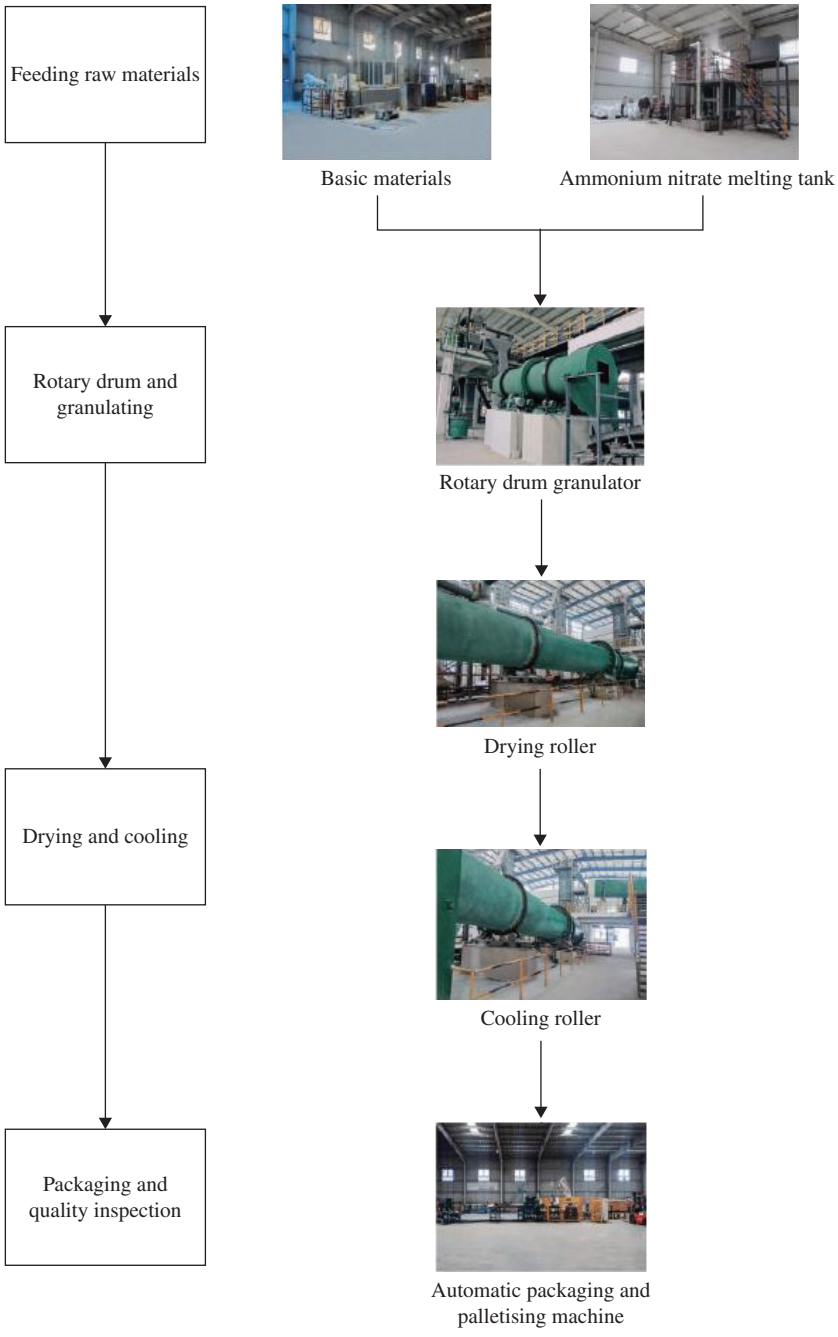
- Step one: Based on the specified formulae, KCL, SOP, NOP and other basic materials and porcelain earth (adhesives) are added to raw material silos, then transmitted to granulator by raw material belt after measuring; if ammonium nitrate phosphate needs to be added according to the specific formulae, ammonium nitrate phosphate would be transmitted to ammonium nitrate melting tank to become ammonium nitrate phosphate solvent and transmitted to the granulator.

- Step two: Steams are added to the granulator, and the above materials are fully stirred to form particles by rotary drum and rolling-over.

- Step three: The semi-finished particles enter into the drying roller before they enter into the cooling roller after being dried. The particles after cooling enter into the finished product roller screen (No. 1, No. 2, No. 3 and No. 4 sieving machine) for four times of sieving, the unqualified particles are returned to granulator for re-granulating.

- Step four: The finished compound fertiliser after cooling treatment enter into the automatic packaging line for weighing and manual sampling, and the qualified compound fertiliser are stored in the finished product warehouse.

The diagram below illustrates the main steps of the manufacturing process of our compound fertilisers:



NOP Manufacturing

Historically, we manufactured NOP at our Chengdu Production Facility. Due to change of zoning policy by local government, our Chengdu Production Facility discontinued the manufacturing of NOP since January 2019. As such, we did not manufacture NOP during the Track Record Period.

EQUIPMENT

Our production facilities are configured with equipment and utilise technologies that we believe are advanced in the potash fertiliser manufacturing industry. We utilise machinery and equipment in our production methods that are designed to create efficiencies by enhancing the quantity and quality of our products while reducing costs.

We use different major manufacturing equipment for our manufacturing. Some of the major equipment include Mannheim reacting furnace, potassium nitrate crystalliser, granulator, ammonium chloride crystalliser and cooler. The replacement cycle of our major equipment generally ranged from approximately two to 20 years. As at 30 November 2023, the estimated remaining useful life of our major equipment generally ranged from approximately one to 18 years. In addition to performing regular maintenance on our equipment to maximise their useful life, we also plan to upgrade or replace some major equipment using some of the [**REDACTED**] from the [**REDACTED**]. For further information of the use of [**REDACTED**] from the [**REDACTED**] on the upgrading and replacement of equipment in our production facilities, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document.

We repair and maintain our equipment and facilities on a regular basis. In addition, we carry out our major equipment repairing, inspection and/or maintenance during non-peak season every year in order to avoid material disruption to our production. For FY2021, FY2022, FY2023 and 8MFY2024, our expenses in repairing and maintaining our equipment and facilities, including the expenses of purchasing replaceable parts, amounted to RMB8.6 million, RMB14.2 million, RMB3.1 million and RMB1.5 million, respectively. We recorded relatively higher expenses in repairing and maintaining our equipment and facilities for FY2022 primarily because of (i) the repair of the fire hydrant water supply system and the maintenance of the inner walls of our production rooms of our Guangdong Production Facility; and (ii) the maintenance of some of our Mannheim reacting furnaces at our Changchun Production Facility. We have not experienced any material or prolonged operational interruption due to equipment or facilities failure during the Track Record Period.

RESEARCH AND DEVELOPMENT

Our research and development activities are primarily for initiatives and technologies that aim to (i) improve production methods and promote automatic production procedures, (ii) reduce energy consumption and enhance production efficiency, (iii) develop specific compound fertilisers and new types of fertilisers, (iv) enhance compliance with environmental standards for production, and (v) improve product quality and stability.

For FY2021, FY2022, FY2023 and 8MFY2024, our research and development expenses were RMB24.5 million, RMB38.9 million, RMB31.0 million and RMB26.3 million, respectively. A major undertaking in our research and development efforts during the Track Record Period is the Continuous Production of Potassium Sulfate by Metathesis Technology* (複分解法連續生產硫酸鉀技術), which aims to improve the production method and technique of SOP. Currently, a widely used method to manufacture SOP is the Mannheim Method. One of the limitations of the Mannheim Method is the generation of HCL, which is a highly corrosive and toxic substance, as a by-product and, HCL requires storage in closed tanks that meet certain technical requirements. As such, SOP production capacity is oftentimes limited by the HCL storage capacity.

The Continuous Production of Potassium Sulfate by Metathesis Technology aims to address such limitation of the Mannheim Method as this technology might allow certain chemical compound, instead of HCL, to be manufactured as a by-product. Such chemical compound generally does not have any specific or technical storage requirements unlike HCL. As such, the SOP production capacity would not be hindered by the availability of the HCL storage capacity. During the Track Record Period, we incurred, in aggregate, approximately 90.7% of our research and development expenses for this undertaking, which primarily consisted of the costs of raw materials, and research and development staff costs.

Apart from the new SOP production method as mentioned above, the remaining research and development expenses during the Track Record Period were primarily used in the development of (i) the SOP and KCL Granulation Technology* (硫酸鉀和氯化鉀造粒技術), (ii) specific new compound fertilisers and new types of fertilisers, and (iii) the Pulse Dust Collector Technology* (脈衝除塵器技術). We have applied these developments and technologies to our production. The SOP and KCL Granulation Technology are being applied in our existing granulation equipment to enhance the granulation procedures to allow for the production of more evenly sized granules, which in turn can increase production efficiency and reduce energy consumptions. We have also developed new specific fertilisers which are tailored for specific crops (such as tea and chili) for our customers. The Pulse Dust Collector Technology are being applied to the existing production equipment in all of our production facilities to enhance the efficiency on the collection of airborne dust and particles during our granulation and manufacturing procedures, which helps to reduce air pollution and harms to human health. Further, we have also developed various new devices to enhance our machinery and equipment for use at our production facilities. For example, we have obtained a utility patent for a flue-cured tobacco compound fertiliser cooling drum in 2022 which can be applied to our compound fertiliser machinery and equipment to enhance the cooling process during compound fertiliser production. For further information of our material patents which have

been registered or applied for registration in the PRC, please refer to the section headed "Appendix IV – Statutory and General Information – B. Further Information about our Business – 2. Intellectual Property Rights of our Group – (b) Patents" in this document.

We also collaborate with a number of PRC research institutes, production facilities and universities to carry out research and development projects, and some of these projects were led by us. Some intellectual property rights derived from these collaborations belong to us and we are the sole owner of these intellectual property rights. Mr. Sun Pingfu, our executive Director, having over 30 years of experience in technology development, production management and project management in the chemical industry, is leading our research and development initiative. Further information of the qualifications and working experience of Mr. Sun Pingfu is set forth in the section headed "Directors and Senior Management" in this document.

We consider that research and development capability is one of our competitive strengths to our success and growth. In this connection, we will continue to devote resources to research and development on our production technologies and manufacturing process. To facilitate our research and development, we intend to construct a research and development centre ("**Sichuan R&D Centre**") in Chengdu City, Sichuan Province to centralise our research and development team to enhance its efficiency. By establishing our own centralised Sichuan R&D Centre, we believe that it would allow us for (i) better collaboration, and sharing of knowledge and expertise among the team, leading to enhanced productivity and innovation; (ii) centralising resources for efficient allocation and utilisation, which would enable us to improve operational efficiency and to achieve cost saving in terms of procurement and maintenance; and (iii) better control and oversight of research and development activities, which would facilitate better intellectual property protection. Please refer to the section headed "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**] – Research and Development Centre" in this document for further information of the Sichuan R&D Centre.

PRODUCTION FACILITIES AND CAPACITIES

Overview

As at the Latest Practicable Date, we had five key production facilities namely, Guangdong Production Facility, Changchun Production Facility, Daxing Production Facility, Baoqing Production Facility and Anda Production Facility, which are located in Guangdong Province, Jilin Province, Heilongjiang Province and Guizhou Province. Among these, Baoqing Production Facility and Anda Production Facility are owned by Baoqing Migao and Anda Migao, respectively, which became our subsidiaries on 31 March 2022. We also have a production facility, Chengdu Production Facility, in Chengdu City, Sichuan Province, which is subject to relocation due to local re-zoning policy. In addition, our indirect joint venture, Yunnan EuroChem, operates a production facility which is located in Yunnan.

As at the Latest Practicable Date, we had three KCL granulating lines, 40 SOP production lines, and three compound fertilisers production lines. Our total estimated production capacity of our KCL granules, SOP and compound fertiliser were 390,000 tonnes, 363,000 tonnes and 172,000 tonnes, respectively.

Our production facilities are strategically located across different parts of China where the majority of our customers are located. The close proximity to the majority of our customers enables us to deliver our products to our customers in a timely and cost-efficient manner and also allows us to react swiftly to the needs of different customers across different regions in these provinces. Most of our major customers are located in five plantation zones in China and approximately 95.3%, 76.1%, 70.8% and 69.6% of our revenue were derived from customers from these planting zones for FY2021, FY2022, FY2023 and 8MFY2024, respectively.

The map below shows the plantation zones in China and the geographical location of our production facilities and the production facility of our indirect joint venture, Yunnan Production Facility, as at the Latest Practicable Date.

Notes:

(1) Guangdong Production Facility

(2) Changchun Production Facility

(3) Anda Production Facility is owned by Anda Migao which became our subsidiary on 31 March 2022

(4) Baoqing Production Facility is owned by Baoqing Migao which became our subsidiary on 31 March 2022

(5) Daxing Production Facility

(6) Our Chengdu Production Facility is subject to relocation due to change of zoning policy by the local government

(7) Yunnan Production Facility is the production facility of Yunnan EuroChem, our indirect joint venture

Our Group's Production Facilities

Key Production Facilities During the Track Record Period

Our Guangdong Production Facility is located in Guangdong Province. It commenced operations in 2004 and mainly manufactures SOP. As at the Latest Practicable Date, it hosted 16 SOP production lines. During the Track Record Period, the top two geographical locations served by our Guangdong Production Facility for each year/period included Southern China, Southwestern China, Central China and Northeastern China.

Our Changchun Production Facility is located in Jilin Province. It commenced operations in 2008 and mainly manufactures SOP. As at the Latest Practicable Date, it hosted one KCL granulating line and eight SOP production lines. During the Track Record Period, the top two geographical locations served by our Changchun Production Facility for each year/period included Northeastern China and Northern China.

Our Daxing Production Facility is located in Guizhou Province. It commenced operations in 2016 and mainly manufactures compound fertiliser. As at the Latest Practicable Date, it hosted three compound fertiliser production lines. During the Track Record Period, the top two geographical locations served by our Daxing Production Facility for each year/period included Southwestern China, Southern China, Eastern China and Northeastern China.

Production Facilities Consolidated since 31 March 2022

In Heilongjiang Province, we have Baoqing Production Facility and Anda Production Facility, which are owned by Baoqing Migao and Anda Migao and which became our subsidiaries on 31 March 2022. For FY2023 and 8MFY2024, the top two geographical locations served by our Baoqing Production Facility for the year/period included Northeastern China, Eastern China and Southern China. For FY2023 and 8MFY2024, the top two geographical locations served by our Anda Production Facility for the year/period included Northeastern China, Eastern China and Southern China.

Our Baoqing Production Facility consists of two phases. Phase I commenced operations in 2018 for manufacturing of SOP, which hosted four SOP production lines as at the Latest Practicable Date. We also commenced construction of phase II of our Baoqing Production Facility for four additional SOP production lines and obtained the approval for trial production in March 2022. We began trial production in April 2022 and received the construction completion approval from the relevant authorities in March 2023.

Our Anda Production Facility consists of two phases. Phase I commenced operations in 2021 and is for manufacturing of SOP and granulation of KCL, which hosted four SOP production lines and two KCL granulating lines, including the one approved by the relevant government authorities in February 2023, as at the Latest Practicable Date. We have also commenced construction of phase II of our Anda Production Facility for four additional SOP production lines around June 2021. We began trial production in December 2022 and received the construction completion approval from the relevant authorities in December 2023.

As at the Latest Practicable Date, the total aggregate estimated production capacity of our Baoqing Production Facility and Anda Production Facility was approximately 200,000 tonnes of KCL and 145,200 tonnes of SOP.

Production Facility Subject to Relocation

Our Chengdu Production Facility is located in Sichuan Province and mainly manufactured NOP and compound fertilisers. Due to change of zoning policy by local government to re-zone the area where our Chengdu Production Facility is located and our discussion with the local government since October 2018, we decided to relocate our Chengdu Production Facility. Further to our discussion with the local government, we discontinued manufacturing of NOP in January 2019 and, in view of the uncertainty in the timetable of the local government re-zoning implementation plan, we decided to discontinue manufacturing of compound fertiliser at our Chengdu Production Facility in April 2020 and consolidate manufacturing of compound fertilisers to our Daxing Production Facility. We also suspended the KCL granulation operations at our Chengdu Production Facility from March 2022. During the Track Record Period and prior to the suspension of the KCL granulation operations, Sichuan Migao sold both processed KCL and granulated KCL to our customers. During the Track Record Period, the top two geographical locations served by our Chengdu Production Facility for each year/period included Southwestern China, Southern China and Eastern China.

The timing for which we are required to close our Chengdu Production Facility is still subject to local government's re-zoning implementation plan and was not made available to us as at the Latest Practicable Date.

Impact of Chengdu Production Facility on our Group

We discontinued NOP manufacturing in January 2019 due to the expected relocation of our Chengdu Production Facility, which was our only production facility with NOP manufacturing capability. To mitigate the immediate impact on our Group, we have been procuring NOP from Yunnan EuroChem, our indirect joint venture. Yunnan EuroChem owns and runs a fertiliser production facility in Yunnan Province, the Yunnan Production Facility. We have entered into an NOP cooperation framework agreement (the "**Previous NOP Cooperation Framework Agreement**") with Yunnan EuroChem on 1 April 2020. Pursuant to the Previous NOP Cooperation Framework Agreement, under similar terms, Yunnan EuroChem shall give us priority to satisfy our purchase demands. Both parties shall enter into a separate sale and purchase contract for each purchase which will specify the specific time, place and manner of delivery of potash products. Once the sale and purchase contract comes into effect, we are not allowed to return goods and both parties are not allowed to terminate the contract. The term of the Previous NOP Cooperation Framework Agreement is three years, from 1 April 2020 to 31 March 2023. Upon the expiry of the Previous NOP Cooperation Framework Agreement, we and Yunnan EuroChem entered into another NOP cooperation framework agreement with similar terms as the Previous NOP Cooperation Framework Agreement on 1 April 2023 (the "**New NOP Cooperation Framework Agreement**"). The term of the New NOP Cooperation Framework Agreement is three years, from 1 April 2023 to 31 March 2026.

During the Track Record Period, in addition to the Previous NOP Cooperation Framework Agreement, we also purchased NOP from other domestic suppliers, which were generally available in China. For FY2021, FY2022, FY2023 and 8MFY2024, revenue from our sale of NOP amounted to RMB49.1 million, RMB8.9 million, RMB15.4 million and RMB2.3 million, respectively, which only accounted for approximately 2.4%, 0.2%, 0.3% and 0.1% of our total revenue, respectively.

We had one compound fertiliser production line at our Chengdu Production Facility prior to its discontinuation of production of compound fertilisers. Since its discontinuation of production, all the production of compound fertilisers were manufactured at our Daxing Production Facility, which had three production lines of compound fertilisers with an aggregate estimated production capacity of 172,000 tonnes as at the Latest Practicable Date. Currently our Daxing Production Facility has sufficient capacity to manufacture all the compound fertilisers that we sell. For FY2021, FY2022, FY2023 and 8MFY2024, our total sale volume of compound fertilisers (inclusive of compound fertiliser produced under the production services business model) amounted to approximately 82,000 tonnes, 57,000 tonnes, 77,000 tonnes and 17,000 tonnes, respectively.

The estimated cost to close down our Chengdu Production Facility is approximately RMB4.8 million, including, among others, the machineries and equipment removal expenses and miscellaneous expenses. We expect that such expenditure could be fully covered by the sale of the machineries and equipment at our Chengdu Production Facility which we estimate to be approximately RMB5.7 million based on a fee quote we obtained from a third party company. In the unlikely event that there is any shortfall, we plan to finance such expenditure from our internal resources.

Based on our estimation, the annual costs to maintain our Chengdu Production Facility prior to its closure is approximately RMB11 million, which primarily included depreciation charges of the building, staff costs, land use right tax and property tax and other miscellaneous expenses.

In view of the above, our Directors believe that the relocation of our Chengdu Production Facility did not and would not have a significant impact on our business operation given that (i) we were able to source the required amount of NOP from Yunnan EuroChem and other domestic NOP suppliers; and the sale of NOP only accounted for a small percentage of our total revenue during the Track Record Period; (ii) our Daxing Production Facility had the capacity to produce the required amount of compound fertiliser we sold during the Track Record Period; (iii) we have KCL granulating lines at both Changchun Production Facility and Anda Production Facility to cover the KCL granulating operations at our Chengdu Production Facility; (iv) the estimated costs in relation to the closure of our Chengdu Production Facility is expected to be fully covered from the sale of the machineries and equipment at our Chengdu Production Facility; and (v) the estimated annual costs in maintaining our Chengdu Production Facility only accounted for less than 1% of our total revenue for each of FY2021, FY2022 and FY2023.

We intend to construct our New Sichuan Production Facility in Mianyang City, Sichuan Province and resume production of NOP and compound fertilisers at the new production facility upon completion of its construction. For further information, please refer to the section headed "Business – Expansion Plan – New Sichuan Production Facility Plan" in this document.

Utilisation Rates

The table below sets out various information of our production facilities (including Baoqing Production Facility and Anda Production Facility) during the Track Record Period:

	For the Year Ended 31 March									For the Eight Months Ended 30 November					
	2021			2022			2023			2022			2023		
	Estimated production capacity[1]	Actual production volume[2]	Utilisation rate[3]	Estimated production capacity[1]	Actual production volume[2]	Utilisation rate[3]	Estimated production capacity[1]	Actual production volume[2]	Utilisation rate[3]	Estimated production capacity[1]	Actual production volume[2]	Utilisation rate[3]	Estimated production capacity[1]	Actual production volume[2]	Utilisation rate[3]
	tonnes	*tonnes*	*%*	*tonnes*	*tonnes*	*%*	*tonnes*	*tonnes*	*%*	*tonnes*	*tonnes*	*%*	*tonnes*	*tonnes*	*%*
KCL processing[14]	**356,400**	**376,964**	**105.8**	**351,360[13]**	**650,226**	**185.1**	**346,680[13]**	**749,827**	**216.3**	**227,880[13]**	**386,965**	**169.8**	**237,600**	**559,574**	**235.5**
• Changchun Production Facility	118,800	24,494	20.6	113,760[13]	166,621	146.5	109,080[13]	259,394	237.8	69,480[13]	104,163	149.9	79,200	88,531	111.8
• Guangdong Production Facility	237,600	352,470	148.3	237,600	483,605	203.5	237,600	490,433	206.4	158,400	282,802	178.5	158,400	471,043	297.4
KCL granules[4]	**190,000**	**250,880**	**132.0**	**240,273[8][13]**	**322,219**	**134.1**	**291,121[10][13]**	**314,868**	**108.2**	**177,788[13]**	**188,956**	**106.3**	**260,000**	**190,339**	**73.2**
• Changchun Production Facility[4]	190,000	250,880	132.0[16]	181,940[13]	246,592	135.5	174,454[13]	181,843	104.2	111,121[13]	127,531	114.8	126,667	153,884	121.5
• Anda Production Facility[4][5]	–	–	–	58,333[8]	75,627	129.6	116,667[10]	133,025	114.0	66,667	61,425	92.1	133,333	36,455	27.3
SOP	**255,000**	**220,328**	**86.4**	**273,080[8][13]**	**160,668**	**58.8**	**332,917[12][13]**	**110,937**	**33.3**	**211,917[13]**	**68,242**	**32.2**	**242,000**	**103,053**	**42.6**
• Guangdong Production Facility	146,000	101,457	69.5	146,000	75,804	51.9	146,000	32,052	22.0	97,333	20,423	21.0	97,333	46,143	47.4
• Changchun Production Facility	73,000	87,385	119.7[7]	70,080[13]	41,771	59.6	66,917[13]	–[11]	–[11]	42,584[13]	–[11]	–[11]	48,667	–[11]	–[11]
• Baoqing Production Facility[5]	36,000	31,486	87.5	36,000	36,808	102.2[9]	72,000	37,564	52.2	48,000	29,794	62.1	48,000	16,735	34.9
• Anda Production Facility[5]	–	–	–	21,000[8]	6,285	29.9	48,000[12]	41,321	86.1[11]	24,000	18,025	75.1	48,000	40,175	83.7

	For the Year Ended 31 March									For the Eight Months Ended 30 November					
	2021			2022			2023			2022			2023		
	Estimated production capacity[1]	Actual production volume[2]	Utilisation rate[3]	Estimated production capacity[1]	Actual production volume[2]	Utilisation rate[3]	Estimated production capacity[1]	Actual production volume[2]	Utilisation rate[3]	Estimated production capacity[1]	Actual production volume[2]	Utilisation rate[3]	Estimated production capacity[1]	Actual production volume[2]	Utilisation rate[3]
	tonnes	*tonnes*	*%*	*tonnes*	*tonnes*	*%*	*tonnes*	*tonnes*	*%*	*tonnes*	*tonnes*	*%*	*tonnes*	*tonnes*	*%*
Compound fertiliser[6][15]	**172,000**	**75,763**	**44.0**	**172,000**	**62,112**	**36.1**	**172,000**	**77,311**	**44.9**	**114,667**	**24,835**	**21.7**	**114,667**	**22,917**	**20.0**
• Daxing Production Facility[6]	172,000	75,763	44.0	172,000	62,112	36.1	172,000	77,311	44.9	114,667	24,835	21.7	114,667	22,917	20.0

Notes:

(1) The estimated production capacity is calculated with reference to the assumptions that (i) in respect of KCL processing that certain machineries used in packaging in KCL processing are capable to operate eight hours per day (based on the existing work schedule of the Group with only one eight hour shift per day for such KCL processing steps) at our Changchun Production Facility and Guangdong Production Facility, which were the only production facilities in our Group equipped with the relevant packaging machinery, and 330 days for each year for FY2021, FY2022 and FY2023 and 220 days for 8MFY2023 and 8MFY2024; (ii) in respect of KCL granulation (subject to the further adjustments as set out in notes 8, 10 and 13) and compound fertiliser production that the KCL granulating lines and the compound fertiliser production lines are capable to operate 24 hours per day (based on a two 12 hour shifts per day) and 330 days for each year for FY2021, FY2022 and FY2023 and 220 days for 8MFY2023 and 8MFY2024, taking into account the downtime required for maintenance; (iii) in respect of SOP production (subject to the further adjustments as set out in notes 8, 12 and 13) that the SOP production lines are capable to operate 24 hours per day (based on a two 12 hour shifts per day) and 300 days for each year for FY2021, FY2022 and FY2023 and 200 days for 8MFY2023 and 8MFY2024, taking into account the downtime required for maintenance and the time required for cooling off the Mannheim reacting furnace for maintenance and the time required to restart the Mannheim reacting furnace after maintenance; but (iv) constrained by the registration documents we filed with the PRC authorities for our production facilities. According to the relevant PRC authorities' approval and filing documents on capacity of our facilities obtained by us, there are no other specific requirements or constraints on capacity except the capacity scale of each project. The employees involved in KCL processing and KCL granulation are not the same.

(2) For KCL granules, the actual production volume represents the actual production volume of granulated KCL for the year/period at our Changchun Production Facility and our Anda Production Facility utilising KCL granulating lines and other fertiliser production lines at the relevant production facility. For SOP and compound fertilisers, the actual production volume represents the actual production volume from the respective production lines for the year/period.

(3) The utilisation rate equals the actual production volume divided by the respective estimated production capacity for the year/period multiplied by 100%.

(4) The estimated production capacity of KCL granules only included the estimated production capacity of the one KCL granulating line at our Changchun Production Facility and the one/two KCL granulating line(s) at our Anda Production Facility. Although we occasionally utilised the granulating equipment of our other fertiliser production lines at our production facilities (including our Changchun Production Facility, Chengdu Production Facility, Daxing Production Facility, Anda Production Facility and Baoqing Production Facility) to granulate KCL, we did not include the estimated production capacity of those granulating equipment in deriving our estimated production capacity of KCL in the table above since those are not used exclusively for granulation of KCL. The aggregate actual production volume of KCL granules utilising granulating equipment of other fertiliser production lines other than at our Changchun Production Facility and Anda Production Facility were approximately 66,000 tonnes, 170,000 tonnes, 8,200 tonnes, nil and nil for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively.

The utilisation rate of KCL granules equals the actual production volume of KCL at our Changchun Production Facility and Anda Production Facility divided by the estimated production capacity of the one KCL granulating line at our Changchun Production Facility and the one/two KCL granulating line(s) at our Anda Production Facility. The KCL granulation utilisation rate exceeded 100% because we occasionally utilised the granulating equipment of our SOP production lines of Changchun Production Facility and Anda Production Facility for granulation of KCL.

(5) Baoging Production Facility and Anda Production Facility became part of our Group since 31 March 2022.

(6) During the Track Record Period, we made use of our idle equipment in the Chengdu Production Facility and Daxing Production Facility to granulate KCL.

(7) We recorded high utilisation rate of SOP at our Changchun Production Facility for FY2021 due to the high market demand for SOP from the customers of Changchun Migao. Also as the maintenance time for our Changchun Production Facility was less than usual for FY2021, it allowed us to exceed 100% utilisation rate.

(8) Phase I of the Anda Production Facility commenced trial production in September 2021. Its estimated production capacity of KCL and SOP for FY2022 was calculated on pro rata basis based on an estimated annual production capacity of 100,000 tonnes and 36,000 tonnes, respectively.

(9) Given that the lower demand for our SOP for FY2022, we decided to concentrate SOP manufacturing to our Baoqing Production Facility which thereby led to a high utilisation rate of SOP at our Baoqing Production Facility for FY2022.

(10) A fertiliser production line at the Anda Production Facility with 100,000 tonnes estimated annual production capacity was redesignated and approved as a KCL granulating line in February 2023. Anda Production Facility estimated annual production capacity of KCL for FY2023 was calculated based on (i) full estimated annual production capacity of 100,000 tonnes of KCL of the original KCL granulating line; and (ii) a pro rata basis of an estimated annual production capacity of 100,000 tonnes of KCL of the redesignated KCL granulating line.

(11) Given the relatively low demand for SOP for FY2023, 8MFY2023 and 8MFY2024, we did not engage our Changchun Production Facility for the manufacturing of SOP. We allocated the manufacturing from our Changchun Production Facility to our Anda Production Facility.

(12) Phase II of the Anda Production Facility commenced trial production in December 2022. Anda Production Facility estimated production capacity of SOP for FY2023 was calculated based on (i) full estimated annual production capacity of 36,000 tonnes of SOP of Phase I of the Anda Production Facility; and (ii) a pro rata basis of an estimated annual production capacity of 36,000 tonnes of SOP of Phase II of the Anda Production Facility.

(13) Our Changchun Production Facility was temporarily suspended from mid-March 2022 to end of April 2022 following the guidance from the local government on COVID-19 protection measures. Due to the temporary suspension, the estimated production capacity of KCL processing at our Changchun Production Facility was calculated based on eight hours of operation for 316 days for FY2022, 303 days for FY2023 and 193 days for 8MFY2023, the estimated production capacity of the KCL granulating lines at our Changchun Production Facility was calculated based on 24 hours of operation for 316 days for FY2022, 303 days for FY2023 and 193 days for 8MFY2023, and the estimated production capacity of the SOP production lines at our Changchun Production Facility was calculated based on 24 hours of operation for 288 days for FY2022, 275 days for FY2023 and 175 days for 8MFY2023.

(14) With respect to the actual production volume of processed KCL for the purpose of determining our utilisation rate, we use our total sales volume of processed KCL (excluding the portion used as raw material for granulation and manufacturing), subject to the following qualifications and assumptions. While KCL processing also takes place at our productions facilities other than our Changchun Production Facility and Guangdong Production Facility, those production facilities do not have packaging machineries solely used for KCL processing. As such, for the purpose of calculation of our utilisation rate for KCL processing, the actual production volume of processed KCL (represented by sales volume) at such production facilities are allocated and aggregated with that of Changchun Production Facility and Guangdong Production Facility, based on the locations of the relevant customers for the processed KCL. In addition, the actual production volume for processed KCL (as represented by sales volume) as indicated in the table include KCL processed by us and by third party service providers instructed by us. We do not differentiate KCL processed solely by our employees and those processed by third party service providers instructed by us because for any given batch of processed KCL sold, it could involve processing steps wholly or partially (within the same batch) done by our employees and by third party service providers and it is not feasible to trace the exact input of our employees and the relevant third party service providers.

Certain utilisation rates for KCL processing during the Track Record Period exceeded 100% because (i) we worked overtime in excess of eight hours during busy time and (ii) the qualifications and assumptions regarding actual production volume of processed KCL stated above, including involvement of third party service providers in KCL processing.

(15) Different types of compound fertilisers have different composition and ratio of their components, however, they are generally produced using the same manufacturing process and production line. As such, the differences in the composition and ratio of our compound fertilisers do not affect our compound fertiliser utilisation rates.

(16) For FY2021, our KCL granulation utilisation rate at our Changchun Production Facility reached 132.0% as we (i) temporarily increased our production volume of KCL granulation of the KCL granulating line at our Changchun Production Facility, (ii) utilised the idle granulating equipment of our other fertiliser production lines at our Changchun Production Facility, and (iii) utilised the idle granulation equipment of our neighboring production facility (Baoqing Production Facility).

The utilisation rates of our production lines are generally subject to seasonality impact, given that our fertiliser products are primarily for agricultural use which is subject to seasonal fluctuations. Farmers in China typically apply crop nutrients during two application periods. The main application period is the spring planting season (January to March) and the other application period is the post harvest fertilising season (October to December). As a result, the strongest demand for our products typically occurs during the spring planting season and the post harvest fertilising season. Therefore, our peak season is typically from October to March and our non-peak season is typically from April to September. Our fertiliser products have a short lead time, which is usually within one month. The peak season and non-peak season for our production align with the corresponding seasons of demand for our fertiliser products. Please refer to the section headed "Financial Information – Key Factors Affecting our Results of Operations – Seasonality" in this document for further information.

As we need to ensure we have sufficient production capacity during our peak season to satisfy our customers' demand, we generally plan for our production capacity based on our production during our peak season and we therefore generally witnessed lower utilisation rates for our SOP and compound fertiliser during the Track Record Period. Further, the utilisation rates of our production lines for all of our products are generally lower for the 8MFY2023 and 8MFY2024 as compared to the full year utilisation rate because the majority of these eight-month periods falls within our non-peak season (April to September) and thus are not meaningful indication of full year utilisation rates in the relevant financial year.

KCL

Our KCL processing utilisation rate was approximately 105.8%, 185.1%, 216.3%, 169.8% and 235.5% for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively. Our KCL processing utilisation rate follows the same trend of our sales volume of our processed KCL.

Our KCL granulation utilisation rate was approximately 132.0%, 134.1%, 108.2%, 106.3% and 73.2% for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively. Our KCL granulation utilisation rate exceeded 100% for FY2021, FY2022, FY2023 and 8MFY2023 mainly because we occasionally utilised the granulating equipment of our SOP production lines at our Changchun Production Facility and Anda Production Facility for KCL granulation. For FY2021, FY2022, FY2023 and 8MFY2024, we sold approximately 348,000 tonnes, 458,000 tonnes, 315,000 tonnes and 191,000 tonnes of granulated KCL, respectively. During the Track Record Period, the customers who purchased granulated KCL from us were mainly agribusiness and/ or agricultural reclamation companies located in the northern region of China, where granulated KCL is more ideal for plantation purpose due to the windy climatic condition there. In FY2022, there were three additional customers (whom did not purchase any granulated KCL from us in FY2021) purchased an aggregate of approximately 96,000 tonnes of granulated KCL from us, which led to a higher sales of granulated KCL in FY2022 compared to that of FY2021 and FY2023. In FY2023, due to the increase in prevailing domestic market price of KCL, the demand from our relevant customers for KCL (including granulated KCL) decreased from approximately 427,000 tonnes for FY2022 to approximately 224,000 tonnes for FY2023. Our KCL granulation utilisation rate was relatively high at approximately 106.3% for

8MFY2023 despite it fell mostly within our non-peak reason primarily because some of our customers had increased their potash fertiliser reserve in view of the potential increase in the domestic market price of imported KCL due to the global supply uncertainty. We had a lower KCL granulation utilisation rate of approximately 73.2% for 8MFY2024 primarily due to such period fell within our non-peak season.

SOP

We had a low SOP utilisation rate of approximately 58.8% for FY2022 due to the general lower demand of SOP from our customers due to our high selling prices of SOP. It led to some of our customers to choose to use KCL as alternative to SOP as KCL can in general be used to replace, to some extent, SOP, and thereby resulting in lower demand of SOP for FY2022. We had a relatively low SOP utilisation rate of approximately 33.3% for FY2023 primarily due to (i) a decrease in demand of SOP from customers as a result of our higher average selling price of SOP during FY2023 as compared to that of FY2022; and (ii) the increase in SOP production capacity as we had four additional SOP production lines which commenced trial production in December 2022 at our Anda Production Facility. We had a low SOP utilisation rate of approximately 32.2% and 42.6% for 8MFY2023 and 8MFY2024 primarily due to such periods mostly fell within our non-peak season, and our production facilities underwent equipment repairing, inspection and maintenance during our non-peak season.

Compound Fertilisers

We recorded a relatively low compound fertiliser utilisation rate of approximately 44.0%, 36.1%, 44.9%, 21.7% and 20.0% for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively. Although all our fertiliser products are subject to seasonality impact, our compound fertiliser are especially affected by seasonality impact. For FY2021, FY2022 and FY2023, we manufactured approximately 92.5%, 98.3% and 97.6% of our total compound fertiliser during the peak season for each of the respective year. Our compound fertiliser are generally tailor made to customer specifications and therefore the manufacturing of compound fertiliser at our Daxing Production Facility follows closely the placement of orders by our customers based on their individual needs. For example, we generally manufacture tobacco compound fertilisers based on the specific formulae we research and develop with them in order to ensure the tobacco compound fertiliser are tailored to their needs and are suitable for growth of tobaccos. Given that compound fertiliser generally need to be tailor made, we are not able to manufacture our compound fertiliser during our non-peak season until we have confirmed the specific formulae with the customers which are generally provided to us close to the plantation season.

Our Unconsolidated Indirect Joint Venture's Production Facility

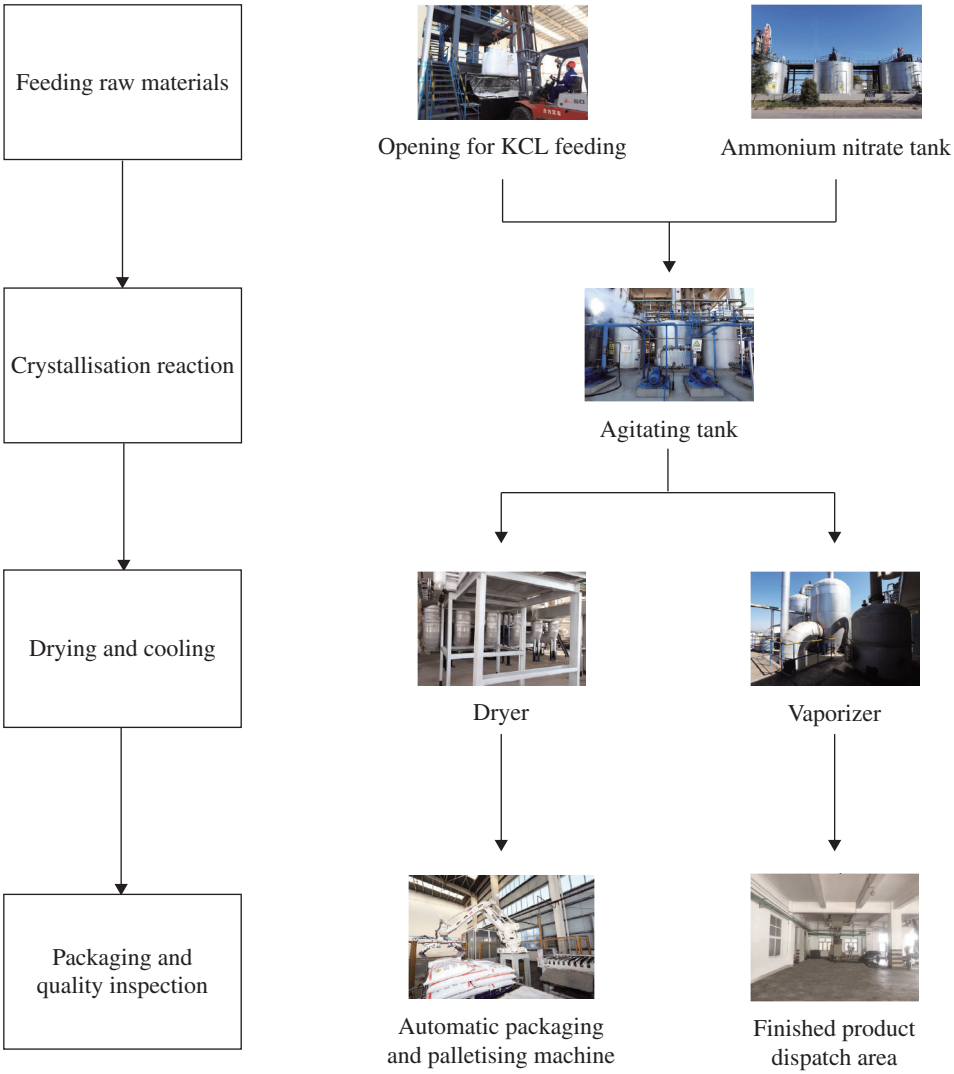
Yunnan Production Facility is operated by Yunnan EuroChem, our indirect joint venture. For further information regarding Yunnan EuroChem, please refer to the section headed "History, Reorganisation and Corporate Structure – Our Joint Venture – EuroChem Migao and Yunnan EuroChem" in this document. As at the Latest Practicable Date, the Yunnan Production Facility hosted one NOP production line and two compound fertilisers production lines.

Its estimated production capacity of NOP and compound fertiliser were 80,000 tonnes and 100,000 tonnes, respectively, for FY2023. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, the actual production volume of NOP was approximately 56,000 tonnes, 34,000 tonnes, 47,000 tonnes, 23,000 tonnes and 12,000 tonnes, respectively, and the actual production volume of compound fertiliser was approximately 60,000 tonnes, 18,000 tonnes, 60,000 tonnes 16,000 tonnes and 7,000 tonnes, respectively.

NOP Manufacturing Process at Yunnan Production Facility

KCL and ammonium nitrate are used as the primary raw materials for the manufacturing of NOP at the Yunnan Production Facility. Through certain chemical processes, NOP is manufactured as the main product and NHCL is manufactured as a by-product.

The diagram below illustrates the main steps of the manufacturing process of NOP at the Yunnan Production Facility:



EXPANSION PLAN

To expand our production capacities to capture the anticipated growing demands for our fertiliser products and to replace our Chengdu Production Facility, we intend to commence construction of our New Sichuan Production Facility in the second half of 2024.

New Sichuan Production Facility Plan

To ensure we will have our own NOP manufacturing capability, we intend to commence construction of our New Sichuan Production Facility in Mianyang City, Sichuan Province in the second half of 2024, which upon its construction shall be able to replace the NOP and compound fertilisers manufacturing functions at our Chengdu Production Facility. In addition, the New Sichuan Production Facility will also enable us to capture the market demand in the area more efficiently as our production facility will be located close to those customers. We have already begun exploring the market demand in the area and had acquired 18 new customers from the region where they had, in aggregate, purchased approximately 195,000 tonnes of KCL and compound fertiliser from us from 1 April 2022 to 30 November 2023.

In January 2021, we have entered into a cooperation agreement with the local authorities in respect of our investment in the new production facility. Below are certain key terms of the cooperation agreement:

- **Investment Amount:** We plan to invest a total amount of RMB2 billion to acquire 200 mu of land in the Mianyang Economic and Technological Development Zone and to implement the project for manufacturing and sale of SOP, NOP, compound fertilisers and potash fertiliser products. Such investment amount also includes the working capital and investment for inventory for five years. The total investment amount will be funded from internal resources, external borrowings, net [**REDACTED**] from the [**REDACTED**], and cash flow from the operations of the New Sichuan Production Facility.

- **Production Lines:** We plan to build eight sets of SOP production lines with an estimated annual production capacity of 80,000 tonnes, one set of NOP production line with an estimated annual production capacity of 60,000 tonnes and one set of compound fertiliser production line with an estimated annual production capacity of 200,000 tonnes in the new facility.

- **Land Acquisition and Price:** The land will be offered for sale through public listing at a price to be determined by the Mianyang government at the time of sale and we will acquire the land in accordance with the laws and obtain the PRC real property ownership certificate.

- **Land Use and Term:** The land is to be used for industrial purposes for construction of production plants, offices and ancillary facilities. The term for the land-use right is 50 years.

- **Land Payment Terms:** After we acquire the land, we will execute the state-owned construction land use right transfer confirmation and state-owned construction land use right transfer contract with the Mianyang government, and pay the land transfer fee and the related land transfer taxes in full at the time specified in the contract.

- **Obligations of the Management Committee:** The management committee of the local government authorities shall be responsible for (i) the construction of water supply, power supply, gas supply, sewage discharge networks, roads, and other municipal facilities; (ii) relocation of local farming households; (iii) assisting us to apply for construction project programming permit; (iv) assisting us to apply for project approval and the PRC real property ownership certificate; and (v) assisting us to obtain various subsidy funding and preferential policy support.

- **Obligations of Us:** We are required to provide feasibility report and ensure compliance with national industrial policies, market entry standards and environmental protection and safety provisions, and pay the relevant fees and expenses.

- **Preferential Policy:** We are entitled to enjoy various preferential policies offered by the local government.

Construction Plan and Investment Costs

We intend to construct eight SOP production lines, one NOP production line and one compound fertilisers productions line with an aggregate estimated production capacity of 80,000 tonnes of SOP, 60,000 tonnes of NOP and 200,000 tonnes of compound fertilisers, respectively.

We expect to commence construction in the second half of 2024 and to complete construction and commence operation in the second half of 2025. The total site area of our New Sichuan Production Facility is expected to be approximately 133,334 sqm and the total gross floor area is expected to be approximately 86,378.3 sqm.

For our New Sichuan Production Facility, we expect the investment costs to be approximately RMB265.8 million, of which approximately (i) RMB56.5 million is the land acquisition costs; (ii) RMB94.0 million is the construction costs; (iii) RMB94.3 million is for purchasing of equipment and machinery; and (iv) RMB21.0 million is installation and miscellaneous costs.

Assuming that, among others, (i) total hiring of 255 employees; (ii) property and building with 20 years depreciation period; (iii) equipment and machinery with 10 years depreciation period; (iv) maintenance fee of 2% of the fixed assets; (v) other management fees of 30% of the employee salary and benefits; (vi) other manufacturing fees of 2% of the fixed assets; (vii) other sales expenses of 1% of the total revenue; (viii) utilisation rate of SOP and NOP production lines to reach 60% for the first year of operation, 70% for the second year of operation and 80% for the third to seventh year of operation and the utilisation rate of compound fertiliser production lines to reach 30% for the first year of operation, 40% for the second year of operation and 50% for the third to seventh year of operation; (ix) selling price of SOP of RMB3,300 per tonne and selling price of compound fertiliser (with NOP in its component) of RMB4,100 per tonne; and (x) corporate income tax rate of 25% with no preferential tax treatment, the breakeven point of our New Sichuan Production Facility, i.e., the amount of sales required to cover its costs and expenses which results in zero net income, is approximately within two years from the commencement date of its construction. The expected time required for our New Sichuan Production Facility to recover the investment costs, i.e., the payback period, is approximately 5.8 years from the commencement date of its construction with reference to the feasibility study report. As at the Latest Practicable Date, we had not incurred any cost in connection with the land acquisition nor the construction of our New Sichuan Production Facility as it was still under the planning stage.

The following table sets out a breakdown of our main investment amount with respect to the land acquisition, construction, equipment and machinery acquisition, and installation and miscellaneous costs of our New Sichuan Production Facility for the year specified.

	For the year ending	
	31 March 2025	**31 March 2026**
	RMB'000	
Land acquisition	56,510	–
Construction	47,010	47,010
Equipment and machinery	47,155	47,155
Installation and miscellaneous costs	–	20,990
Total	**150,675**	**115,155**

Justification for Construction of New Sichuan Production Facility

Due to change of zoning policy by local government to rezone the area where our Chengdu Production Facility is located, we intend to construct and relocate to our New Sichuan Production Facility to replace the manufacturing of NOP and compound fertilisers at our Chengdu Production Facility.

As we had to purchase NOP from suppliers to continue to provide NOP to our customers and maintain our market presence in the NOP market since the discontinuation of NOP production at our Chengdu Production Facility in January 2019, our only production facility that manufactured NOP, we believe it is important for us to have our own NOP manufacturing capability to ensure a stable supply of NOP and to potentially increase our market share in the NOP market.

NOP is mainly applied to economic crops which include, among others, tobacco, fruits, vegetables and flowers. Yunnan Province is one of the major tobacco crop planting regions in the PRC. The tobacco industry in the PRC can consume up to approximately 1.4 million tonnes of NOP annually and the tobacco industry in the Yunnan Province alone can consume up to approximately 640,000 tonnes of NOP annually. The annual production volume of tobacco leaf in Yunnan Province increased from approximately 835,000 tonnes in 2019 to approximately 863,000 tonnes in 2022 with a CAGR of approximately 1.1%, indicating the growth potential for demand of NOP in the region. Further, there are significant demand of NOP in the Sichuan Province for the plantation of fruits and vegetables. In the Sichuan Province, the annual production volume of fruits increased from approximately 10.8 million tonnes in 2018 to approximately 13.8 million tonnes in 2022, with a CAGR of approximately 6.3% and the annual production volume of vegetables increased from approximately 44.4 million tonnes in 2018 to approximately 52.0 million tonnes in 2022, with a CAGR of approximately 4.0%. Further, Yunnan Province is a major flower plantation region in the PRC. The annual production volume of fresh cut flowers increased from approximately 11.2 billion branches in 2018 to approximately 17.5 billion branches in 2022, with a CAGR of approximately 11.7%. As such, there is a significant demand for NOP in the Yunnan Province and Sichuan Province and the New Sichuan Production Facility is strategically located to develop such market.

During the Track Record Period, we had relatively insignificant sales volume of NOP primarily because we did not have the facility to manufacture them and had to rely on external sourcing so we did not focus on our sales of NOP, though it is generally the type of our fertiliser products with the highest selling price. Historically, we had certain sales of NOP prior to the discontinuation of NOP production at our Chengdu Production Facility, with several years where we had annual sales of over 50,000 tonnes of NOP and we have maintained business relationships with a number of these customers. Once we have regained the capability to manufacture NOP at our own production facilities, we intend to promote the sales of our NOP to our customers. In view of the above, our Directors consider that there is sufficient demand for NOP to justify the construction of the NOP production line at the New Sichuan Production Facility.

In relation to SOP, our Chengdu Production Facility has not had any SOP production lines. However, we had reached an overall relatively high utilisation rate for SOP at our production facilities (including Baoqing Production Facility and Anda Production Facility) of approximately 86.4% for FY2021. Our SOP utilisation rate (including Baoqing Production Facility and Anda Production Facility) decreased to approximately 58.8% for FY2022 primarily due to the substantial increase in our selling price of SOP which led to some customers to choose to use KCL as alternative to SOP as KCL can in general be used to replace, to some extent, SOP, and thereby resulting in lower demand of SOP for FY2022. Our SOP fertiliser products utilisation rate further decreased to approximately 33.3% for FY2023 primarily due to (i) a decrease in demand of SOP by our customers as a result of our higher average selling price of SOP during FY2023 compared to FY2022; and (ii) the commencement of trial production of four additional SOP production lines in December 2022 at our Anda Production Facility. Please refer to the section headed "Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income – Revenue from Sales of Products – Sales of SOP" in this document for further information. Our SOP utilisation rate remained at a low level at approximately 42.6% for 8MFY2024 primarily due to such period mostly fell within our non-peak season and our production facilities underwent equipment repairing, inspection and maintenance during our non-peak season.

However, we expect our customers' demand for SOP will increase in the future when the domestic market price of imported KCL and SOP become stable. Further, as there are a number of tobacco companies in the Sichuan Province area which require SOP, we believe it is important for us to expand our SOP production capacity by constructing additional SOP production lines at our New Sichuan Production Facility so we will have a production facility located close to these customers which would help us save transportation costs in the delivery of our products to these customers and can capture the expected growing demand of SOP and to increase our market share in the SOP fertiliser market. Also, as we are developing a new SOP production method to enhance the efficiency of SOP production, we intend to adopt the new SOP production method at the New Sichuan Production Facility. Please refer to the section headed "Business – Research and Development" in this document for further information of the new SOP production method.

In relation to compound fertilisers, our Chengdu Production Facility had one compound fertilisers production line with estimated production capacity of 100,000 tonnes prior to its discontinuation of compound fertilisers manufacturing in April 2020. We decided to increase our estimated production capacity of compound fertilisers to 200,000 tonnes in view that we expect our customers' demand for compound fertiliser will increase in the future. It is intended that a significant amount of the NOP manufactured at the New Sichuan Production Facility will be used for the manufacturing of our compound fertiliser at the New Sichuan Production Facility given the demand for compound fertiliser (with NOP in its component) from tobacco companies in the area. Also, historically, we had certain sales of compound fertiliser manufactured at our Chengdu Production Facility prior to the discontinuation of its manufacturing, with several years where we had annual sales of over 50,000 tonnes of compound fertiliser by our Chengdu Production Facility. In addition, as there are various potential compound fertiliser customers (such as tobacco companies and vegetables, fruits and

flowers agricultural companies and farmers) located in or nearby Sichuan Province, we believe that our New Sichuan Production Facility will allow us to explore our business cooperation opportunity with them as our close proximity to them will help them save transportation costs and delivery time for compound fertiliser.

According to the data published by the National Bureau of Statistics of the PRC, regionally in Southwestern China (including Sichuan Province, Yunnan Province and Guizhou Province), there has been a growing demand for potash fertilisers. From 2018 to 2022, the grain, vegetable and fruit production volume in Southwestern China increased from approximately 64.1 million tonnes, 92.6 million tonnes and 22.6 million tonnes in 2018, respectively, to approximately 65.8 million tonnes, 114.3 million tonnes and 33.7 million tonnes in 2022, respectively, representing CAGRs of approximately 0.7%, 5.4% and 10.4%, respectively.

KCL supplements potassium to promote crop stiffness, strength, and disease resistance, which is suitable for general field crops (e.g., rice, wheat, corn, sorghum, cotton, etc) except for a few chlorine-sensitive crops and saline-alkali land. SOP has good water solubility and adjusts soil structure to enhance soil fertility. SOP is a chlorine-free, high-quality and high-efficiency potassium fertiliser, which is especially suitable in the cultivation of chlorine-sensitive but sulfur-loving crops such as sweet potatoes, potatoes, watermelon, tobacco, garlic, and cruciferous vegetables. NOP improves crop absorption and enhances resistance to lodging and pests. NOP also has high water solubility, and its active ingredients nitrogen and potassium can be quickly absorbed by crops. NOP is mainly applied to economic crops such as tobacco, tea, vegetables, fruits, flowers and some chlorine-sensitive crops. Compound fertiliser provides multi-components nutrients including but not limited to nitrogen, phosphorus and potassium to crops. It can be used in the cultivation of various crops including grain, tobacco, vegetable and fruits. During the Track Record Period, a significant portion of our compound fertilisers were manufactured for tobacco planting applications. We also manufactured a small portion of our compound fertilisers for tea, chili, fruits and vegetables planting. Majority of the compound fertilisers we manufactured during the Track Record Period was tailored made for our tobacco company customers to suit their specific needs.

Further, as certain provinces have focused on taking actions on illegal occupation of cultivated land to resume farming and plantation in 2023, it is expected such would promote the increase in the area of cultivated land nationwide, and thereby would drive the demand of potash fertilisers in the PRC.

In addition, the governments of Sichuan Province, Yunnan Province and Guizhou Province have also formulated incentive development goals on the agricultural industry which is expected to boost the demand for potash fertiliser in those provinces:

- Sichuan Province: In 2022, the sown area of grain in Sichuan ranked sixth in China. As one of the 13 main grain production areas in China, Sichuan is tasked with the important mission of national food security. In recent years, the comprehensive grain production capacity of Sichuan has steadily increased. According to the

"Sichuan Province's "14th Five-Year Plan" to Promote Agricultural and Rural Modernisation Plan" (《四川省"十四五"推進農業農村現代化規劃》), the sown area of grain in Sichuan will reach more than 95 million acres and the grain production volume will reach more than 35.4 million tonnes by 2025. At the same time, Sichuan will further implement high-standard farmland construction projects, with increasing grain production capacity as the primary goal, focusing on permanent basic farmland protection areas, grain production functional areas, and important agricultural product production protection areas. From 2021 to 2025, Sichuan aims to build more than 10 million acres of high-standard farmland.

- Yunnan Province: As the largest tobacco leaf production province in China, the Yunnan government has paid great attention to consolidate and expand Yunnan's leading position in the tobacco industry. According to the "Three-Year Action Plan for Agricultural Modernization in Yunnan Province (2022-2024)" (《雲南省農業現代化三年行動方案(2022–2024年)》), the Yunnan government aims that the tobacco planting area and flue-cured tobacco production in Yunnan will reach around 6 million acres and 16.5 million tonnes respectively, and the output value of the entire tobacco industrial chain will reach around RMB235 billion by 2024.

- Guizhou Province: Guizhou is a leading tea leaf planting province in China. The tea leaf production volume in Guizhou increased from approximately 180,300 tonnes in 2018 to 266,200 tonnes in 2022 at a rapid CAGR of approximately 10.2%. According to the "14th Five-Year Plan for National Economic and Social Development of Guizhou Province and Outline of Vision 2035" (《貴州省國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), it is aimed that tea production volume will reach around 500,000 tonnes and a tea related industrial chain with an output value of more than RMB30 billion will be established by 2025.

Given the proximity of our New Sichuan Production Facility to the above provinces, we believe that we can benefit from the promotion and growth of the agricultural industry in the Sichuan Province, Yunnan Province and Guizhou Province upon the construction of our New Sichuan Production Facility.

Further, to further develop the business of our Group, we would actively look for cooperation with business partners to expand our sales network. For example, we have entered into a strategic framework cooperation agreement with a new strategic partner, a large company with annual revenue of over RMB80 billion in 2022 which is principally engaged in the sales of a comprehensive suite of merchandise in the PRC (including agricultural products) and provision of intelligent business and marketing subscription service, offering merchant solutions and rendering other various related services. The term of the strategic framework cooperation agreement is for a period of three years from 1 August 2023 to 31 July 2026. The strategic framework cooperation agreement does not contain any terms governing any specific sales and purchase transactions (including, among others, consideration, sales volume and delivery arrangement), and it is not legally binding on the specific sales and purchase transactions between the parties. The sales and purchase transactions as contemplated under the

strategic framework cooperation agreement will be conducted by the parties under separate sales and purchase contracts and the parties have already started their business cooperation. From August 2023 to January 2024, we sold approximately 9,600 tonnes of KCL and 2,900 tonnes of SOP to the strategic partner's group companies.

We believe our cooperation with them can increase our sales and market shares and further enhance our market reputation. We can also develop and explore new market opportunities utilising such strategic cooperation. Further, it is expected that the strategic cooperation will be focused on exploring the potash fertiliser markets in, among others, Southwestern China, Central China and Eastern China, and we believe our New Sichuan Production Facility will be able to serve the customers in those areas and increase our market shares in those regions.

Funding of Expansion Plans

We plan to use our internal resources, external borrowings and the net [**REDACTED**] from the [**REDACTED**] to fund the investment plan of our New Sichuan Production Facility. For details of the timeframe for our Group to utilise the [**REDACTED**] from the [**REDACTED**] for our New Sichuan Production Facility, please refer to the section headed "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**]" in this document.

QUALITY CONTROL

We believe that strict quality control and the production of consistent, quality products are essential for us to maintain sustainable growth in the potash fertiliser industry. Accordingly, we have implemented a quality control system in the production procedures of our products to ensure that the quality of our products meet our customers' expectations.

We have adopted the following quality management and control systems:

- Raw materials: we perform quality control inspections on the raw materials and purchase from our long-standing suppliers who are able to provide us with high quality raw materials used for our production.

- Process control: we have well-trained and experienced management and operating personnel to optimise operation efficiency and stabilise the production output and quality.

- Testing and inspection: we have monitoring appliances at every stage of our manufacturing process. Our quality inspection team performs random tests on the raw materials and finished products on a sample basis to ensure that the products comply with the required national, market and customer standards. Testing processes include checking the physical appearance and composition of raw materials and finished products. We also conduct sample checking on products which we procure for reselling.

- Packaging and storage: we adopt systematic packaging and storage procedures to ensure proper packaging and to avoid damage to our products during storage in our warehouses.

In recognition of our product quality, we have received numerous certificates by relevant authorities including, among others, GB/T19001-2016/ ISO9001:2015 and GB 38400-2019 for the production and sale of our fertiliser products for certain of our production facilities. The below table sets forth some of the major certificates we received:

Name of Certificate	Issuing Authority	Validity Period	Holder
Certificate of Quality Management System (質量管理體系認證證書)	Ever Win Quality Certificate Centre	18 September 2021 – 14 September 2024	Guangdong Migao
Certificate of Quality Management System (質量管理體系認證證書)	China Quality Association Quality Assurance Centre	27 April 2023 – 27 August 2026	Daxing Migao

In addition, Baoqing Migao, which became our subsidiary on 31 March 2022, has the following major certificate:

Name of Certificate	Issuing Authority	Validity Period	Holder
Product Certification (產品認證證書)	Beijing Zhong Hua Combination Certification Co. Ltd.	5 January 2022 – 29 July 2024	Baoqing Migao

Save for defective products, we generally do not accept returns of our fertiliser products. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material sales returns by customers, product liability or other legal claims arising from allegations relating to the quality of our products.

PRICING AND SETTLEMENT TERMS

Pricing

During the Track Record Period, our average selling prices per tonne of our KCL, SOP, NOP and compound fertiliser (excluding production fees) ranged from approximately RMB1,723.9 to RMB3,771.6, RMB2,328.4 to RMB3,850.3, RMB3,726.6 to RMB6,097.7 and RMB2,275.7 to RMB3,068.6, respectively.

For our pricing strategy, we generally determine the selling prices of our products based on a number of factors, such as raw material costs, labour and manufacturing costs, inventory level, prevailing domestic market price, specifications of products, sales volume and transportation costs. The predominant component of our product's unit costs is our raw

material costs. During the Track Record Period, our direct materials costs accounted for approximately 95.9%, 97.9%, 97.5% and 96.4% of our cost of goods sold for FY2021, FY2022, FY2023 and 8MFY2024, respectively. In general, SOP and NOP which require more complicated manufacturing process involving chemical reaction and have higher raw material costs are sold for higher prices than KCL and compound fertiliser.

According to the Pricing Law of the PRC (《中華人民共和國價格法》), the price of most commodities and services (including fertiliser products) is subject to market condition and decided by market participants. Market participants, however, must not carry out certain improper pricing acts such as manipulation of market prices by collusion, fabrication and spreading news of price rise, and etc. Please refer to the section headed "Regulatory Overview – Law Supervision Over the Chemical Fertiliser Industry – Regulations on the Pricing" for further information.

Settlement Terms

Our customers generally settle payments in RMB through bank transfer or bank's acceptance bill. We may require advance payment prior to delivery of our fertiliser products for specific customers. Our credit period to our customers generally ranges from 30 to 180 days.

In determining the credit period to be granted to our customers, we mainly assess their credibility and our business relationships with them. Such credit period granted to our customers are reviewed by us regularly.

CUSTOMERS, SALES AND MARKETING

Customers and Sales Terms

Our sales department is responsible for the sales of our products. During the Track Record Period, we sold most of our products in the PRC and generated approximately 98.9%, 99.6%, 98.2% and 98.1% of our total revenue in the PRC. For our remaining sales outside of the PRC, sales were primarily to Southeast Asia and we did not sell any of our products to the EU, UK and Canada. We primarily sell our fertiliser products to agricultural reclamation companies, tobacco companies and agribusiness companies and primarily sell our by-products to industrial companies.

During the Track Record Period and up to the Latest Practicable Date, our Group did not engage any distributor for selling our products and all of our customers are considered by our Directors as our end-customers, primarily because (i) we did not enter into any distribution agreement with our customers during the Track Record Period; (ii) our customers generally purchase our products by way of purchase orders and maintained seller-buyer relationship with us; (iii) we have no ownership, managerial or contractual control over any of our customers or on their sales, credit or pricing policies, and marketing activities; (iv) we do not accept any return or exchange of our products sold to our customers except for defective products; (v) we

have no restrictions or requirements on our customers regarding their geographical coverage, sales target, minimum purchase requirements, channels, target customers or avoidance of competition policies; (vi) our customers are not required to sell fertiliser products under our brand; and (vii) our customers do not provide us, and are not required to provide us with, any information regarding their sales, inventory levels and customers' demands of our products. As such, our Directors consider that all of our customers were our end-customers and that we did not adopt any distributorship business models in selling our products.

We generally obtain purchase orders or purchase agreements with our customers through tender process or commercial negotiation. Majority of our sales during the Track Record Period were through commercial negotiations with our customers.

For tender process, the tender notice and tender documents generally include the following information: (i) the type of products, (ii) the estimated quantity of the products, (iii) the specifications of the products, and (iv) the qualifications of bidders such as registered capital and annual revenue. Upon receiving the tender notice and tender documents, we will review the relevant documents and take into account various factors including the price, our production schedule, payment terms and seasonality before deciding whether to submit a tender.

Upon submission of the tender, the tenderer may evaluate the bidder against a variety of factors such as the bidders' production capabilities, supply stability, sample inspection records, quality control and safety systems and certificates, general track record, financial performance and customer services before awarding a tender to a bidder. After a tender is awarded to us, we would then execute a sale and purchase agreement with the tenderer. For certain of our sale and purchase agreements, we are required to pay a deposit money and the deposit money will be used to guarantee our performance of our obligations under the agreements and will be repaid back to us after we have fulfilled our obligations under the agreements.

We may also negotiate commercially with our customers to determine the specific terms in sale and purchase agreement. The sale and purchase agreement is generally negotiated on an order by order basis.

The table below sets forth the general principal terms of our sale and purchase agreements with our major customers:

i.	Term	Until purchase order is fulfilled or fulfilled by a stipulated deadline in the agreement
ii.	Order specifications	As per the product type and technical specifications in each agreement

iii.	Quantity and price	Total quantity, unit price and total price are set out in each agreement and total quantity and price may be subject to fluctuation
iv.	Payment method	By telegraphic transfer or bank's acceptance bill
v.	Credit period	(i) Payment before delivery; (ii) payment of deposit and partial delivery and delivery of remaining purchase after full payment; or (iii) delivery of products prior to payment with credit period up to 180 days
vi.	Delivery	We may be responsible for delivery or the customer may pick up the products
vii.	Return arrangement	Our customers are entitled to perform sample checks on our products and can raise a dispute relating to the quality of our products within a stipulated period

Top Five Customers

For FY2021, FY2022, FY2023 and 8MFY2024, sales to our largest customer accounted for approximately 27.9%, 22.4%, 20.0% and 9.6% of our total revenue, respectively. For the same years/periods, sales to our top five customers accounted for approximately 58.1%, 59.4%, 52.4% and 40.8% of our total revenue, respectively. While we value our relationship with each of our customers, we believe that the loss of any one particular customer, including any one of our major customers, would not materially impact our business in the long term. Save as disclosed in this document, to the best knowledge of our Directors, the five largest customers in each year/period during the Track Record Period or their respective shareholders and directors, do not have any past or present relationship (including, without limitation, employment, business, financial or trust relationship) with our Company, our subsidiaries, their respective shareholders, directors, senior management or any of their respective associates.

The following tables set forth details of our top five largest customers in each year/period during the Track Record Period:

Eight Months Ended 30 November 2023

Customer	Background[(2)]/ Business nature	Principal Businesses	Approximate Registered capital/share capital *('000)*	Major products sold	Payment method	Credit period *(days)*	Revenue *(RMB'000)*	Approximate percentage to our total revenue	First contract with the customer
Yunnan EuroChem	Non-SOE/ agribusiness company	production and sale of chemical fertilisers	RMB111,750	KCL SOP	bank transfer/ bank acceptance bill	advance payment	220,091	9.6	2019
Customer A[(3)]	SOE/agricultural reclamation company	agriculture and agricultural production, operation and management	RMB23,600,000	KCL SOP	bank transfer	advance payment	211,221	9.2	2011
Company B[(4)]	SOE/agribusiness company	an international agricultural material supplier and a domestic comprehensive agricultural services company with focus on agricultural production, agricultural and fertiliser research, trading and distribution, warehousing and logistics, retail sales, and other agricultural services	RMB1,410,857	KCL SOP	bank transfer	advance payment	200,770	8.8	2012
Anhui Huilong Agricultural Materials Group Co., Ltd.* (安徽輝隆農資集團股份有限公司) ("**Anhui Huilong**")	SOE/agribusiness company	sales of agricultural production materials (including chemical fertilisers), raw chemical materials and products, and mineral products; purchase, process, and sales of fodder; purchase and sale of agricultural side products; sales of grain; production and processing of compound fertilisers	RMB953,993	KCL SOP	bank transfer	advance payment	149,835	6.6	2017
Customer E	Hong Kong/ agribusiness company	production and sales of chemical fertilisers	HK$5,000	KCL	bank transfer	advance payment	149,678	6.6	2019

Year Ended 31 March 2023

Customer	Background[2]/ Business nature	Principal Businesses	Approximate Registered capital/share capital *('000)*	Major products sold	Payment method	Credit period *(days)*	Revenue *(RMB'000)*	Approximate percentage to our total revenue	First contract with the customer
Customer A[3]	SOE/agricultural reclamation company	agriculture and agricultural production, operation and management	RMB23,600,000	KCL SOP Others	bank transfer	advance payment	945,404	20.0	2011
Company B[4]	SOE/agribusiness company	an international agricultural material supplier and a domestic comprehensive agricultural services company with focus on agricultural production, agricultural and fertiliser research, trading and distribution, warehousing and logistics, retail sales, and other agricultural services	RMB1,410,857	KCL SOP	bank transfer	advance payment	646,657	13.7	2012
Company H[4]	Hong Kong/ agribusiness company	production and sales of chemical fertilisers; research of bio-organic fertiliser and compound fertiliser	HK$10	KCL	bank transfer/bank acceptance bill	advance payment/ 180	339,890	7.2	2022
Anhui Huilong	SOE/agribusiness company	sales of agricultural production materials (including chemical fertilisers), raw chemical materials and products, and mineral products; purchase, process, and sales of fodder; purchase and sale of agricultural side products; sales of grain; production and processing of compound fertilisers	RMB953,993	KCL SOP	bank transfer	advance payment	297,278	6.3	2017
Hulunbuir Agricultural	SOE/agricultural reclamation company	retail sale of refined oil, operation and retail sale of crop seeds and agricultural products, sales of fertilisers, provision of agricultural services and sales of daily sundries	RMB257,909	KCL SOP	bank transfer	advance payment	246,015	5.2	2015

Year Ended 31 March 2022

Customer	Background[2]/ Business nature	Principal Businesses	Approximate Registered capital/share capital *('000)*	Major products sold	Payment method	Credit period *(days)*	Revenue *(RMB'000)*	Approximate percentage to our total revenue	First contract with the customer
Customer A[3]	SOE/agricultural reclamation company	agriculture and agricultural product production, operation and management	RMB23,600,000	KCL SOP	bank transfer/ bank acceptance bill	advance payment	861,044	22.4	2011
Company B[4]	SOE/agribusiness company	an international agricultural material supplier and a domestic comprehensive agricultural services company with focus on agricultural production, agricultural and fertiliser research, trading and distribution, warehousing and logistics, retail sales, and other agricultural services	RMB1,410,857	KCL SOP	bank transfer	advance payment	847,338	22.1	2012
Customer C	Non-SOE/ agribusiness company	trade of agricultural materials, production, sales and trade of chemical fertilisers, sales of agricultural side products such as grain and oil	RMB367,451	KCL SOP	bank transfer	advance payment	221,111	5.8	2015
Hulunbuir Agricultural	SOE/agricultural reclamation company	retail sale of refined oil, operation and retail sale of crop seeds and agricultural products, sales of fertilisers, provision of agricultural services and sales of daily sundries	RMB257,909	KCL SOP	bank transfer	90	188,258	4.9	2015
Customer E	Hong Kong/ agribusiness company	production and sales of chemical fertilisers	HK$5,000	KCL	bank transfer/ bank acceptance bill	advance payment	164,726	4.3	2019

Year Ended 31 March 2021

Customer	Background[2]/ Business nature	Principal Businesses	Approximate Registered capital/share capital *('000)*	Major products sold	Payment method	Credit period *(days)*	Revenue *(RMB'000)*	Approximate percentage to our total revenue	First contract with the customer
Customer A[3]	SOE/agricultural reclamation company	agriculture and agricultural product production, operation and management	RMB23,600,000	KCL SOP	bank transfer	advance payment	580,059	27.9	2011
Hulunbuir Agricultural	SOE/agricultural reclamation company	retail sale of refined oil, operation and retail sale of crop seeds and agricultural products, sales of fertilisers, provision of agricultural services and sales of daily sundries	RMB257,909	KCL SOP	bank transfer/ bank acceptance bill	advance payment	260,945	12.5	2015
Guizhou Tobacco Investment[4]	SOE/tobacco company	investment and management of non-financial projects; sales of cigarettes, cigars, prepackaged food, mineral products, daily necessities, and agricultural materials	RMB177,622	KCL NOP Compound fertilisers	bank transfer/ bank acceptance bill	90	189,714	9.1	Prior to 2010
Baoqing Migao[4][5]	Non-SOE/ agribusiness company	production and sale of chemical fertilisers	RMB100,000	KCL SOP	bank transfer/ bank acceptance bill	advance payment	104,502	5.0	2020
Customer G	SOE/agribusiness company	wholesale of pesticide, management of crop seed, and production and sales of fertilisers	RMB63,000	KCL SOP	bank transfer	advance payment	74,513	3.6	2017

Notes:

(1) Customers belonging to the same group of companies are aggregated.

(2) SOE only refers to SOE in China.

(3) This customer is our connected person.

(4) These customers were our overlapping customers and suppliers for the relevant year/period. For further information, please refer to the section headed "Business – Overlapping Customers and Suppliers" in this document.

(5) Baoqing Migao was one of our joint ventures and became our subsidiary on 31 March 2022.

Although we only commenced business relationship with Company H in 2022, it became one of our top five customers in FY2023. Two subsidiaries of Company H in the PRC that our Group had business dealings with are agribusiness companies primarily focusing its operations in Jiangsu Province and Liaoning Province. Their principal business includes production and sales of chemical fertilisers, and research of bio-organic fertilisers and compound fertilisers. We began our business with them in early 2022. As Company H started to enter into the fertiliser market in 2021, it approached us for cooperation opportunities and it became our third largest customer in FY2023.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material dispute with our customers or any material claim relating to our fertiliser products.

Customer Service

Taking advantage of our various facilities across the PRC and the close proximity to our clients, we strive to provide our clients with quality service at every stage of our business. We believe we have comprehensive and outstanding customer service that is available to our customers 24 hours a day, and are able to respond to our customers promptly. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material sales returns or any product liability claims by our customers.

Marketing

Our sales and marketing team is led by Mr. Fu Yangmei, one of our senior management. As at the Latest Practicable Date, it comprised a total of 18 sales and marketing personnel and is responsible for procuring sales orders, maintaining customers' relationships, conducting market researches, organising marketing events and formulating sales and marketing strategies. In order to procure sales orders and maintain customers' relationships, our sales and marketing staff regularly visit our customers to obtain information on the quality and delivery of our fertiliser products and customers to visit our production facilities to enable them to have better understanding of our operations and fertiliser products and to increase their confidence in us and our fertiliser products. We also regularly participate in trade fairs and exhibitions to promote our fertiliser products, such as the International Fertilizer Association Annual Conference, Argus Fertiliser Market Business Asia Conference and the China Phosphate Fertiliser and Compound Fertiliser Exhibition.

RAW MATERIALS PROCUREMENT

Our primary raw materials used for the production of our fertiliser products are KCL, SOP, NOP and sulphuric acid.

KCL

Our major raw material is KCL. For FY2021, FY2022, FY2023 and 8MFY2024, the quantity of KCL we purchased amounted to approximately 927,000 tonnes, 1,310,000 tonnes, 1,010,000 tonnes and 943,000 tonnes, respectively, and our total purchases of KCL amounted to approximately RMB1,568.4 million, RMB3,208.5 million, RMB3,025.8 million and RMB2,029.1 million, respectively, representing approximately 77.7%, 86.6%, 90.4% and 92.2% of our total purchases for the same years/periods, respectively.

During the Track Record Period, we procured KCL from overseas and domestic suppliers. The distribution of potash and the recoverable reserves are concentrated in Canada, Belarus and Russia. In 2022, the potash reserves of these three countries accounted for more than 60% of the global potash reserves. It is therefore common in the industry for potash fertiliser producers and suppliers in the PRC to rely heavily on a few overseas KCL producers for the supply of KCL due to the market dominance of these overseas KCL producers and China's geologically lack of quality potash reserves. As such, it is the industry norm for PRC potash fertiliser companies to source KCL, directly or indirectly, from a few major overseas KCL producers. For FY2023 and 8MFY2024, we had 6.8% and 35.5% overseas purchase of KCL by volume, respectively.

We categorise whether the purchase is an overseas purchase or a domestic purchase generally based on the location of the suppliers. Below table sets out our total purchase volume of KCL and percentage of total purchase volume of KCL of overseas purchase and domestic purchase during the Track Record Period:

	Year ended 31 March						Eight months ended 30 November	
	2021		2022		2023		2023	
	Tonnes	*%*	*Tonnes*	*%*	*Tonnes*	*%*	*Tonnes*	*%*
Overseas[(1)]	**420,021**	**45.3**	**370,510**	**28.3**	**68,273**	**6.8**	**334,820**	**35.5**
– By sea	237,035	25.6	242,855	18.6	37,931[(3)]	3.8	309,028[(3)]	32.8
– By land	182,986	19.7	127,655	9.7	30,343	3.0	25,792	2.7
Domestic[(2)]	**506,881**	**54.7**	**939,724**	**71.7**	**941,519**	**93.2**	**608,596**	**64.5**
Total	926,902	100.0	1,310,234	100.0	1,009,792	100.0	943,416	100.0

Notes:

(1) Overseas purchase includes direct purchase and purchase through domestic designated agent from suppliers located outside of Mainland China.

(2) Domestic purchase refers to purchase from suppliers located within Mainland China.

(3) For FY2023 and 8MFY2024, we purchased 37,931 tonnes and 286,028 tonnes of KCL, respectively, from a Hong Kong entity belonging to the Supplier C group.

The sea import master contract price (the "**Sea Import Master Contract Price**") is negotiated and determined by a consortium of PRC state-owned enterprises, such as Sinochem, CNAMPGC Holding Limited Corporation (中農集團控股股份有限公司) and China BlueChemical, with overseas KCL producers and suppliers usually each year in an annual master contract which specifies the price term. The Sea Import Master Contract Price of KCL is published by the state-owned enterprises involved in the negotiation. The Sea Import Master Contract price per tonne of KCL increased from US$220 in April 2020 to US$247 in February 2021 and further increased to US$590 in February 2022 and subsequently decreased to US$307 in June 2023. The Sea Import Master Contract Price is primarily determined by reference to the PRC domestic demand and the international market price of KCL (which reflects the global supply and demand), both around the time of negotiation, and generally follows the trend of the international market price of KCL.

Further, the PRC benchmark import price of KCL by ground transportation (the "**Land Import Price**") is negotiated by a group of licenced cross-border trading companies organised by China Chamber of Commerce of Metal, Minerals & Chemicals Importers & Exporters* (中國五礦化工進出口商會) ("**China Importers & Exporters**") with major KCL producers and suppliers in Russia and Belarus. The Sea Import Master Contract Price forms the basis of the Land Import Price; however, unlike the Sea Import Master Contract Price, the Land Import Price is subject to more frequent adjustments taking into account of the trend of the prevailing international market price of KCL (which reflects the global supply and demand) at the time of adjustment.

Given that the Sea Import Master Contract Price is generally entered into annually, its change may lag behind the fluctuation of the international market price of KCL, while the Land Import Price may follow the change in the international market price of KCL more closely. In relation to the specific factors which affect the international market price of KCL in the foreseeable future, please refer to the section headed "Industry Overview – Short-Term Expectation of the Sea Import Master Contract Price and Market Demand of KCL in the PRC – International market price for KCL will recover steadily in the foreseeable future" in this document.

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

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

Notes:

(1) The average international market price of KCL is based on the data published by the World Bank and comprises monthly market prices of KCL in various representative potash fertiliser markets from time to time.

(2) The Sea Import Master Contract Price was USD220 from April 2020 to January 2021, USD247 from February 2021 to January 2022, USD590 from February 2022 to May 2023 and USD307 from June 2023 to the Latest Practicable Date.

(3) The USD amount of our average purchase price of KCL and average selling price of KCL is calculated based on the weighted average of the exchange rate over the relevant financial period.

Our primary cost is our purchases of imported KCL, and our purchase price of imported KCL is generally determined with reference to the prevailing Sea Import Master Contract Price and/or Land Import Price. We can effectively control our cost of imported KCL by adjusting the mix of procurement channels (by sea or by land) from time to time based on the price difference of the Land Import Price and the Sea Import Master Contract Price as a result of their different adjustment frequency. We will consider a number of factors when determining the procurement channel including but not limited to the availability of KCL, delivery schedule and pricing. During the period where the international market price of KCL was lower than the Sea Import Master Contract Price from November 2022 to June 2023, we purchased majority of our KCL which were originated from Russia and imported by ground transportation through domestic purchase and our average purchase price of KCL during such period was lower than the prevailing Sea Import Master Contract Price. Given that we can control our cost effectively with our pricing strategy, we are able to record gross profit, even during times of volatility of potash price.

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

Overseas Purchases

When we purchase KCL directly from overseas suppliers, we sign purchase contracts with the overseas suppliers and are required under PRC laws to make such purchases under KCL automatic import licenses issued to our subsidiary, Guangdong Migao, for the relevant shipment of goods to complete customs declaration formalities. For further information about our KCL automatic import licenses, please refer to the sections headed "Business – Licences and Approvals" and "Regulatory Overview – Law Supervision Over Foreign Trade" in this document. We also purchase KCL through our domestic designated agent, Supplier B, with overseas suppliers. Under such arrangement, the purchase of KCL under those contracts are made under the KCL automatic import licenses of such domestic designated agent.

Direct purchases

During the Track Record Period, we purchased a significant amount of our KCL under contracts signed by Guangdong Migao with (i) Supplier D, the trading arm of a Belarus producer, and (ii) Supplier A, an international fertiliser trading company which, to our best knowledge and belief, sourced its KCL from Russia. These imported KCL were delivered to us through shipment by sea or by railway. We are responsible for the miscellaneous costs for the import, such as custom clearance fees and other ancillary fees, which are reflected in our costs, and for obtaining the automatic import licenses to import the KCL into the PRC. We have ceased entering into new purchase contracts with Supplier D since December 2021. Please refer to the section headed "Business – Business Dealings with Third Parties Subject to International Sanctions" for further information.

Guangdong Migao typically enters into framework agreements with Supplier A for the purchase of KCL over a specified period of time. The actual purchase amount and purchase price of KCL will be determined by the parties under separate contracts as addendum to the framework agreement. The principal terms of the framework agreement are set out below:

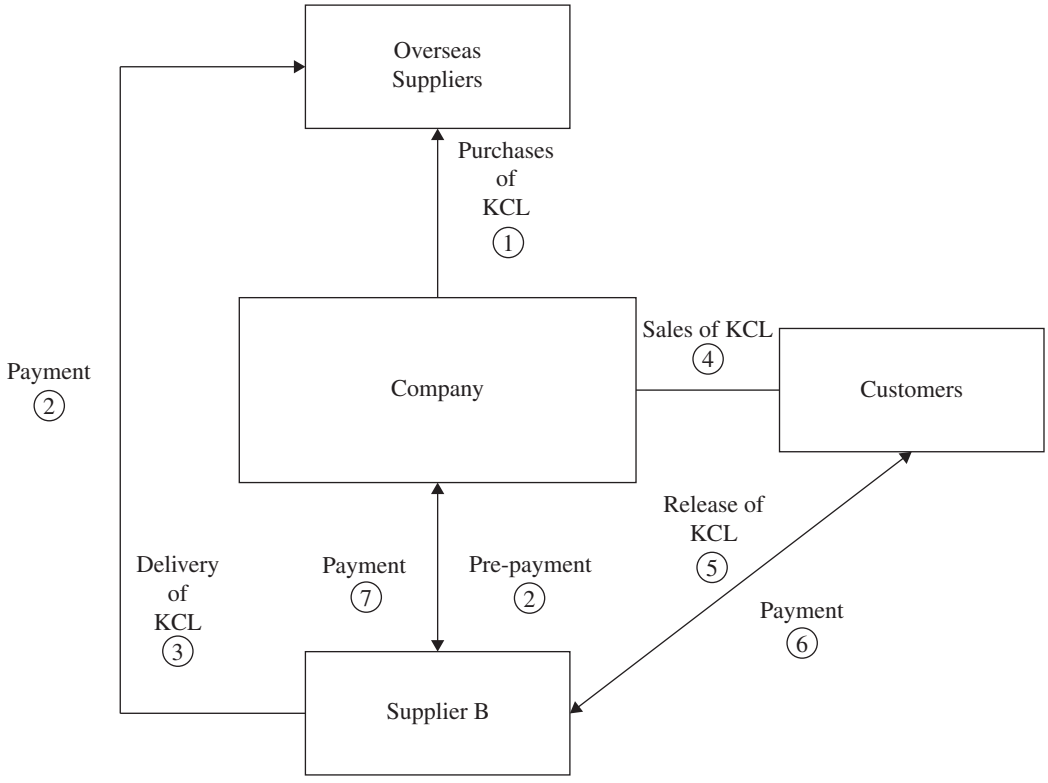
Termination and renewal:	The framework agreements generally may be terminated by either party by 60 days prior written notice. The term of the framework agreements vary and are more than one year. No renewal clause generally.
Rights and obligations of parties involved and minimum purchase amounts:	The parties will further agree on a monthly program and we shall buy the specified volume of products on the monthly basis. The supplier has the right to stop further shipment by sending an official notice to us if we refuse to purchase certain volume of the products, which exceeds 10% of the monthly supply specified.
Pricing and quantity:	Price and quantity are stipulated in each purchase order.
Payment method:	Advance payment by bank transfer against invoice and shipment confirmation 10 calendar days before shipment or payment by irrevocable letter of credit payable at 90 days or 180 days from shipment date.
Delivery method:	By railway.
Title and Risk:	Title and risk of loss pass to us when the products are placed at our disposal at the Russian-Chinese frontier.
Restrictions on export:	The products shall not be re-exported to outside PRC without prior written consent of the supplier or we will be subject to a penalty at a rate of 20% of the value of the re-exported products. During the Track Record Period, to the best knowledge of our Directors, we did not export any KCL and did not receive any penalty from Supplier A for breach of the contract term in relation to restrictions on export.

We also signed a memorandum of understanding with Supplier A for the purchase of potash on 25 January 2022 (as further supplemented on 16 May 2022 and 5 December 2022 and further renewed on January 2024). Please refer to the section headed "Business – Development in Global Potash Supply and Prices – Measures Taken by us to Address the Supply Uncertainty – Strengthen Strategic Cooperation with Existing Potash Suppliers" in this document for further information.

Purchases through designated agent

From April 2020 until September 2021, we also purchased KCL from overseas through our domestic designated agent, Supplier B. The KCL purchased were imported through shipments by railway, and our domestic designated agent would settle payment with the overseas suppliers. During the same period, we also engaged Supplier B as our domestic designated agent for consignment sale of those KCL to our customers. Supplier B is specialised in cross-border trade solutions and was located close to some of our customers in the northern region of the PRC. As the domestic designated agent is responsible for obtaining the relevant licenses for the import and the storage of the products at the border and the products are usually delivered in several batches to the domestic designated agent, we consider that it would be more cost efficient and reduce logistics costs to sell and deliver the products mainly to customers in the northern region of the PRC directly from the warehouse of Supplier B nearby the border. Further, although both Baoqing Production Facility and Anda Production Facility are located in the Heilongjiang Province, Baoqing Migao and Anda Migao were our joint ventures instead of our subsidiaries when we had consignment sales of KCL through the domestic designated agent. After Baoqing Migao and Anda Migao became our subsidiaries and we had control of them, we no longer engaged Supplier B as our domestic designated agent for the consignment sale as Baoqing Migao and Anda Migao can facilitate and deal with our Group's customers. For FY2021, FY2022, FY2023 and 8MFY2024, we generated revenue of approximately RMB319.8 million, RMB161.6 million, nil and nil from the consignment sale, which accounted for approximately 15.4%, 4.2%, nil and nil of our total revenue for each of the year/period, respectively.

Our consignment sales commenced from April 2020 until September 2021. Under the consignment sales arrangement, Supplier B, as our domestic designated agent, issued invoices in its own name to our customers after the products were picked up by them from Supplier B, usually within the same month of delivery. We reconciled the consignment sales with Supplier B on monthly basis, but did not issue invoices to Supplier B until completion of the last consignment sale for the aforementioned period. The diagram below illustrates the transaction flow of our consignment arrangement:



Notes:

1. Our Group purchased KCL from overseas through our domestic designated agent, Supplier B. We executed purchase entrustment agreements with Supplier B to entrust Supplier B to purchase KCL from the overseas suppliers for us. Supplier B then executed framework agreements, as our agent, with the overseas suppliers to purchase the KCL from them.

2. Prior to making payments to the overseas suppliers for the purchases of KCL, Supplier B generally requires that it has sufficient deposits from and/or amount due to us to cover the payments.

3. Upon payment, the overseas suppliers then arrange delivery of the KCL to Supplier B.

4. We would then begin sales of KCL to our customers and would enter into consignment sales with our customers and Supplier B for our consignment sales of KCL to our customers.

5. Upon our instructions, Supplier B would then release the KCL to our customers and issue invoices to them.

6. Our customers settled payments to Supplier B and Supplier B may utilise such amount for its working capital which can be used as payments for further purchases from the overseas suppliers under the consignment arrangement.

7. After completion of all consignment sales, we issued a single invoice to Supplier B and Supplier B then settled our purchase payables to it against trade receivables from it for our consignment sales to our customers.

According to HKFRSs, "control" of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Based on our purchase arrangement of KCL from the overseas suppliers through Supplier B, as our agent, for our consignment sales, the title to the KCL and the risk of loss and damage to the KCL remained with our Group. We held the inventory risk and managed the inventory before the KCL were transferred to our customers. As we had the exclusive rights to the KCL upon delivery by the overseas suppliers before obtaining contracts with our customers, we were able to direct the use of such KCL before they were transferred to our customers. In addition, all parties to the consignment sales, namely, Supplier B, our customers and our Group, had acknowledged that our Group was primarily responsible for fulfilling the obligations to provide the KCL to our customers. Furthermore, we had the discretion to set the selling price for the KCL and we were responsible for providing after-sale services to our customers and handling any quality issue. As such, our Directors consider our Group had "control" of the KCL under consignment sales before such KCL were transferred to our ultimate customers because (i) we retained the risk associated with the KCL under consignment sales, and directed the use of such KCL; and (ii) we obtained substantially all of the remaining benefits from the KCL under consignment sales. As we had "control" of the KCL before such KCL were transferred to our customers, we shall be regarded as the principal of the consignment sales arrangement according to HKFRSs. Therefore, the revenue from consignment sales shall be considered as originated and generated by our Group and we shall recognise revenue when "control" of the KCL is transferred to our customer (i.e. when our customers picked up the KCL from Supplier B at the time of delivery), and such revenue was adjusted back in the books of Guangdong Migao when we prepared for the refiling of our tax filings in March and July 2022. Please refer to the section headed "Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income – Income Tax Expense – PRC Tax Re-filings" in this document for further information on our refiling of our tax filings. We issued a single invoice for all the consignment sales to Supplier B in November 2022 and settled all the relevant receivables from Supplier B in November 2022 and January 2023.

We did not pay any service fees or rewards to Supplier B for the consignment sales during the Track Record Period. However, as mentioned in the transaction flow above, Supplier B issued invoices and collected payments from our customers throughout the period of the consignment sales arrangement, but it only settled payments with us after completion of all the consignment sales in two instalments in November 2022 and January 2023. As such, we believe that the above arrangement provided Supplier B with greater flexibility to its cash flow as it was able to temporarily retain our customers' payments during the period of the consignment sales arrangement.

To the best knowledge and belief of our Directors, save as disclosed in this document, Supplier B and our Company, our subsidiaries, their respective shareholders, directors, senior management or any of their respective associates do not have any past or present relationship including, without limitation, employment, business, financial or trust relationship.

Our domestic designated agent, Supplier B, entered into framework agreements with Supplier A and the trading arm of the Russian Producer for the purchase of KCL and the principal terms of which are set out below:

Price:	Price for each lot or group of shipment lots shall be agreed separately in a supplemental contract.
Quantity:	The specified quantity required to be purchased shall be agreed in the addendum on a monthly basis. If the purchase amount is less than 90% of the fixed monthly quantity, the suppliers shall have the right to stop further shipments.
Shipment:	Shipment will be shipped in several lots during specified period. Shipment by sea or by railway.
Cancellation of shipment:	In case of shut down of the production facilities due to planned or accidental maintenance or renovation, the suppliers have the right to cancel shipment.

We entered into a consignment sale agreement with Supplier B for our consignment sales and the salient terms of our consignment sales with Supplier B are set out below:

Consignment sale:	For the products purchased through Supplier B as our domestic designated agent, we engage Supplier B to sell a portion of those products to our customers.
Ownership:	The ownership of the products remains with us until sale to our customers. Supplier B is merely a local consignment agent.
After-sale services:	We shall be responsible for the quality of the products and any after-sale services.
Payment by customers:	Supplier B shall collect payments from our customers for the consignment sale and Supplier B shall hold the payments on our behalf.
Settlement:	For the products purchased through Supplier B as our domestic designated agent, Supplier B will settle payment with our overseas suppliers. Supplier B will also collect payment from our customers for the consignment sale. We will then settle with Supplier B for the above purchases and consignment sale, on a net basis.

Domestic Purchases

We also purchase KCL from domestic KCL suppliers and the purchase price of KCL is commercially negotiated between us and these domestic KCL suppliers. The purchase price already includes the miscellaneous costs for the import of KCL and may be subject to fluctuation depending on the actual circumstances. We typically do not enter into any long term framework agreements with domestic KCL suppliers, save for the memorandum of understanding with CNCCC and Southwest Salt Lake. Please refer to the section headed "Business – Development in Global Potash Supply and Prices – Measures Taken by us to Address the Supply Uncertainty" in this document for further information.

SOP, NOP and Sulphuric Acid

The other major raw materials used in our production, namely, SOP, NOP and sulphuric acid, are procured in the PRC. We generally purchase SOP and NOP from local suppliers; we also purchase SOP and NOP from Guizhou Tobacco Investment, our tobacco company customer, for manufacturing of tobacco compound fertiliser for it. For sulphuric acid, we purchase from local suppliers in local areas close to our production facilities.

We purchase SOP and NOP either for the manufacturing of our fertilisers products or for direct resale to our customers. For sulphuric acid, it is used for the manufacturing of our SOP fertiliser products. Our total aggregate purchases of SOP, NOP and sulphuric acid for FY2021, FY2022, FY2023 and 8MFY2024, amounted to approximately RMB263.2 million, RMB236.8 million, RMB62.2 million and RMB27.5 million, respectively, representing approximately 13.0%, 6.4%, 1.9% and 1.3% of our total purchases for the respective year/period.

SUPPLIERS

We have adopted stringent policies on the selection of our raw materials suppliers. The basic criteria of selection of our raw material suppliers include but not limited to (i) the supplier's reputation; (ii) the ability of the suppliers to supply quality raw materials that meet our standards, such as the price, variety and quality stability of the raw materials; and (iii) the customer services provided by the suppliers. We may also consider specific requirements on raw materials requested by our customers to determine where to source the raw materials.

Top Five Suppliers

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

Furthermore, to the best knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns 5% or more of our Company's issued share capital held any interest in any of our five largest suppliers in each year/period during the Track Record Period.

The following tables set forth details of our top five largest suppliers in each year/period during the Track Record Period:

Eight Months Ended 30 November 2023

Supplier	Background[(2)]/ Business nature	Major products purchased	Payment method	Credit period *(days)*	Purchase *(RMB'000)*	Approximate percentage to our total purchases	First contract with the supplier
Supplier C[(3)]	Hong Kong/ agribusiness company	KCL SOP	bank transfer/bank acceptance bill	prepayment	1,025,040	46.6	2015
Supplier B[(3)]	Non-SOE/ agribusiness company	KCL Others	bank transfer/bank acceptance bill	prepayment	177,990	8.1	2009
Company B[(3)]	SOE/agribusiness company	KCL	bank transfer	prepayment	173,050	7.9	2005
Supplier F	Non-SOE/agribusiness company	KCL SOP	bank transfer	prepayment	119,164	5.4	2020
Company H	Hong Kong/ agribusiness company	KCL	bank transfer/bank acceptance bill	prepayment	104,415	4.7	2022

Year Ended 31 March 2023

Supplier	Background[(2)]/ Business nature	Major products purchased	Payment method	Credit period *(days)*	Purchase *(RMB'000)*	Approximate percentage to our total purchases	First contract with the supplier
Supplier C[(3)]	Hong Kong/ agribusiness company	KCL	bank transfer/bank acceptance bill	prepayment	976,900	29.2	2015
Supplier B[(3)]	Non-SOE/agribusiness company	KCL	bank transfer/bank acceptance bill	prepayment	971,329	29.0	2009

Supplier	Background[2]/ Business nature	Major products purchased	Payment method	Credit period *(days)*	Purchase *(RMB'000)*	Approximate percentage to our total purchases	First contract with the supplier
CNCCC[3]	SOE/agribusiness company	KCL	bank transfer	prepayment	204,959	6.1	2021
Company B[3]	SOE/agribusiness company	KCL	bank transfer	prepayment	186,185	5.6	2005
Huaken International Trade Co., Ltd* (華墾國際貿易有限公司)	Non-SOE/ agribusiness company	KCL	bank transfer	prepayment	152,014	4.5	2022

Year Ended 31 March 2022

Supplier	Background[2]/ Business nature	Major products purchased	Payment method	Credit period *(days)*	Purchase *(RMB'000)*	Approximate percentage to our total purchases	First contract with the supplier
Supplier D	Belarus supplier/ agribusiness company	KCL	bank transfer/ letter of credit	90	706,819	19.1	2013
Company B[3]	SOE/agribusiness company	KCL SOP	bank transfer	prepayment	684,436	18.5	2005
Supplier B	Non-SOE/ agribusiness company	KCL SOP	bank transfer/ bank acceptance bill	prepayment	467,195	12.6	2009
Supplier C	Hong Kong/ agribusiness company	KCL SOP Compound fertilisers	bank transfer/ bank acceptance bill	prepayment	423,535	11.3	2015
Supplier A	United Arab Emirates/ agribusiness company	KCL	bank transfer/ letter of credit	prepayment	202,533	5.5	2018

Year Ended 31 March 2021

Supplier	Background[2]/ Business nature	Major products purchased	Payment method	Credit period *(days)*	Purchase *(RMB'000)*	Approximate percentage to our total purchases	First contract with the supplier
Supplier C	Hong Kong/ agribusiness company	KCL SOP	bank transfer/ bank acceptance bill	prepayment	451,369	22.4	2015
Supplier D	Belarus supplier/ agribusiness company	KCL	bank transfer/ letter of credit	90	377,977	18.7	2013
Supplier B[3]	Non-SOE/ agribusiness company	KCL SOP Others	bank transfer/ bank acceptance bill	prepayment	337,499	16.7	2009
Supplier A	United Arab Emirates/ agribusiness company	KCL	bank transfer/ letter of credit	prepayment	245,680	12.2	2018
Baoqing Migao[3]/[4]	Non-SOE/ agribusiness company	KCL SOP	bank transfer/ bank acceptance bill	prepayment	119,152	5.9	2020

Notes:

(1) Suppliers belonging to the same group of companies are aggregated.

(2) SOE only refers to SOE in China.

(3) These suppliers were our overlapping customers and suppliers for the relevant year/period. For further information, please refer to the section headed "Business – Overlapping Customers and Suppliers" in this document.

(4) Baoqing Migao was one of our joint ventures and became our subsidiary on 31 March 2022.

During the Track Record Period and up to the Latest Practicable Date, we had established business relationships with our major suppliers, which enabled us to obtain a stable and reliable supply of raw materials, save for Supplier D which we no longer purchased from it subsequent to December 2021 due to international sanctions imposed on the potash sector in Belarus (including designating Supplier D on the SDN List). We had not experienced any material disruption or dispute in the supply of raw materials during the Track Record Period.

OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, we had some customers who were also our suppliers during the relevant year/period ("**Overlapping Customers & Suppliers**"). Majority of our Overlapping Customers & Suppliers during the Track Record Period were agribusiness

companies which were generally engaged in the business of trading of fertiliser products. We primarily sold our fertiliser products to our Overlapping Customers & Suppliers and primarily purchased raw materials and fertiliser products from our Overlapping Customers & Suppliers.

For Guizhou Tobacco Investment, which was our Overlapping Customers & Suppliers and a tobacco company, we primarily purchased raw materials and fertiliser products (such as KCL, SOP and NOP) from it for use in the manufacturing and sales of the tobacco compound fertiliser to it as it has stringent requirements on the raw materials and fertiliser products to be used in its tobacco compound fertiliser. Starting from the fourth quarter of 2021, we were no longer required to procure the principal raw materials from Guizhou Tobacco Investment for the tobacco compound fertiliser we manufactured for it. Instead, it provides the principal raw materials to us for manufacturing into tobacco compound fertiliser. We charge a production fee for the provision of production services. Please refer to the section headed "Business – Products – Compound Fertilisers" in this document for further information. In addition to tobacco compound fertiliser, we also sell certain of our other fertiliser products (such as KCL, SOP, NOP, and other types of compound fertilisers) to it as it also procures its raw materials and fertiliser products from us to use for the production of its tobacco compound fertiliser.

For FY2021, FY2022, FY2023 and 8MFY2024, we had a total of 16, 18, 19 and 14 Overlapping Customers & Suppliers, respectively, and our revenue generated from them amounted to RMB435.3 million, RMB1,004.3 million, RMB1,287.9 million and RMB638.6 million, respectively, representing approximately 20.9%, 26.1%, 27.3% and 28.0% of our total revenue, respectively. For FY2021, FY2022, FY2023 and 8MFY2024, our purchases from them amounted to RMB699.3 million, RMB1,265.4 million, RMB2,807.8 million and RMB1,559.7 million, respectively, representing approximately 34.5%, 34.2%, 83.9% and 71.0% of our total purchases, respectively. We recorded a significant increase in our purchases from our Overlapping Customers & Suppliers as a percentage to our total purchases for FY2023 primarily because we purchased over 90% of our KCL from domestic suppliers for FY2023 and some of these domestic suppliers were also our customers for FY2023 and consequently led to higher purchases from Overlapping Customers and Suppliers for FY2023. However, although a number of these domestic suppliers were also our customers for FY2023, majority of our transactions with them were for the purchases of raw materials instead of sales of fertiliser products. For example, our aggregate purchases from Supplier B, CNCCC and Supplier C for FY2023 were RMB2,153.2 million while our aggregate sales to them were only RMB31.4 million for FY2023. We recorded significant purchases from our Overlapping Customers and Suppliers as a percentage to our total purchases for 8MFY2024 primarily because of our purchases with Supplier C. Although Supplier C was our Overlapping Customer and Supplier for 8MFY2024, we primarily purchased KCL from them while we sold SOP and other products to them during 8MFY2024. If excluding our purchases from Supplier C, our purchases from our Overlapping Customers and Suppliers for 8MFY2024 only accounted for approximately 24.3% of our total purchases for the period.

Our Directors consider that we recorded significant transactions with Overlapping Customers & Suppliers during the Track Record Period mainly due to the following reasons:

(i). as we aggregated our customers and suppliers on a group basis, an Overlapping Customer and Supplier may consist of more than one entity company. To the best knowledge of our Directors, with respect to Company B each company within a group is a separate legal entity and operate under its own corporate governance framework and their respective decision for doing business with our Group are made by different and independent management; and hence they retain autonomy in decision-making processes concerning various aspects of the operations, such as procurement and sales activities. Most importantly, most of these companies of Company B only purchased goods from us without selling goods to us during the same financial year. However, when all the companies of the same group are aggregated together and disclosed on a group basis, all of their purchases and sales became overlapping purchases and sales. Please refer to the section headed "Business – Overlapping Customers and Suppliers – Company B" for further information;

(ii). for certain of our Overlapping Customers and Suppliers, majority of the products purchased by us from the Overlapping Customers and Suppliers were not the same products sold by us to them. For example, we had overlapping purchases and sales with Supplier B for FY2023, but the products which we sold to it were different from the products which we purchased from it. We sold SOP and NOP and other materials to it while we only purchased KCL from it for FY2023 so there were actually no overlapping purchases and sales of the same products with Supplier B for FY2023; and

(iii). for certain of our Overlapping Customers and Suppliers, although we had overlapping sales and purchases with them, majority of those transactions were either of a sales nature or a purchase nature. For example, for 8MFY2024 our revenue generated from Supplier C was merely RMB43.5 million while our purchases from it was RMB1,025.0 million. As such, majority of our transactions with Supplier C was of a purchase nature. Occasionally, our suppliers would purchase fertiliser products from us or we would purchase fertiliser products from our customers primarily due to a surge in demand where our suppliers or we needed to replenish inventory to settle their or our customers' respective demand in a timely manner. This is a common practice in the industry.

The following table sets forth certain details of the purchases and sale from and to each Overlapping Customer & Supplier who was also our top five customers or suppliers, as well as other Overlapping Customers & Suppliers:

Eight Months Ended 30 November 2023

Company Name	**Revenue** *RMB'000*	**Percentage of total revenue** *%*	**Average selling price** *RMB*	**Purchase** *RMB'000*	**Percentage of total purchases** *%*	**Average purchase price** *RMB*
Yunnan EuroChem	**220,091**	**9.6**	**N/A**	**1,028**	**0.0**	**N/A**
– KCL	219,725	9.6	2,778.4	–	–	–
– SOP	366	0.0	3,047.7	–	–	–
– NOP	–	–	–	1,028	0.0	5,137.6
Company B	**200,770**	**8.8**	**N/A**	**173,050**	**7.9**	**N/A**
– KCL	197,768	8.7	2,513.8[(8)]	173,050	7.9	1,890.7[(8)]
– SOP	3,002	0.1	2,926.1	–	–	–
Supplier C	**43,538**	**1.9**	**N/A**	**1,025,040**	**46.6**	**N/A**
– KCL	–	–	–	1,024,168	46.6	2,172.0
– SOP	1,098	0.0	2,614.7	872	0.0	2,660.6
– Others	42,440	1.9	–	–	–	–
Supplier B	**114**	**0.0**	**N/A**	**177,990**	**8.1**	**N/A**
– KCL	–	–	–	175,440	8.0	2,146.1
– SOP	114	0.0	2,753.8	–	–	–
– Others	–	–	–	2,550	0.1	–
Subtotal	**464,513**	**20.3**	**N/A**	**1,377,108**	**62.7**	**N/A**
Other Overlapping Customers and Suppliers	174,051	7.7	N/A	182,623	8.3	N/A
Total	**638,564**	**28.0**	**N/A**	**1,559,731**	**71.0**	**N/A**

Year Ended 31 March 2023

Company Name	Revenue *RMB'000*	Percentage of total revenue *%*	Average selling price *RMB*	Purchase *RMB'000*	Percentage of total purchases *%*	Average purchase price *RMB*
Company B	**646,657**	**13.7**	**N/A**	**186,185**	**5.6**	**N/A**
– KCL	625,715	13.3	3,920.0	186,185	5.6	3,744.8
– SOP	20,942	0.4	4,154.3	–	–	–
Company H	**339,890**	**7.2**	**N/A**	**71,602**	**2.1**	**N/A**
– KCL	339,890	7.2	4,320.9[3]	71,602	2.1	3,017[3]
Supplier B	**21,193**	**0.5**	**N/A**	**971,329**	**29.0**	**N/A**
– KCL	–	–	–	971,329	29.0	3,256.4
– SOP	3,557	0.1	3,761.5	–	–	–
– NOP	6,084	0.1	5,183.5	–	–	–
– Others	11,552	0.3	–	–	–	–
CNCCC	**6,654**	**0.1**	**N/A**	**204,959**	**6.1**	**N/A**
– KCL	6,654	0.1	4,678.9[4]	204,959	6.1	1,512.4[4]
Supplier C	**3,566**	**0.1**	**N/A**	**976,900**	**29.2**	**N/A**
– KCL	–	–	–	962,848	28.8	3,221.6
– SOP	3,566	0.1	3,715.9	14,052	0.4	3,229.4
Subtotal	**1,017,960**	**21.6**	**N/A**	**2,410,975**	**72.0**	**N/A**
Other Overlapping Customers & Suppliers	269,978	5.7	N/A	396,779	11.9	N/A
Total	**1,287,938**	**27.3**	**N/A**	**2,807,754**	**83.9**	**N/A**

Year ended 31 March 2022

Company Name	Revenue *RMB'000*	Percentage of total revenue *%*	Average selling price *RMB*	Purchase *RMB'000*	Percentage of total purchases *%*	Average purchase price *RMB*
Company B	**847,338**	**22.1**	**N/A**	**684,436**	**18.5**	**N/A**
– KCL	803,978	21.0	3,270.9[5]	679,237	18.3	1,548.6[5]
– SOP	43,360	1.1	2,904.0	5,199	0.2	2,429.3
Yunnan EuroChem	**90,202**	**2.3**	**N/A**	**54,369**	**1.5**	**N/A**
– KCL	75,378	2.0	3,003.7[6]	41,914	1.2	1,957.1[6]
– SOP	14,677	0.4	4,049.0	–	–	–
– NOP	–	–	–	8,683	0.2	4,029.6
– Compound fertilisers	–	–	–	3,772	0.1	2,834.9
– Others	147	0.0	N/A	–	–	–
Guizhou Tobacco Investment	**35,290**	**0.9**	**N/A**	**9,182**	**0.2**	**N/A**
– KCL	8,084	0.2	3,605.5	869	0.0	3,605.5
– SOP	74	0.0	3,945.0	–	–	–
– NOP	80	0.0	4,587.2	6,025	0.2	4,354.7
– Compound fertiliser	1,161	0.0	3,412.5	–	–	–
– Others	5,087	0.1	N/A	2,288	0.0	N/A
– Production services	20,804	0.5	N/A	–	–	–
Subtotal	**972,830**	**25.3**	**N/A**	**747,987**	**20.2**	**N/A**
Other Overlapping Customers & Suppliers	31,482	0.8	N/A	517,426	14.0	N/A
Total	**1,004,312**	**26.1**	**N/A**	**1,265,413**	**34.2**	**N/A**

Year ended 31 March 2021

Company Name	Revenue *RMB'000*	Percentage of total revenue *%*	Average selling price *RMB*	Purchase *RMB'000*	Percentage of total purchases *%*	Average purchase price *RMB*
Guizhou Tobacco Investment	**189,714**	**9.1**	**N/A**	**109,655**	**5.4**	**N/A**
– KCL	9,631	0.5	2,018.4	6,721	0.3	2,025.4
– SOP	–	–	–	48,995	2.4	2,484.0
– NOP	16,235	0.8	3,812.8	16,198	0.8	3,812.8
– Compound fertiliser	158,728	7.6	2,496.0[7]	79	0.0	3,147.0[7]
– Others	5,120	0.2	N/A	37,662	1.9	N/A
Baoqing Migao[1]	**104,502**	**5.0**	**N/A**	**119,152**	**5.9**	**N/A**
– KCL	101,435	4.9	1,993.9	61,211	3.0	1,912.8
– SOP	3,067	0.1	2,111.2	57,941	2.9	2,226.8
APPH[2]	**39,021**	**1.9**	**N/A**	**10,875**	**0.5**	**N/A**
– KCL	39,021	1.9	1,560.9	3,650	0.2	1,738.2
– SOP	–	–	–	4,615	0.2	2,097.6
– Compound fertiliser	–	–	–	155	0.0	1,034.8
– Others	–	–	–	2,455	0.1	N/A
Yunnan EuroChem	**30,713**	**1.5**	**N/A**	**50,821**	**2.5**	**N/A**
– KCL	19,446	0.9	1,853.2	–	–	–
– SOP	9,097	0.5	2,615.1	534	0.0	2,816.0
– NOP	–	–	–	42,447	2.1	3,559.6
– Compound fertiliser	1,846	0.1	2,003.3	7,767	0.4	2,010.5
– Others	324	0.0	N/A	73	0.0	N/A

Company Name	Revenue	Percentage of total revenue	Average selling price	Purchase	Percentage of total purchases	Average purchase price
	RMB'000	*%*	*RMB*	*RMB'000*	*%*	*RMB*
Company B	**24,023**	**1.2**	**N/A**	**36,193**	**1.8**	**N/A**
– KCL	8,922	0.5	2,060.2	32,271	1.6	1,654.9
– SOP	15,101	0.7	2,321.9	3,922	0.2	2,614.7
Supplier B	**582**	**0.0**	**N/A**	**337,499**	**16.7**	**N/A**
– KCL	–	–	–	288,113	14.3	1,739.0
– SOP	–	–	–	49,296	2.4	2,239.9
– Others	582	0.0	N/A	90	0.0	N/A
Subtotal	**388,555**	**18.7**	**N/A**	**664,195**	**32.8**	**N/A**
Other Overlapping Customers & Suppliers	46,751	2.2	N/A	35,057	1.7	N/A
Total	**435,306**	**20.9**	**N/A**	**699,252**	**34.5**	**N/A**

Notes:

(1) Baoqing Migao was one of our joint ventures and became our subsidiary on 31 March 2022.

(2) This customer is our connected person and is indirectly wholly owned by Mr. Liu.

(3) Our average selling price of KCL to Company H for FY2023 was significantly higher than our average purchase price of KCL from Company H primarily because we made majority of our sales to Company H from April 2022 to November 2022 when the average domestic market price of imported KCL was at a higher level during that period of such financial year, while we made majority of our purchases from Company H from December 2022 to March 2023 when the average domestic market price of imported KCL was at a lower level during that period of such financial year.

(4) Our average purchase price of KCL from CNCCC for FY2023 was significantly lower than our average selling price of KCL to CNCCC primarily because the purchase price was determined with reference to the then prevailing Sea Import Master Contract Price at the time of our contract which was entered into prior to February 2022 (when the Sea Import Master Contract Price was increased to USD590) and with a mark up margin, while our average selling price of KCL to CNCCC was determined, among others, with reference to the prevailing domestic market price of imported KCL. Therefore, the large gap between our average selling price and our average purchase price of KCL with CNCCC for FY2023 was due to the different pricing mechanism adopted for our sales transactions and purchase transactions with CNCCC.

(5) Our average purchase price of KCL from Company B for FY2022 was significantly lower than our average selling price of KCL to Company B primarily because the purchase price was determined with reference to the then prevailing Sea Import Master Contract Price in US$ at the time of our preliminary agreement on the purchases with Company B (which was primarily from January 2021 to June 2021 and the Sea Import Master Contract Price was only US$220 for January 2021 and US$247 for February to June 2021) and with a mark up margin and adjusted by the foreign exchange rates at the time of signing the relevant contract, while our average selling price of KCL to Company B was determined, among others, with reference to the prevailing domestic market price of imported KCL and majority of our sales of KCL to Company B was conducted subsequent to July 2021 where the domestic market price of imported KCL started to increase significantly (i.e. from RMB2,382.4 in the second quarter of 2021 to RMB4,037.5 for the first quarter of 2022). Therefore, the large gap between our average selling price and our average purchase price of KCL with Company B for FY2022 was due to the different pricing mechanism adopted for our sales transactions and purchase transactions with Company B.

(6) Our average purchase price of KCL from Yunnan EuroChem for FY2022 was significantly lower than our average selling price of KCL to Yunnan EuroChem primarily because our selling price was determined, among others, with reference to the prevailing domestic market price of imported KCL around the time of transaction. The majority of the KCL supplied by Yunnan EuroChem was purchased by us during the non-peak season, when the domestic market price was relatively lower.

(7) Compound fertilisers have different composition and ratio in their components and therefore have a wide range in prices. For FY2021, the compound fertilisers we sold to Guizhou Tobacco Investment included various types of compound fertilisers including the types with lower selling prices and the types with higher selling prices, while the compound fertilisers we purchased from Guizhou Tobacco Investment were primarily the types with higher selling prices. As such, for FY2021 our average purchase price of compound fertilisers from Guizhou Tobacco Investment was significantly higher than our average selling price of compound fertilisers to Guizhou Tobacco Investment.

(8) Our average purchase price of KCL from Company B for 8MFY2024 was significantly lower than our average selling price of KCL to Company B primarily because the purchase price was determined with reference to the then prevailing Sea Import Master Contract Price in US$ at the time of our preliminary agreement on the purchases with Company B (which was primarily in August 2023 and the Sea Import Master Contract Price was US$307) and with a mark up margin and adjusted by the foreign exchange rates at the time of signing the relevant contract, while our average selling price of KCL to Company B was determined, among others, with reference to the prevailing domestic market price of imported KCL and majority of our sales of KCL to Company B was conducted from September 2023 to November 2023. Therefore, the large gap between our average selling price and our average purchase price of KCL with Company B for 8MFY2024 was due to the different pricing mechanism adopted for our sales transactions and purchase transactions with Company B.

Guizhou Tobacco Investment

Our sales to and purchases from Guizhou Tobacco Investment decreased substantially for FY2022 primarily due to the change of business arrangement with Guizhou Tobacco Investment for certain tobacco compound fertiliser we manufactured for it since the fourth quarter of 2021. Under the new arrangement, we no longer had to purchase the raw materials from Guizhou Tobacco Investment for the manufacturing of the relevant tobacco compound fertiliser and sell the tobacco compound fertiliser to it. Instead, Guizhou Tobacco Investment provided the raw materials to us and we derived production fees for manufacturing the relevant tobacco compound fertiliser.

Company B

Our sales to and purchases from Company B both increased substantially from RMB24.0 million and RMB36.2 million, respectively, for FY2021 to RMB847.3 million and RMB684.4 million, respectively, for FY2022, and decreased to RMB646.7 million and RMB186.2 million, respectively, for FY2023. For 8MFY2024, our sales to and purchases from Company B was RMB200.8 million and RMB173.0 million, respectively. From FY2021 to 8MFY2024, there were 10 separate companies under the shareholding of Company B which had transactions with our Group. All of our sales and purchase amounts with these individual companies of Company B were aggregated and disclosed on a group basis. Nevertheless, each of these companies is separately and independently operated whereby their purchase orders and sales orders with us are placed by each of these companies in its own name, and the payments for which are separately settled.

During FY2021, FY2022, FY2023 and 8MFY2024, we had transactions with five, nine, eight and 10 separate companies of Company B, respectively. For FY2021, out of these five companies of Company B, we conducted only one-way sales of SOP and/or KCL to four of them (without purchase of any products from these four companies), and such one-way sales in aggregate contributed to approximately RMB15.9 million, representing approximately 66.3% of our revenue generated from Company B for FY2021. For FY2022, out of these nine companies of Company B, we conducted only one-way sales of SOP and/or KCL to eight of them (without purchase of any products from these eight companies), and such one-way sales in aggregate contributed to approximately RMB668.9 million, representing approximately 78.9% of our revenue generated from Company B for FY2022. For FY2023, out of these eight companies of Company B, we conducted only one-way sales of KCL and/or SOP to seven of them (without purchase of any products from these seven companies), and such one-way sales in aggregate contributed to approximately RMB562.4 million, representing approximately 87.0% of our revenue generated from Company B for FY2023. For 8MFY2024, out of these 10 companies of Company B, we conducted only one-way sales of KCL and/or SOP to nine of them (without purchase of any products from these nine companies), and such one-way sales in aggregate contributed to approximately RMB177.5 million, representing approximately 88.4% of our revenue generated from Company B for 8MFY2024. For our transactions with these companies of Company B where we only conducted one-way sales (the "**Non-Overlapping Company B Entities**"), in substance those transactions should not be seen as transactions with overlapping customers and suppliers since the Non-Overlapping Company B Entities only became overlapping customers and suppliers because they are disclosed on a group basis.

With respect to the remaining one individual company of Company B (the "**Overlapping Company B Entity**") where we engaged in both such sales and purchase transactions with it for FY2021, FY2022, FY2023 and 8MFY2024, our total purchase from such Overlapping Company B Entity for FY2021, FY2022, FY2023 and 8MFY2024 was RMB36.2 million, RMB684.4 million, RMB186.2 million and RMB173.0 million, respectively; while we generated revenue of RMB8.1 million, RMB178.4 million, RMB84.3 million and RMB23.3 million from it for FY2021, FY2022, FY2023 and 8MFY2024, respectively, which accounted for approximately 33.7%, 21.1%, 13.0% and 11.6% of our revenue generated from Company B for FY2021, FY2022, FY2023 and 8MFY2024, respectively.

As a major SOE potash importer in the PRC, the Overlapping Company B Entity engages in the sale of KCL to its customers (including us) in its ordinary course of business. We had an established business relationship with it; and it serves as one of our major domestic partners for the procurement of KCL originated from overseas. Our purchase of KCL from the Overlapping Company B Entity amounted to RMB32.3 million, RMB679.2 million, RMB186.2 million and RMB173.0 million for FY2021, FY2022, FY2023 and 8MFY2024, respectively. Such purchase reflected the ordinary business arrangement under which we procure KCL from the Overlapping Company B Entity (as a major supplier of our Group). The amounts of purchase made by us from the Overlapping Company B Entity are much larger than the sales amounts made by us to the Overlapping Company B Entity (as further described below). This fact is consistent with the nature of our business relationship. The significant increase in purchase by us from the Overlapping Company B Entity for FY2022 is because we ceased to enter into new purchase contracts for the purchase of KCL with Supplier D after it was designated by OFAC as an SDN in 2021.

On the other hand, as a major player of potash fertilisers in the PRC, the Overlapping Company B Entity may also procure KCL from time to time to ensure it has sufficient KCL inventory to support its operational needs and to support the stability of national fertiliser supply. Generally, the lead time for the purchase of KCL by us from the Overlapping Company B Entity is longer than the lead time for the sales of KCL by us to the Overlapping Company B Entity given that the purchase of KCL from the Overlapping Company B Entity was usually in a larger amount and agreed a few months in advance as it may need to import the KCL from overseas, whereas the sales of KCL to the Overlapping Company B Entity would typically be based on the unmet demand of the Overlapping Company B Entity in a particular period of time where it may need to source KCL domestically to satisfy its temporary needs. Our sales of KCL to the Overlapping Company B Entity increased from nil for FY2021 to approximately RMB140.1 million for FY2022, representing approximately 17.4% of our revenue generated from our total sales of KCL to Company B in FY2022. To the best knowledge of the Directors, such an increase was mainly due to the fact that the Overlapping Company B Entity has increased its efforts to source KCL from domestic markets in recent years due to the growing demand of its own supply chains and the need to replenish its inventory in a timely manner. We did not sell any KCL to the Overlapping Company B Entity for FY2023. We only sold a relatively small amount of KCL of RMB21.9 million to the Overlapping Company B Entity for 8MFY2024.

Although the KCL purchased by our Group from Company B does not have a confirmed delivery schedule, vast majority of such purchases during the Track Record Period were delivered within half a year. Our Group generally conducts the planning for our production schedule taking into account the above timeframe, together with our production needs in the coming month and sales needs in the coming three months. Further, as we have diverse KCL procurement channels (including direct purchase of KCL from oversea suppliers by sea or by land and purchase from domestic suppliers), we can rely on other procurement channels to satisfy our production and sales needs if and when KCL from Company B cannot arrive within the expected timeframe. Such purchases via other procurement channels, which tend to be supplemental in nature, usually have a shorter timeframe with a more certain delivery schedule.

We also engaged in the sales and purchase of SOP with the Overlapping Company B Entity. Our purchase of SOP from the Overlapping Company B Entity amounted to approximately RMB3.9 million and RMB5.2 million for FY2021 and FY2022, respectively, which is insignificant. We occasionally purchased SOP from the Overlapping Company B Entity in FY2021 and FY2022 primarily due to the surging demand for our SOP from our agricultural reclamation customers during the spring planting season, which is typically the peak season for SOP, and during which time we typically experienced constraint in production capacity and/or inventory to meet the demand from such customers. Our sales of SOP to the Overlapping Company B Entity increased from approximately RMB8.1 million for FY2021 to approximately RMB38.3 million for FY2022. For FY2023 and 8MFY2024, we did not purchase any SOP from the Overlapping Company B Entity and we generated revenue of RMB84.3 million and RMB1.4 million from our sale of SOP to the Overlapping Company B Entity for FY2023 and 8MFY2024, respectively.

The following table sets forth the gross profit margin derived from our sales to the Overlapping Company B Entity and our overall gross profit margin for the years/period indicated:

	For the year ended 31 March			For the eight months ended 30 November
	2021	2022	2023	2023
	%	%	%	%
Gross Profit Margin derived from our Sales to the Overlapping Company B Entity	14.4	13.9	24.6	16.7
Our Overall Gross Profit Margin	12.0	16.5	16.3	14.4

Gross profit margin of the Overlapping Company B Entity

As we have adopted the average unit cost of goods sold for our fertiliser products for each of FY2021, FY2022, FY2023 and 8MFY2024 for the calculation of both of our gross profit margin derived from the sales to the Overlapping Company B Entity and our overall gross profit margin for the respective years/period, the differences between our gross profit margin derived of the sales to the Overlapping Company B Entity and our overall gross profit margin for FY2021, FY2022, FY2023 and 8MFY2024 can be attributed to the differences between the average selling price of the relevant fertiliser products (i.e. KCL and SOP) to the Overlapping Company B Entity and the overall average selling price of such products for the respective years/period. In addition, as the sales of our KCL and SOP to the Overlapping Company B Entity were conducted generally based on the domestic market price of the relevant fertiliser products at the time of sales, the differences between gross profit margin for our sales to the Overlapping Company B Entity and our overall gross profit margin can be attributed to the time when the sales to Overlapping Company B Entity were recorded during the relevant years/period.

For FY2022, the gross profit margin of approximately 13.9% derived from our sales to the Overlapping Company B Entity was lower than our overall gross profit margin of approximately 16.5%, primarily due to the lower gross profit margin of approximately 12.2% derived from the sales of our SOP to the Overlapping Company B Entity in FY2022 as compared to the overall gross profit margin of approximately 23.5% from the sales of our SOP in the same year, as around half of the sales of our SOP to the Overlapping Company B Entity was conducted from April 2021 to July 2021 at a lower average selling price when the average domestic market price of SOP was at a relatively low level of RMB3,176.6 per tonne, compared to the average domestic market price of SOP of RMB3,621.2 per tonne for FY2022.

For FY2023, the gross profit margin of approximately 24.6% derived from our sales to the Overlapping Company B Entity was higher than our overall gross profit margin of approximately 16.3%, as (i) a majority of the sales of our KCL to the Overlapping Company B Entity was conducted from April 2022 to November 2022 at a higher average selling price when the average domestic market price of imported KCL was at a relatively high level of RMB4,209.1 per tonne, compared to the average domestic market price of imported KCL of RMB3,914.9 per tonne for FY2023; and (ii) a majority of the sales of our SOP to the Overlapping Company B Entity was conducted from April 2022 to July 2022 at a higher average selling price when the domestic market price of SOP was at its recent peak at over RMB4,500 per tonne for each of those four months.

For FY2021 and 8MFY2024, while there were differences between the gross profit margin derived from our sales to the Overlapping Company B Entity and our overall gross profit margin, the gross profit contributed by our sales to the Overlapping Company B Entity was insignificant and only represented approximately 0.5% and 1.2% of our overall gross profit for the same year/period, respectively.

During the Track Record Period, the transactions between our Group and Company B were similar to those with CNCCC and Huaken International Trade Co. Ltd. (i.e. two large state-owned agribusiness companies having purchases and/or sales of KCL with our Group) in respect of (i) the price determination mechanism of our purchases, which was determined based on negotiations on arm's length basis; (ii) the product specification of our purchases, which consisted of KCL and/or SOP as specified by us; (iii) the credit period of our purchases (i.e. mainly by prepayment in full); (iv) the settlement method of our purchases (i.e. by bank transfer or bank acceptance bill); and (v) the completion time of our purchases (i.e. within one to two months in general).

Yunnan EuroChem

Our sales to Yunnan EuroChem increased from RMB30.7 million for FY2021 to RMB90.2 million for FY2022. We recorded low sales to Yunnan EuroChem for FY2021 primarily due to the high demand of our products from Customer A, which is one of our important strategic partners, so we prioritised orders from Customer A given the constraint of our production capacity during peak season. We recorded significant sales of RMB220.1 million to Yunan EuroChem for 8MFY2024 primarily because Yunnan Eurochem decided to expand its sales channels to increase income in FY2024 which increased its purchases of KCL from us. For further information, please refer to the section headed "Financial Information – Selected Balance Sheet Items – Related Transactions – (b) Amounts Due from (to) Joint Ventures/Loans to Joint Ventures" in this document.

Supplier B

We had relatively high purchases from Supplier B for FY2023 primarily due to our cessation of purchase of KCL from Supplier D since it was designated by OFAC as an SDN in 2021.

Supplier C

For FY2021, FY2022, FY2023 and 8MFY2024, our purchases from Supplier C amounted to RMB451.4 million, RMB423.5 million, RMB976.9 million and RMB1,025.0 million, respectively. Our purchase from Supplier C was relatively high as a percentage to our total purchases for FY2023 and 8MFY2024, which accounted for approximately 29.2% and 46.6% of our total purchases for the relevant year/period. As we ceased to purchase KCL from Supplier D since it was designated by OFAC as an SDN in 2021 and we mostly purchased KCL from domestic suppliers for FY2023, we therefore had a relatively high purchase of KCL from Supplier C for FY2023. For 8MFY2024, we had a large purchase order of KCL with Supplier C which further increased our purchases from Supplier C.

The following table ("**OCS & Non-OCS Price Table**") sets out our average selling price by main product of our Overlapping Customers & Suppliers and customers who were not our Overlapping Customers & Suppliers ("**Non-Overlapping Customers**") and average purchase price by main product of our Overlapping Customers & Suppliers and suppliers who were not our Overlapping Customers & Suppliers ("**Non-Overlapping Suppliers**") during the Track Record Period:

	For the year ended 31 March						For the eight months ended 30 November	
	2021		2022		2023		2023	
	Overlapping Customers & Suppliers	Non-Overlapping Customers/ Non-Overlapping Suppliers	Overlapping Customers & Suppliers	Non-Overlapping Customers/ Non-Overlapping Suppliers	Overlapping Customers & Suppliers	Non-Overlapping Customers/ Non-Overlapping Suppliers	Overlapping Customers & Suppliers	Non-Overlapping Customers/ Non-Overlapping Suppliers
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Average selling price *(RMB)*								
– KCL[(1)]	1,869.3	1,701.8	3,248.8	2,742.8	3,988.2	3,691.5	2,694.2	2,560.6
– SOP	2,357.6	2,324.5	3,128.4	3,309.7	3,775.8	3,859.8	2,951.2	3,070.0
– NOP[(2)]	3,812.9	3,685.3	4,725.5	3,998.6	5,160.7	6,946.1	5,524.3	6,073.4
– Compound fertiliser[(3)]	2,489.4	1,890.0	3,353.2	2,208.5	2,376.8	2,614.3	4,546.9	2,077.4
Average purchase price *(RMB)*								
– KCL[(4)]	1,761.6	1,668.5	2,013.4	2,805.4	2,968.7	3,297.4	2,117.3	2,262.3
– SOP[(5)]	2,307.4	2,257.5	3,201.2	3,070.0	3,416.9	–	2,946.3	3,003.1
– NOP[(6)]	3,626.1	4,231.9	4,156.8	5,093.8	7,149.8	5,963.3	5,247.2	5,779.8
– Compound fertiliser[(7)]	1,981.2	1,150.2	2,834.9	1,808.3	1,263.6	1,308.9	3,119.1	1,044.0

Notes:

(1) For FY2021, our average selling price of KCL to Overlapping Customers & Suppliers was higher than our average selling price of KCL to Non-Overlapping Customers primarily because of (i) our higher selling price of KCL to Baoqing Migao, one of our Overlapping Customers & Suppliers for FY2021, as we sold our KCL to them in March 2021 where the domestic market price of imported KCL in March 2021 was approximately RMB2,175.2; and (ii) our lower selling price of KCL to Customer A, our largest customer and one of our Non-Overlapping Customers for FY2021, given that they usually placed orders with us in advance and allowed for a longer lead time and also in order to secure our long term business relationship with them.

For FY2022, our average selling price of KCL to Overlapping Customers & Suppliers was significantly higher than our average selling price of KCL to Non-Overlapping Customers primarily because of (i) our higher selling price of KCL to Company B, our largest Overlapping Customer & Supplier in terms of sales for FY2022, due to majority of our sales of KCL to them was conducted subsequent to July 2021 where the domestic market price of imported KCL started to increase significantly; (ii) our higher selling price of KCL to one of our tobacco customers which was one of our Overlapping Customers & Suppliers for FY2022, as we entered into our sale contract with them in October 2021 where the domestic market price of imported KCL had increased significantly when compared to the first half of FY2022; (iii) our lower selling price of KCL to Customer A, our largest customer and one of our Non-Overlapping Customers for FY2022, given that they usually placed orders with us in advance and allowed for a longer lead time and also in order to secure our long term business relationship with them. Further, majority of our sales of KCL to Customer A was from the sale contracts entered into prior to July 2021 (i.e. prior to the significant increase in domestic market price of imported KCL in FY2022); and (iv) our lower selling price of KCL to one of our top five customers and one

of our Non-Overlapping Customers for FY2022, due to our sale contracts with them for our sale of KCL to them in FY2022 was entered into prior to July 2021 (i.e. prior to the significant increase in domestic market price of imported KCL in FY2022). The domestic market price of imported KCL increased from approximately RMB2,382.4 during the second quarter in 2021 to RMB3,438.2 during the third quarter in 2021 and further to RMB3,499.5 during the fourth quarter in 2021 and further to RMB4,037.5 during the first quarter of 2022.

For FY2023, our average selling price of KCL to Overlapping Customers & Suppliers was higher than our average selling price of KCL to Non-Overlapping Customers primarily because of (i) our higher selling price of KCL to Company H, our second largest Overlapping Customer & Supplier in terms of sales for FY2023, mainly due to we made majority of our sales to Company H from April 2022 to November 2022 when the average domestic market price of imported KCL was at a higher level during that period of such financial year; (ii) our lower selling price of KCL to Customer A, our largest customer and one of our Non-Overlapping Customers for FY2023, given that they usually placed orders with us in advance and allowed for a longer lead time and also in order to secure our long term business relationship with them. Further, majority of our sales of KCL to Customer A was from the sale contracts entered into prior to January 2022 or subsequent to October 2022 where the domestic market price of imported KCL was relatively lower; (iii) our lower selling price of KCL to a Non-Overlapping Customer for FY2023 for the sale of KCL of approximately 44,000 tonnes where the sale contracts for such products was signed in September 2022 and February 2023 when the domestic market price of imported KCL had dropped; and (iv) our lower selling price of KCL to a Non-Overlapping Customer for FY2023 for the sale of KCL of approximately 24,000 tonnes where the selling price for such products was agreed subsequent to November 2022 and the domestic market price of imported KCL had dropped. The domestic market price of imported KCL decreased from approximately RMB5,110.8 during the second quarter in 2022 to RMB4,690.4 during the third quarter in 2022, further to approximately RMB3,669.7 during the fourth quarter in 2022 and further to approximately RMB3,598.0 during the first quarter in 2023.

For 8MFY2024, our average selling price of KCL to Overlapping Customers & Suppliers was higher than our average selling price of KCL to Non-Overlapping Customers primarily because of our higher selling price of KCL to Yunnan EuroChem and one of our other Overlapping Customers & Suppliers due to we entered into the relevant sales contracts with these Overlapping Customers & Suppliers in March 2023 where the domestic market price of imported KCL was higher compared to April 2023 to November 2023.

(2) For FY2022, our average selling price of NOP to Overlapping Customers & Suppliers was significantly higher than our average selling price of NOP to Non-Overlapping Customers primarily because the majority of our sales of NOP to Overlapping Customers & Suppliers was conducted in March 2022 where the average market selling price of KCL (a key raw material for the manufacturing of NOP) was at a relatively high level, while our sales of NOP to Non-Overlapping Customers was conducted primarily during the first half of FY2022 where the average domestic market price of imported KCL was lower compared to the second half of FY2022.

For FY2023, our average selling price of NOP to Overlapping Customers & Suppliers was significantly lower than our average selling price of NOP to Non-Overlapping Customers primarily because our sales of NOP to Overlapping Customers & Suppliers were conducted in November 2022 where the domestic market price of imported KCL had dropped, while majority of the sales contracts for our sales of NOP to Non-Overlapping Customers was entered into between January 2022 and February 2022 where the domestic market price of imported KCL was still at a relatively high level.

(3) For FY2021 and FY2022 our average selling price of compound fertilisers to Overlapping Customers & Suppliers was significantly higher than our average selling price of compound fertilisers to Non-Overlapping Customers primarily because majority of the compound fertilisers we sold to the Overlapping Customers & Suppliers were the types with higher selling prices, while the compound fertilisers we sold to Non-Overlapping Customers included the types with lower selling prices and the types with higher selling prices.

For FY2023, our average selling price of compound fertilisers to Overlapping Customers & Suppliers was lower than our average selling price of compound fertilisers to Non-Overlapping Customers primarily because majority of the compound fertilisers we sold to the Overlapping Customers & Suppliers were the types with lower selling prices, while the compound fertilisers we sold to Non-Overlapping Customers included the types with lower selling prices and the types with higher selling prices.

For 8MFY2024, our average selling price of compound fertilisers to Overlapping Customers & Suppliers was significantly higher than our average selling price of compound fertilisers to Non-Overlapping Customers primarily because we sold higher proportion of the types of compound fertilisers with higher selling prices to the Overlapping Customers & Suppliers.

(4) For FY2022, our average purchase price of KCL from Overlapping Customers & Suppliers was significantly lower than our average purchase price of KCL from Non-Overlapping Suppliers primarily because the majority of our purchases of KCL from Overlapping Customers & Suppliers was from Company B and the purchase price was determined with reference to the then prevailing Sea Import Master Contract Price in US$ at the time of our preliminary agreement on the purchases with Company B (which was primarily from January 2021 to June 2021) and adjusted by the foreign exchange rates at the time of signing the relevant contract which led to a lower average purchase price of KCL from Overlapping Customers & Suppliers.

For FY2023, our average purchase price of KCL from Overlapping Customers & Suppliers was lower than our average purchase price of KCL from Non-Overlapping Suppliers primarily because a significant portion of the KCL we purchased from Overlapping Customers & Suppliers was from CNCCC and the relevant purchase contract was entered into prior to February 2022 (prior to the increase in the Sea Import Master Contract Price) which led to a lower average purchase price of KCL from Non-Overlapping Suppliers.

(5) For FY2023, we did not purchase any SOP from non-Overlapping Suppliers.

(6) For FY2021, our average purchase price of NOP from Overlapping Customers & Suppliers was significantly lower than our average purchase price of NOP from Non-Overlapping Suppliers primarily because majority of our purchases of NOP from Overlapping Customers & Suppliers was from Yunnan EuroChem and it generally has a lower selling price of NOP compared to domestic market price. However, its selling price of NOP to our Group was similar to its selling price of NOP to its other customers during the period.

For FY2022, our average purchase price of NOP from Overlapping Customers & Suppliers was significantly lower than our average purchase price of NOP from Non-Overlapping Suppliers primarily because majority of our purchases of NOP from Overlapping Customers & Suppliers was conducted on or prior to July 2022 where the domestic market price of imported KCL (a key raw material for the manufacturing of NOP) only started to increase significantly subsequent to July 2022, while majority of our purchases of NOP from Non-Overlapping Suppliers was conducted in the second half of FY2022 where the domestic market price of imported KCL was significantly higher compared to the first half of FY2022.

For FY2023, our average purchase price of NOP from Overlapping Customers & Suppliers was significantly higher than our average purchase price of NOP from Non-Overlapping Suppliers primarily because Singapore Migao purchased NOP from Yunnan EuroChem and the purchase price included the shipment fee for the shipment of the NOP to Singapore which therefore had a higher purchase price.

(7) For FY2021, FY2022 and 8MFY2024, our average purchase price of compound fertilisers from Overlapping Customers & Suppliers was significantly higher than our average purchase price of compound fertilisers from Non-Overlapping Suppliers primarily because the majority of compound fertilisers we purchased from Overlapping Customers & Suppliers were the types with higher selling prices, while the majority of compound fertilisers we purchased from Non-Overlapping Suppliers were the types with lower selling prices.

The following table sets out our gross profit and average gross profit margin of our Overlapping Customers & Suppliers and Non-Overlapping Customers during the Track Record Period:

	For the year ended 31 March						For the eight months ended 30 November	
	2021		2022		2023		2023	
Type	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Overlapping Customers & Suppliers	73,921	17.0	248,092	24.7	263,994	20.5	136,166	17.4
Non-Overlapping Customers	176,820	10.7	385,330	13.6	503,539	14.7	193,417	13.3

For FY2021, FY2022, FY2023 and 8MFY2024, our gross profit margin derived from our sales to our Overlapping Customers & Suppliers was approximately 17.0%, 24.7%, 20.5% and 17.4%, respectively, and our gross profit margin derived from our sales to our Non-Overlapping Customers was approximately 10.7%, 13.6%, 14.7% and 13.3%, respectively. As we applied the annual weighted average cost approach to determine our unit cost of goods sold in our calculation for both gross profit margin of our Overlapping Customers & Suppliers and our Non-Overlapping Customers, our average gross profit margin derived from our sales to our Non-Overlapping Customers was lower than those we derived from our Overlapping Customers & Suppliers for FY2021, FY2022, FY2023 and 8MFY2024 primarily due to the same reasons which led to the differences in the average selling price of our products to our Overlapping Customers & Suppliers and Non-Overlapping Customers as described above in the OCS & Non-OCS Price Table. Where we have excluded our sales to the Overlapping Customers & Suppliers mentioned in Note (1) to the OCS & Non-OCS Price Table above due to the various reasons as set out in such note, our gross profit margin derived from our sales to our Overlapping Customers & Suppliers was approximately 15.3%, 21.3%, 17.9% and 14.1% for FY2021, FY2022, FY2023 and 8MFY2024, respectively. Where we have excluded our sales to the Non-Overlapping Customers mentioned in Note (1) to the OCS and Non-OCS Price Table above due to the various reasons as set out in such note, our gross profit margin derived from our sales to our Non-Overlapping Customers was approximately 12.0%, 19.9%, 16.4% and 13.3% for FY2021, FY2022, FY2023 and 8MFY2024, respectively.

As confirmed by our Directors, during the Track Record Period, the gross profit margins generated from the sales to our Overlapping Customers & Suppliers, saved as disclosed in the discussion of our average selling price of our products to Overlapping Customers & Suppliers and Non-Overlapping Customers in Note (1) to the OCS and Non-Overlapping Customers and Suppliers Price Table above, were generally comparable with those of similar transactions conducted with our Non-Overlapping Customers during the same period.

Based on the due diligence conducted by the Sole Sponsor, the Sole Sponsor was not aware of any material findings which cast doubt on the bases of our Directors' view mentioned above.

Our Directors confirmed that (i) the transactions with our Overlapping Customers & Suppliers were conducted on an arm's length basis in the ordinary course of our business; (ii) negotiations of the terms of our sales to and purchases from our Overlapping Customers & Suppliers were conducted on an individual basis and the sales and purchases were neither interconnected nor inter-conditional with each other (save for Guizhou Tobacco Investment as mentioned above); and (iii) the terms of transactions, including pricing (save as described above in the OCS & Non-OCS Price Table) and other terms, with our Overlapping Customers & Suppliers were in all material respects comparable with those with our other customers and suppliers. We were under no obligation to purchase from the Overlapping Customers & Suppliers, and vice versa (save for Guizhou Tobacco Investment as mentioned above). During the Track Record Period, we may offset certain of our receivables from our Overlapping Customers & Suppliers for the sale of our products to them against the purchases of products they sold to us.

Based on the due diligence conducted by the Sole Sponsor, the Sole Sponsor was not aware of any material findings which cast doubt on our Directors' view that the pricing and other terms of our Group's transactions with the Overlapping Customers & Suppliers were in all material respects comparable with those of our Group's transactions with our other customers and suppliers.

Save as disclosed in this document, none of our Directors, their respective close associates, or any Shareholder who, to the best knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in each of them during the Track Record Period. Save as disclosed above, to the best knowledge of our Directors, we did not have any other Overlapping Customer & Supplier during the Track Record Period.

TRANSFER PRICING ARRANGEMENT

Intra-group Transactions

During the Track Record Period, we operated our Group's business principally through four subsidiaries (i.e. Guangdong Migao, Sichuan Migao, Daxing Migao and Changchun Migao) with production facilities in the PRC and our trading subsidiary in Singapore. During the Track Record Period, there were certain intra-group transactions in respect of the raw materials and finished goods buy-sell between our operating subsidiaries. The major intra-group transactions included:

(i) Sales of raw materials by Guangdong Migao to Sichuan Migao and Changchun Migao;

(ii) Sales of raw materials by Sichuan Migao to Guangdong Migao, Changchun Migao and Daxing Migao;

(iii) Sales of finished products between our four subsidiaries; and

(iv) Sales of finished products by Guangdong Migao and Changchun Migao to Singapore Migao.

The major circumstances leading to such intra-group transactions included the following:

(i) Guangdong Migao holds KCL automatic import licences – The imports and exports of KCL are subject to control by the PRC government. The MOFCOM has implemented an automatic licensing system for imports and exports of KCL. During the Track Record Period, Guangdong Migao held KCL automatic import licences. It purchased and imported KCL from overseas suppliers directly for our Group and sold the KCL to our other PRC subsidiaries for further granulating, manufacturing or selling purposes.

(ii) Occasions when there was a lack of raw materials in a subsidiary – Our Group's production facilities require a large amount of KCL and a range of other products as raw materials for their production or processing. During the Track Record Period, there were certain occasions where a subsidiary did not have sufficient raw materials in stock or unable to replenish the stock from its own sources. In these situations, the affected subsidiary would purchase raw materials from another of our subsidiaries for manufacturing or processing.

(iii) Occasions when there was a lack of products or production capacity in a subsidiary – During the Track Record Period, there were certain occasions where a subsidiary did not have sufficient inventory, did not produce the specific type of fertilisers requested by our customers or did not have sufficient production capacity to deal with the surging demand of the customers. In these situations, the relevant subsidiary would purchase finished products from another of our subsidiary for sales to external customers.

(iv) Expansion of business to Southeast Asian market – Singapore Migao was strategically set up as a trading company for the development of Southeast Asian market. Without any production capacity, Singapore Migao purchased finished products, mainly SOP, from Guangdong Migao and Changchun Migao for ongoing sales to overseas customers during the Track Record Period.

Transactions with Related Parties

Apart from the intra-group transactions, we also entered into buy-sell transactions in respect of the raw materials and finished goods with our related parties during the Track Record Period. The transaction amounts are summarised in Note 23 to the Accountants' Report in Appendix I to this document.

Our major transactions with related parties included:

(i) Sales and purchase of raw materials and finished products with Baoqing Migao, Anda Migao and Yunnan EuroChem[(1)];

(ii) Sales and purchase of raw materials and finished products with Liaoning Migao;

(iii) Purchase of finished products from Zunyi Migao; and

(iv) Sales of finished products to and purchase of raw materials from Guizhou Tobacco Investment.

Note:

(1) Anda Migao and Baoqing Migao became our subsidiaries and ceased to be related parties of our Group from 31 March 2022 onwards, and, therefore, the relevant transactions with Anda Migao and Baoqing Migao were intra-group transactions in FY2023. For the major circumstances leading to the intra-group transactions in FY2023, please refer to the paragraph headed "Business – Transfer Pricing Arrangement – Intra-group Transactions" in this document.

The major circumstances leading to the above transactions included the following:

(i) Occasions when there was a lack of products and/or production capacity – During the Track Record Period, there were occasions where there was surging demand for SOP or other products in the market whilst we did not have sufficient production capacity at the time to manufacture the products requested by the customers. Understanding that Baoqing Migao, Anda Migao, Yunnan EuroChem, Liaoning Migao and/or Zunyi Migao have similar technologies and abilities as our Group and are able to manufacture fertiliser products satisfying our customers' requirements, we purchased the finished products from them for sales to the external customers in these cases. In particular, our Chengdu Production Facility discontinued manufacturing of NOP in January 2019 due to local re-zoning policy. Since then, we no longer manufacture NOP within our Group and have been procuring NOP from Yunnan EuroChem, our indirect joint venture, and other domestic suppliers.

Similarly, there were occasions where Baoqing Migao, Anda Migao, Yunnan EuroChem, Liaoning Migao and/or Zunyi Migao did not have sufficient inventory or did not produce the specific type of fertilisers requested by their customers during the Track Record Period. In these situations, they purchased the products from us for sales to their external customers.

(ii) Close proximity of Liaoning Migao to the KCL suppliers – During the Track Record Period, our Group also purchased KCL from Liaoning Migao. It is because Liaoning Migao is located in the northern region and it is closer to the Russian border and our production facilities in the northern region than Guangdong Migao.

(iii) Stringent requirements on the tobacco fertiliser ingredients – Guizhou Tobacco Investment is one of the major strategic customers of our Group. During the Track Record Period, we purchased the principal raw materials required in the manufacturing of tobacco compound fertilisers from Guizhou Tobacco Investment as they have stringent requirements on the fertiliser ingredients to be used in the manufacturing of their tobacco compound fertiliser. We would utilise the raw materials we purchased from them to manufacture and sell the requested compound fertilisers to them. In addition, we also sold certain products (e.g., KCL, SOP and NOP) to them as raw materials for their manufacturing of tobacco compound fertiliser. Starting from the fourth quarter of 2021, we were not required to procure the principal raw materials supplied by Guizhou Tobacco Investment. Instead, we provided fertiliser production services to Guizhou Tobacco Investment for manufacturing tobacco compound fertiliser for them from the principal raw materials provided by them. We also sold some raw materials to Guizhou Tobacco Investment and used these raw materials when providing tobacco compound fertiliser manufacturing services. During manufacturing, ownership of those raw materials remain with Guizhou Tobacco Investment.

Our Transfer Pricing Arrangements

The intra-group selling prices and the selling price to related parties are determined based on a number of factors, such as raw material costs, labour and manufacturing costs, inventory level, prevailing domestic market price, specifications of products, sales volume and transportation costs. Our transactions with related parties were conducted in accordance with terms agreed between us and the respective related parties. Our Directors confirmed that our transfer pricing arrangements during the Track Record Period and up to the Latest Practicable Date are on normal commercial terms and are in compliance with the arm's length principle. Neither the tax authorities in the PRC nor in Singapore have raised any inquiry, audit or investigation on our Group's transfer pricing arrangements as at the Latest Practicable Date.

In preparation of the [**REDACTED**], our Group has engaged Mazars Tax Services Limited (the "**Transfer Pricing Consultant**"), an independent consultant on transfer pricing, to conduct a review on whether our intra-group transactions and transactions with related parties conducted during the Track Record Period are in line with the arm's length principle. According to OECD Transfer Pricing Guidelines, all related party transactions should be transacted in accordance with the arm's length principle. This proposition is adopted by tax administrations around the world, including that of the PRC and Singapore.

During the review process, the Transfer Pricing Consultant interviewed our Group's management to understand the operation and pricing policy, reviewed the transfer pricing documentation, financial information as well as conducted benchmarking analyses by using a third-party information database. When conducting the benchmarking analyses, different qualitative and quantitative screening were used to come up with set of comparable companies. Qualitative screening is to ensure that the operation of the selected companies are comparable to our operation in the intra-group transactions and other transactions with related parties. It includes reviewing the active/inactive status, geographical location, standard industry classification codes, independence indicator, and functions performed and products sold by the potential comparable companies. In terms of quantitative screening, companies without sufficient financial data, incurred operating loss in consecutive years, or with fluctuating financial data were eliminated to ensure that comparable financial data can be obtained.

Based on the functions performed and the risks borne by the group companies in the intra-group transactions and other transactions with related parties, the Transfer Pricing Consultant considers that (i) the group companies which mainly carried out production activities of fertiliser products and borne the production risk in the transactions could be characterised as limited risk manufacturers; whilst (ii) the group companies which carried out the procurement activities of KCL and other raw materials and borne the major risks, such as the legal risk, market risk and foreign exchange risk, in the transactions could be characterised as risk bearing distributors. Therefore, two sets of comparable companies, including (i) 12 comparable companies involved in the production of fertiliser products, and (ii) 7 comparable companies involved in the distribution of fertiliser products and/or other agricultural chemicals, are selected. Products of those selected comparable companies include our products, i.e. KCL, SOP, NOP and compound fertilisers.

Based on the financial results of the selected comparable companies, the Transfer Pricing Consultant computed an arm's length range of return for each set of companies and compared them with the weighted average profit margin achieved by our group companies in the intra-group transactions and other transactions with related parties. Based on the review and analyses performed, most of the profit margins achieved by our group companies in the intra-group transactions and other transactions with related parties fall within the arm's length range of return. A few transactions fall below the range due to seasonal and/or other specific reasons, such as some of the transactions are in substance direct resale transactions in which the value-added element is comparatively smaller than the operation of the selected comparable companies. The Transfer Pricing Consultant considered the reasons provided by our management are legitimate business reasons. In this regard, the Transfer Pricing Consultant is of the view that all the Group's entities are compensated for their functions undertaken and risks assumed in the intra-group transactions and the transactions with related parties during the Track Record Period. There is no indication that these transactions are not in line with the arm's length principle.

Our Directors confirm that in ensuring ongoing compliance with the relevant transfer pricing laws and regulations in the PRC and Singapore,

– Our management will review and monitor the transfer pricing arrangements from time to time to ensure that the intra-group transactions and transactions with related parties comply with the arm's length principle;

– Intercompany balances and transactions are reconciled with our Group from time to time and at reporting periods to ensure that no significant difference exists; and

– Our chief financial officer will monitor the amount of related party transactions to determine whether transfer pricing documentation and contemporaneous documents are required to be prepared.

BUSINESS DEALINGS WITH THIRD PARTIES SUBJECT TO INTERNATIONAL SANCTIONS

International Sanctions Applicable to Belarus

During the Track Record Period, we purchased a large amount of KCL, directly and indirectly, from Supplier D in Belarus, which was one of our top five suppliers. Supplier D is purportedly the trading arm of the Belarus Producer. During the Track Record Period, we did not engage in any direct transaction with the Belarus Producer. The table below sets forth our overseas purchase of KCL from Supplier D and our domestic purchase of KCL originated from Belarus, in absolute amount and as a percentage of our total purchase of KCL, for the years/periods indicated.

	Year ended 31 March			Eight months ended 30 November
	2021	2022	2023	2023
Overseas Purchases of KCL from Supplier D[1] *(RMB'000)*	377,977	706,819	–	–
Domestic Purchases of KCL Originated from Belarus[2] *(RMB'000)*	32,271	245,160	9,234	–
Percentage of Total Purchases of KCL *(%)*	26.2	29.7	0.3	–

Notes:

1. These purchases represent our purchases of KCL directly from Supplier D.

2. These purchases represent our purchases of KCL directly from domestic purchasers whose KCL are originated from Belarus (including a shipment of our purchases of KCL directly from a domestic purchaser (Company B) in April 2022 which shipment is originated from Supplier D).

Belarus is not a comprehensively Sanctioned Country within the meaning of Chapter 4.4 of the Guide for New Listing Applicants. However, Belarus has been subject to various sanctions measures imposed by many Western countries, including U.S., EU, UK and Canada, due to human rights violations and public corruption by the Lukashenko government, and most recently, its active support of Russia's military operations against Ukraine in early 2022. These sanctions target important sources of revenue to the Lukashenko regime, including potassium chloride (potash), the only abundant mineral resource in Belarus and its key export.

On 9 August 2021, OFAC designated the Belarus Producer as an SDN, and issued a general license allowing U.S. Persons 120 days (i.e., until 8 December 2021) to wind down transactions with the Belarus Producer and its subsidiaries ("**Belarus General License 4**"). On 2 December 2021, OFAC designated Supplier D as an SDN, and issued a general license allowing U.S. Persons 120 days (i.e., until 1 April 2022) to wind down transactions with Supplier D and its subsidiaries, including the wind down of transactions in which the Belarus Producer has a property interest ("**Belarus General License 5**"). To qualify for these licenses, the following conditions must be met: (i) the underlying contract should predate the SDN designation, and (ii) all purchases, payments and shipments are completed before the expiration of the relevant license. Notably, OFAC clarified that General License 5 did not authorize direct transactions with the Belarus Producer after the expiry of General License 4 on 8 December 2021. Whilst the Belarus general licenses are limited in applicability to U.S. Persons, OFAC policy is that it will not impose sanctions on non-U.S. Persons for activities that are permitted for U.S. Persons (i.e., wind down transactions permitted by the general licenses).

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

Rebates from Supplier D and related set off arrangement

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

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

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

Between our Group and the Fertiliser Traders: Separately, on 18 March 2021, Guangdong Migao entered into three contracts with Supplier A and two other fertiliser trading companies (collectively, the "**Fertiliser Traders**"), respectively. The two other fertiliser trading companies are both incorporated in Hong Kong and have been in the fertiliser trading business since their respective inception. One of the fertiliser trading companies is an independent third party of the Group from whom the Group has regularly purchased peat since 2019 and to whom the Group has sold KCL in 8MFY2024, and the other one was related to the Group until February 2023. Guangdong Migao made various US$ and RMB prepayments to these Fertiliser

Traders after 1 April 2022, but they had not fulfilled Guangdong Migao's purchases. While certain of these prepayments were in US$, we confirm that the prepayments were specifically for KCL sourced from Russia, and the Fertiliser Traders also confirmed that the prepayments did not result in any payments made to Supplier D or goods being delivered from Supplier D after 1 April 2022.

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

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

Indirect purchase transaction with Supplier D

With respect to the domestic purchase of KCL originated from Belarus for FY2023, it is part of the purchases made pursuant to a purchase and sale contract Guangdong Migao entered into with Company B (a Chinese SOE supplier) in April 2021. The KCL of that purchase and sale contract was sourced from Supplier D and was shipped to us in multiple shipments, all of which were received by us by October 2021 (before Supplier D was designated as an SDN in December 2021), except for the last shipment which was received by us in April 2022 (the "**April 2022 Shipment**") due to the logistic arrangement of Company B. Based on the confirmation from Company B, the April 2022 Shipment was fully paid for and delivered by Supplier D to Company B in China in July 2021. We do not intend to engage in further transactions with Supplier D (either directly or indirectly) for so long as it remains subject to international sanctions of any kind.

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

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 EU, UK and Canada sanctions, since our business dealings with Supplier D and the Belarus Producer are carried out by our subsidiaries, none of which are incorporated in the EU, UK or Canada and thus EU, UK and Canada sanctions would not apply.

Therefore, our business dealings in respect of Belarus are not subject to material risk in respect of U.S. primary or secondary sanctions, nor subject to material risk in respect of the relevant EU, UK and Canada sanctions.

International Sanctions Applicable to Russia

During the Track Record Period, we purchased KCL overseas or domestically that were originated from Russia. The table below sets forth our overseas and domestic purchases of KCL originated from Russia, in absolute amount and as a percentage of our total purchases of KCL, for the years/periods indicated.

	Year ended 31 March			Eight months ended 30 November
	2021	**2022**	**2023**	**2023**
Overseas Purchases of KCL Originated from Russia *(RMB'000)*	268,763	277,764	156,883	744,368
Domestic Purchases of KCL Originated from Russia *(RMB'000)*	–	470,774	2,853,490	1,265,863
% of Total Purchases of KCL	17.1	23.3	99.5	99.1

Other than the purchases of KCL set out in the tables above, the remaining purchases in FY2021, FY2022, FY2023 and 8MFY2024 were domestic purchases, accounted for approximately 56.7%, 47.0%, 0.2% and 0.9% of our total purchases of KCL for the respective year/period. For FY2021 and FY2022, although the contracts for such domestic purchases did not specify the place of origin of the goods, to our best knowledge and based on our understanding of the potash industry in China, a majority of such domestic purchases were from Russia. For FY2023, such domestic purchases were KCL originated from PRC and for 8MFY2024, such domestic purchases were KCL originated from Jordan.

Apart from purchase of KCL from Russia, one of our subsidiaries also has a 50%-50% joint venture, namely, EuroChem Migao, with EuroChem Group. For details, please refer to the section headed "History, Reorganisation and Corporate Structure – Our Joint Venture" in this document.

Russia has been subject to various sanctions measures since its actions and claims of sovereignty in Crimea were deemed to be illegal by many Western governments and governmental organisations. Following its military operations against Ukraine in February 2022, Western countries have adopted further sanctions measures against Russia ranging from asset freeze measures targeting its companies, elites and high ranking senior official to various sectoral restrictions including notably sweeping financial restrictions.

However, to ensure global food security, the U.S. Department of Treasury has clarified on 14 July 2022 that agricultural commodities (including fertilisers) are not targets of the sanctions imposed by the U.S. on Russia and the U.S. has not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia. On the same day, the OFAC issued a broad General License No. 6B to authorise, among other activities, certain transactions related to the production, manufacturing, sale, or transport of agricultural commodities (including fertilisers) relating to Russia. The term "fertilizer" is used in a broad sense as defined in the U.S. Agricultural Trade Act of 1978 and therefore should include potash/KCL products. On 17 January 2023, the OFAC issued General License No. 6C, which replaced General License No. 6B by expanding the applicable scope to include the "provision" of agricultural commodities.

On 2 August 2022, the OFAC also confirmed that EuroChem Group is not subject to U.S. sanctions because it is not owned 50% or more by blocked persons (including its founder, who was designated as an SDN by the OFAC on that date).

Similarly, the EU stated on 21 July 2022 that it is committed to avoiding all measures which might lead to food insecurity around the globe, and it had not adopted any measures targeting the trade in agricultural and food products (including fertilisers) between third countries and Russia. On 9 November 2022, the EU stated that it has essentially exempted the agri-food sector and fertilisers from its restrictive measures against Russia. For further details, please refer to the paragraphs headed "Risk Factors – Risks Related to Our Business – We could be adversely affected as a result of any transactions we have with countries that are, or

become subject to, sanctions administered by the Relevant Sanctions Authorities and other relevant authorities administering sanctions measures" and "Regulatory Overview – Sanctions Laws and Regulations" in this document.

As advised by our International Sanctions Legal Advisers, on the basis that:

1. the relevant authorities have officially confirmed that Russia's fertilisers (including potash) is not a target of sanctions imposed on Russia, and none of our direct or indirect counterparties of overseas purchases from Russia is identified as an SDN by OFAC; and

2. EU, UK or Canada sanctions only apply to EU, UK or Canadian individual and companies; these sanctions would not impact or impair our business activities conducted only by companies which are incorporated in countries other than the EU, UK or Canada,

our business dealings in respect of Russia are not subject to material risk in respect of U.S. primary or secondary sanctions, nor subject to material risk in respect of the relevant EU, UK and Canada sanctions.

Further Sanctions Considerations

As further advised by our International Sanctions Legal Advisers, on the basis of the facts described above and given that we had not been designated as a Sanctioned Target or subject to penalties due to any violation of international sanctions, our business dealings with parties in Belarus and Russia did not constitute "Primary Sanctioned Activity" as defined in Chapter 4.4 of the Guide for New Listing Applicants; in addition, such business dealings are highly unlikely to result in the imposition of U.S. secondary sanctions against us for the purpose of Chapter 4.4 of the Guide for New Listing Applicants.

Further, given the scope of the [**REDACTED**] and the expected use of [**REDACTED**] as set out in this document, our International Sanctions Legal Advisers are of the view that the involvement by parties in the [**REDACTED**] should not implicate any applicable international sanctions on such parties, including our Company, our potential investors, Shareholders, the [**REDACTED**], the Hong Kong Stock Exchange and related group companies and accordingly, the sanctions risk exposure to our Company, potential investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the [**REDACTED**], trading, clearing and settlement of our Shares (including the [**REDACTED**], the Hong Kong Stock Exchange and related group companies) is very low.

As a result, while we do not intend to engage in further transactions with Supplier D or otherwise purchase KCL originated from Belarus, either directly or indirectly, for so long as Supplier D and/or the potash sector of Belarus remains subject to international sanctions, we intend to continue to purchase potash from Russia after the [**REDACTED**], subject to our strict adherence to our sanctions compliance measures.

We undertake to the Hong Kong Stock Exchange that we will:

1. not directly or indirectly apply the [**REDACTED**] from the [**REDACTED**] and any other funds raised through the Hong Kong Stock Exchange to (i) finance or facilitate any Primary Sanctioned Activity and/or Secondary Sanctionable Activity; or (ii) pay any damages for terminating or transferring the relevant contracts that constitute Primary Sanctioned Activity and/or Secondary Sanctionable Activity; and

2. disclose in our annual and interim reports (i) details of any new and/or existing Primary Sanctioned Activity and/or Secondary Sanctionable Activity; (ii) our efforts in monitoring our business exposure to sanctions risks; and (iii) the current status of, and the anticipated plans for, any new and/or existing Primary Sanctioned Activity and/or Secondary Sanctionable Activity.

Sanctions Compliance Measures

In order to protect the interest of our Group and our Shareholders from economic sanctions risks, we have adopted the following enhanced internal control and risk management measures since March 2022:

1. monitoring future developments of applicable sanctions regimes and undertaking prompt risk mitigation measures commensurate with such future developments, including potential terminations or suspensions of business relationships, to ensure continued compliance of our Group's businesses and operations;

2. adding compliance clauses in our purchase contracts with suppliers confirming that the potash or other products they supply to us are not produced by any Sanctioned Person, or otherwise originated in a Sanctioned Country, or where adding such compliance clauses are commercially not feasible, sending notifications to such overseas suppliers to request them *not* to supply any goods that may be produced by a Sanctioned Person, or otherwise originated in a Sanctioned Country;

3. for each purchase order, prior to paying for and accepting the order, obtaining and reviewing certificate of origins or other supporting documents evidencing the source of origins, and submitting the documentary evidence to the Sanctions Compliance Committee for approval of the relevant transaction. To the extent the suppliers cannot provide satisfactory documents on the source of origins or unable to confirm in writing that the source of origins is not from Supplier D or any Sanctioned Person, we will not proceed with or immediately terminate the transaction;

4. enhanced Know-Your-Client procedures to review the background information (such as identity and nature of business as well as ownership structure) relating to the counterparties to the transaction along with the draft business transaction documentation;

5. periodic screening procedures to check the counterparties against the various lists of restricted parties and countries maintained by the Relevant Sanctions Authorities, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions whose lists are publicly available, and is otherwise subject to sanctions or export controls restrictions. Where possible, engaging external counsel to assist with assessing the sanctions related risks for the relevant transactions;

6. enhanced periodic compliance trainings to ensure awareness of sanctions risks and timely and effective identification and reporting of actual and potential violations and ad hoc sanctions alerts in case of a major escalation of sanctions which might affect our business operations;

7. established a sanctions compliance committee (the "**Sanctions Compliance Committee**") to assist our Board to, among other things, evaluate our sanctions compliance policies, formulate sanctions compliance measures and related internal control procedures, assess and monitor the sanctions risks of our Group, supervise the implementation of the sanctions compliance policies, measures and internal control procedures. The Sanctions Compliance Committee previously had four members. The chairperson of the Sanctions Compliance Committee was Mr. Dong Benzi (董本梓), our executive Director. The other members of the Sanctions Compliance Committee were individuals with finance, production and legal backgrounds, including members of our senior management Ms. Liu Yaqin (劉雅琴) and Mr. Liu Xuebin (劉學彬), and Mr. Guo Lei (郭磊) who is the legal director of Migao International. Prior to joining Migao International in April 2019, Mr. Guo was a lawyer with several PRC law firms. Mr. Guo obtained a Bachelor of Laws from Beijing Institute of Technology (北京理工大學) in July 2003 and a Postgraduate Course in Economics Law from China University of Political Science and Law (中國政法大學) in July 2010 and obtained the PRC legal professional qualification in February 2006. Following the resignation of Mr. Guo in January 2024, the Sanctions Compliance Committee has three members remaining, and we have appointed Ashurst Hong Kong as our international sanctions legal advisers to continue to support our Sanctions Compliance Committee and advise us as to whether our Group should engage in the business opportunities with countries that are subject to any form of international sanctions. For the background of the current members of the Sanctions Compliance Committee, please refer to the section headed "Directors and Senior Management" in this document;

8. continue operations and business activities in strict compliance with international sanctions applicable to such activities and/or each member of our Group, which may require that certain entities (e.g. those located in the UK or EU or are otherwise subject to EU or UK sanctions rules and regulations, including Cayman Islands) are not involved in such activities; and

9. identified key employees, senior management and board members to advise them of their potential international sanctions implications under their national sanctions regimes.

Our International Sanctions Legal Advisers have reviewed and evaluated these internal control measures and are of the view that these measures, when implemented by our Group, would be adequate and effective for our Company to comply with the applicable international sanctions laws.

Having taken the above advice of our International Sanctions Legal Advisers into account, our Directors are of the view that the above measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risks relating to international sanctions and complying with our undertakings to the Hong Kong Stock Exchange.

After undertaking the relevant due diligence, and subject to the full implementation and enforcement of such measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective internal control framework to assist our Company in identifying and monitoring any material risk relating to sanction laws.

DEVELOPMENT IN GLOBAL POTASH SUPPLY AND PRICES

Overview

Potash mine production is very concentrated, with Canada, Russia and Belarus representing about 60% of global production, according to the statistics of the US Geological Survey ("**USGS**"). China has limited supply of high quality potash from domestic potash reserves and imported KCL of high grade is of significance to the potash fertiliser market in China. In 2022, approximately 50% of the total KCL sales volume in China was sourced from foreign countries, mainly Russia, Belarus and Canada.

However, the global supply of potash fertilisers and raw materials of potash fertilisers have been disturbed by a number of factors, such as the COVID-19 pandemic outbreak in 2020, the international sanctions targeting the Belarus Producer since August 2021, the conflict between Russia and Ukraine starting in February 2022 and the resulting sweeping sanctions against Russia by the Western countries, the rising costs in logistics and transportation as a result of high energy price and global inflation, to name a few. These factors have brought uncertainty to the global supply of KCL.

Due to the supply uncertainty, the Sea Import Master Contract Price has increased to US$590 per tonne in February 2022 from US$247 per tonne in February 2021 and subsequently decreased to US$307 per tonne in June 2023. The domestic market price of imported KCL in China has also increased significantly in the first half of 2022, peaked in May and June 2022 at approximately US$770 per tonne, and has since recorded decline until July 2023.

To reduce the impact of fertiliser supply uncertainty on global food supplies and prices and ensure world food security, the U.S. Department of the Treasury has clarified on 14 July 2022 that agricultural commodities (including fertilisers) are not the targets of the U.S. sanctions against Russia and the U.S. has not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia. On the same day, the OFAC issued General License No. 6B authorising among other activities, certain transactions related to the production, manufacturing, sale, or transport of Russian fertilisers. In addition, transactions involving insurance and reinsurance services related to the transportation or shipping of fertilisers from, to, transiting, or related to Russia are permitted under U.S. sanctions. Finally, U.S. financial institutions are authorised to process transactions authorised by the general license, and foreign financial institutions may engage in or facilitate transactions. The term "fertilizer" is used in a broad sense as defined in the U.S. Agricultural Trade Act of 1978 and therefore should include potash/KCL products. On 17 January 2023, the OFAC issued General License No. 6C, which replaced General License No. 6B by expanding the applicable scope to include the "provision" of agricultural commodities.

Similarly, the EU stated on 21 July 2022 that it is committed to avoiding all measures which might lead to food insecurity around the globe, and it had not adopted any measures targeting the trade in agricultural and food products (including fertilisers) between third countries and Russia. On 19 September 2022, the EU permitted transfer of certain fertilisers to third countries via EU operators or the EU territory and permitted the financing or financial assistance relating to such transfer. On 9 November 2022, the EU stated that it has essentially exempted the agri-food sector and fertilisers from its restrictive measures against Russia. Moreover, they allow the transfer of potash fertilisers, originating or exported from Russia to non-EU countries, to be carried out by EU operators or via EU territory. The financing or financial assistance associated with such transfers is allowed, as is the provision of insurance. In addition, EU sanctions also contain specific provisions to ensure that transactions for Russian agricultural products, including fertilisers, are able to proceed smoothly.

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

The UN has also stepped in and provided supports on exports of Russian agricultural products and fertilisers. The UN signed a memorandum of understanding with Russia on the full access of Russian food and fertiliser products to global markets on 22 July 2022. It has also been reported that the U.S. and the UN continue to work together to further facilitate and promote exports of Russian grains and fertilisers.

It is not expected there will be a further decrease in the Sea Import Master Contract Price in the near future as the international market price of KCL has been recovering from its low level in June 2023. In relation to the specific factors which affect the international market price

of KCL in the foreseeable future, please refer to the section headed "Industry Overview – Short-Term Expectation of the Sea Import Master Contract Price and Market Demand of KCL in the PRC – International market price for KCL will recover steadily in the foreseeable future" in this document.

Measures Taken by Us to Address the Supply Uncertainty

Early Purchase of KCL

It is our general strategy to purchase KCL in advance where there is an anticipated import price hike of KCL or supply shortage of KCL. As such, in anticipation of shortage of potash supply and increasing import price in latter of FY 2022 (i.e., late 2021 and early 2022), we started our potash purchase early in FY2022 (i.e., second quarter of 2021).

For example, in FY2021, the first half (which is a non-peak fertiliser season) of our total potash purchase volume only accounted for approximately 36.5% of total purchase volume in FY2021; while in the first half of FY2022, we purchased a total of approximately 661,000 tonnes of potash, which accounted for approximately 50.5% of our total purchase in FY2022. Our total purchase volume of potash in FY2022 was approximately 41.4% higher compared to FY2021.

Strengthen Strategic Cooperation with Existing Potash Suppliers

For FY2023, we increased potash purchase from other non-Belarus suppliers. To the best of our knowledge, our total aggregate purchase volume of KCL from Supplier D and domestic purchase of KCL with origin from Belarus was approximately 257,000 tonnes and 408,000 tonnes for FY2021 and FY2022, respectively. Such purchase could be fully replaced by our strategic cooperation with existing potash suppliers which source most of their potash from Russia. As at the Latest Practicable Date, we have signed memorandum of understanding for the supply of potash with the following existing suppliers:

- On 25 January 2022, we have signed a memorandum of understanding with Supplier A, (an international fertiliser trading company) and one of our top five suppliers during FY2021 and FY2022. Under the memorandum of understanding (as supplemented by an additional agreement to memorandum of understanding dated 16 May 2022) (the "**Supplier A Original MOU**"), Supplier A undertakes to supply 500,000 tonnes of potash originated from Russia or, where unavailable, from non-CIS countries through designated cross-border suppliers to us in 2022. The parties agreed that the specific quantity, price, quality, terms of delivery and payment of goods will be determined in separate purchase and sale contract to be signed by both parties for the relevant purchase. On 5 December 2022, the parties signed a further memorandum of understanding (the "**Supplier A Further MOU**") to extend the term of the Supplier A Original MOU to 25 January 2024 such that any unutilised potash under the Supplier A Original MOU can be utilised by us until 25 January 2024. As stated in the Supplier A Further MOU, the price shall be

determined with reference to the prevailing market price at the time of the relevant purchase and sale contract. Further, although Supplier A is obliged to provide us with the unutilised KCL upon our request, we may purchase any quantity of the unutilised KCL we require and are not obliged to purchase all the unutilised KCL. As further stipulated in the Supplier A Further MOU, the Supplier A Original MOU and the Supplier A Further MOU shall be legally binding and enforceable. The parties may further renew the Supplier A Further MOU by agreement in writing for an additional year by advance written notice and neither party may terminate the Suppler A Original MOU and the Supplier A Further MOU unless with the written consent of the other party. On 15 January 2024, we further extended the Supplier A Further MOU to 25 January 2025. We purchased approximately 86,000 tonnes of KCL with origin from Russia from Supplier A in 2022 and up to 30 November 2023. We only utilised a minority of the amount of KCL stipulated in the Supplier A Original MOU and the Supplier A Further MOU as at 30 November 2023 because we were able to purchase sufficient amount of KCL from our other suppliers.

- In March 2022, we have signed a memorandum of understanding (as further extended by a further memorandum of understanding) with CNCCC, a large Chinese SOE principally engaged in the sales of chemical products and one of our top five suppliers for FY2023, for the supply of 500,000 tonnes of potash from March 2022 to 31 December 2023. Upon the expiry of the memorandum of understanding, we signed a new memorandum of understanding ("**2024 CNCCC MOU**") with CNCCC whereby CNCCC intends to import 500,000 tonnes of potash originated from Russia for us from 1 January 2024 to 31 December 2024. The price will be determined by reference to the annual Sea Import Master Contract Price then in force. Both parties will stipulate the delivery quantity, product types, delivery time in separate purchase and sale contract for the relevant purchase. As stated in the 2024 CNCCC MOU, the parties, by agreement, may further renew the 2024 CNCCC MOU until the full utilisation of the 500,000 tonnes of potash in the 2024 CNCCC MOU. Neither party may terminate the 2024 CNCCC MOU without written consent of the other party. We purchased approximately 58,000 tonnes of KCL with origin from Russia from CNCCC from 1 January 2024 and up to the Latest Practicable Date.

Alternative Sourcing from New Potash Suppliers or New Places of Origin

In addition to strengthening our business relationship with existing potash suppliers, we also proactively develop alternative sourcing from new potash suppliers, in particular new or existing suppliers with places of origin other than Russia. While it is unequivocally confirmed by the U.S. and EU that Russia's potash sector is not a target of their sanctions measures targeting Russia, out of abundance of caution, we decided to explore alternative sources of KCL purchases, with origin from places other than Russia and Belarus, for example, KCL originated from China and Germany.

We signed a memorandum of understanding with Southwest Salt Lake, an associate company of the largest domestic potash producer group in the PRC. Under the memorandum of understanding, Southwest Salt Lake intends to supply us with 300,000 tonnes of premium grade potash from September 2022 to August 2023. In spite of the express term of the memorandum of understanding which was only for one year from September 2022 to August 2023, our PRC Legal Advisers have confirmed that pursuant to the Southwest Salt Lake's subsequent confirmation the memorandum of understanding shall remain effective until the 300,000 tonnes of potash under the memorandum of understanding have been purchased. Both parties will stipulate the delivery quantity, product type, price and delivery time in separate purchase and sale contract for the relevant purchase. The terms of our purchases of KCL with Southwest Salt Lake are similar to the terms of our purchases of KCL with other domestic suppliers of KCL. As stipulated in the memorandum of understanding, the memorandum of understanding is legally binding on the parties. We purchased a total of approximately 2,000 tonnes of KCL from Southwest Salt Lake under the memorandum of understanding as of 30 November 2023. We only utilised a minority of the amount of KCL stipulated in the memorandum of understanding up to 30 November 2023 because we were able to purchase sufficient amount of KCL from our other suppliers.

We have also started to discuss with Supplier A to engage in price inquiry with it on the supply of KCL with origins from non-CIS countries as part of the memorandum of understanding we signed with it in January 2022 as described above. In October 2022, we entered into purchase contract for the purchase of approximately 3,000 tonnes of KCL with origin from a non-CIS country, Germany, from Supplier A.

We plan to continue to develop other alternative sources of KCL. For example, we purchased 6,000 tonnes of KCL from our domestic supplier which originated from Jordan during 8MFY2024. Also, we have historically purchased KCL from a Canadian supplier and we believe we have the capability to continue to purchase from them in the future should the need arises.

Our Directors believe that these alternative sourcing and new business relationships with domestic producer and other overseas suppliers will diversify our source of supplies, and reduce the risk of concentration on a number of existing suppliers.

Assessment on Cost of Purchase

Although we intend to expand our sourcing of potash to include new overseas suppliers, our Directors do not anticipate the purchase price of KCL with origin from Russia from these new overseas suppliers will have significant variance from sourcing from Supplier D (from Belarus) or Supplier A (whose potash is originated from Russia). This is due to the fact that the import of KCL in China is determined with reference to, among others, the Sea Import Master Contract Price (on CFR basis) and the Land Import Price. Please refer to the section headed "Business – Raw Materials Procurement – KCL" in this document for further information on the pricing of our major raw material, KCL.

With respect to additional costs which we may incur for overseas purchases of KCL with origin from Russia due to the different collaboration arrangements with new suppliers, such cost is not expected to be significant to our overall potash purchase price. Although from FY2021 to FY2023 our average purchase price of KCL from domestic purchase was generally higher than our average purchase price of KCL from overseas suppliers save for FY2022, our gross profit margin for FY2023 remained relatively stable where we purchased approximately 93.2% of KCL by volume from domestic suppliers. We have recorded a similar gross profit margin for FY2022 and FY2023. For 8MFY2024, our average purchase price of KCL from domestic purchase was slightly lower than our average purchase price of KCL from overseas suppliers and we purchased approximately 64.5% of KCL by volume from domestic suppliers. Our gross profit margin for 8MFY2024 remained at a relatively similar level at 14.4% compared to FY2022 and FY2023. Our gross profit margin was approximately 12.0%, 16.5%, 16.3% and 14.4% for FY2021, FY2022, FY2023 and 8MFY2024, respectively.

From FY2021 to FY2023, we were generally able to pass on most of the impact from the change in our purchase price of KCL to our customers. Our average purchase price per tonne of KCL increased by approximately RMB756.7 from FY2021 to FY2022 and increased by approximately RMB547.6 from FY2022 to FY2023; while our average selling price per tonne of KCL increased by approximately RMB1,143.9 from FY2021 to FY2022 and increased by approximately RMB903.9 from FY2022 to FY2023. We, therefore, witnessed a greater increase in our average selling price per tonne of KCL than our average purchase price per tonne of KCL from FY2021 to FY2023.

As such, we have been generally able to pass on the increase in the cost of KCL to our customers from FY2021 to FY2023 when our purchase price experienced the most significant increase. From FY2023 to 8MFY2024, our average purchase price and average selling price per tonne of KCL also decreased. Our average purchase price per tonne of KCL decreased by approximately 28.2% or RMB845.6 from FY2023 to 8MFY2024, while our average selling price per tonne of KCL decreased by approximately 31.1% or RMB1,173.4 from FY2023 to 8MFY2024. As such, we witnessed a relatively similar percentage decrease in our average purchase price and selling price per tonne of KCL from FY2023 to 8MFY2024.

Analysis on the Cost of KCL Sourced from Different Countries

According to the data from the General Administration of Customs of the PRC, the average import price per tonne of KCL (CIF) from Canada was approximately 13.3% higher than that of Russia for FY2023. In the hypothetical scenario that if we had purchased all our KCL in FY2023 from Canada, it is estimated that our cost of raw materials would have increased by approximately 12.4% and our gross profit margin would have decreased from 16.3% to 5.9%, assuming no corresponding changes in our average selling price. However, we believe if the market supply of KCL originated from Russia is interrupted, the domestic market price of imported KCL in the PRC would likely be impacted as well given Russia is the third largest exporter of KCL to China in 2022 and the impact on our gross profit margin may, therefore, not be as significant as stated above.

Below table sets out (i) the recent average import price per tonne of KCL (CIF) from Russia, Belarus, Canada, Israel, Jordan and Laos according to the data from the General Administration of Customs of the PRC for the eleven months ended 30 November 2023 ("**11M2023**") and (ii) the deviation, as a percentage, of average import price per tonne of KCL (CIF) from other countries compared to Russia for 11M2023:

Country	**Average import price per tonne of KCL for 11M2023** *RMB*	**Deviation from average import price per tonne of KCL from Russia for 11M2023** *%*
Russia	2,652.9	N/A
Belarus	3,079.9	16.1
Canada	2,985.6	12.5
Israel	3,016.4	13.7
Jordan	3,681.7	19.9
Laos	2,668.9	0.6

Operational Impact

As mentioned above, the global supply of potash fertilisers and raw materials of potash fertilisers have been disturbed by a number of factors recently. To ensure our operation would not be materially impacted by the supply chain interruption, it is our strategy to attempt to, if necessary, stock up inventory of KCL to support the uninterrupted production at our factories. During FY2023, we purchased less than 7% of KCL by volume from overseas suppliers. Instead, we relied on third parties, domestic suppliers, to procure supply of KCL with origin from overseas. As such, there is minimal impact on our business operation in view of the temporary change of our procurement channel from a mix of overseas and domestic purchase of KCL to primarily domestic purchase of KCL during FY2023. For 8MFY2024, we purchased approximately 35.5% of KCL by volume from overseas suppliers.

As such, we believe that our business and operations will not be materially and adversely impacted by the uncertainty of global supply of KCL and the associated increase in import price of KCL caused by COVID-19 outbreaks, international sanctions, supply chain interruptions, global inflation and other factors.

EXPECTED DEMAND FOR FY2024

Although we expect our revenue and gross profit for FY2024 will decrease compared to FY2023 given the expected lower average selling prices attributable to lower domestic market prices of potash fertilisers in FY2024, we expect the demand for our products for FY2024 will nonetheless increase primarily for the following reasons. Firstly, the sales volume of potash fertilisers in China is expected to increase by 1.4 million tonnes from 19.9 million tonnes in 2022 to 21.3 million tonnes in 2023, representing an increase of approximately 7.2%. The market drivers for the expected increase include sustained food demand stimulated by population growth, improvement in dietary structure brought by consumption upgrades, current

low potash application rate which provides room for growth, supporting government policies, and advanced production technology. For further details of these market drivers, please refer to the section headed "Industry Overview – Global and China Potash Fertiliser Industry Overview – Market Drivers and Trends" in this document for further information.

Secondly, market size by sales volume of KCL in China grew from approximately 15.2 million tonnes in 2020 to approximately 15.4 million tonnes in 2022, representing a CAGR of approximately 0.8%. The domestic potash fertiliser market has continuously contributed to the growth of our Group's business as evidenced by our sales volume of KCL grew from approximately 725,000 tonnes for FY2021 to 1,067,000 tonnes for FY2023, representing a CAGR of approximately 21.3%. Our Directors consider that our long-term and stable relationship with our large-scale enterprise customers as discussed in the section headed "Business – Competitive Strength" in this document have enabled our Group to outpace the growth in market demand.

Thirdly, in view of the magnitude of the decrease in domestic market price of imported KCL during the first half of 2023 and the market's expectation that a lower Sea Import Master Contract Price would be announced, a considerable number of customers in China took a more conservative approach in their purchases of KCL in the first half of 2023 until the announcement of the Sea Import Master Contract Price in June 2023. During the first half of 2023, many customers in China only purchased less than 40% of their total planned purchases of KCL for the year. As the Sea Import Master Contract Price has been determined in June 2023 and the further decrease in domestic market price of imported KCL has eased and the domestic market price of imported KCL has been recovering in the second half of 2023, it was expected that customers would purchase their remaining planned purchase volume in the second half of 2023 and there would be an increase in purchase of KCL domestically in the second half of 2023. As such, we believe our sales volume of potash fertilisers will increase in the second half of FY2024.

Fourthly, based on our sales volume for the ten months ended 31 January 2024, we sold approximately 1,007,000 tonnes of KCL and 120,000 tonnes of SOP, which already accounted for approximately 94.3% and 97.0% of our total sales volume of KCL and SOP for FY2023, respectively.

Lastly, SOP is a chlorine-free, high-quality and high-efficiency potassium fertiliser, which is especially suitable in the cultivation of chlorine-sensitive but sulfur-loving crops such as fruits and vegetables. With the improvement in dietary structure, there is a steady increase in fruits and vegetables production in China at a CAGR of 5.1% and 3.3% from 2018 to 2022. As such, the sales volume for SOP in China is expected to continue to increase from 2023 to 2027 with a CAGR of 3.0%. Further, with the decrease in the domestic market price of SOP, we expect a recovery in market demand for SOP. Our forecasted sales volume of SOP for FY2024 is expected to recover to within the range of our historical sales volume during FY2021 and FY2022. In view of the above, we believe our sales volume of KCL and SOP will increase for FY2024 compared to FY2023.

STORAGE AND WAREHOUSE

As at the Latest Practicable Date, we held interest in 26 storage warehouses and rented four storage warehouses for the storage of raw material, finished products, production equipment, spare parts, hardware and fuel. We leased out six warehouses to an Independent Third Party.

We have an efficient delivery system of our products to our customers. Once our customer services team receives a customer's request for delivery, our customer services team would contact the relevant production facilities who would then make appropriate delivery arrangements (including engaging third party transport companies) based on the nature of the products required, delivery distance and the requested delivery time by our customers. The close proximity with the majority of our customers and our efficient delivery system enable us to deliver our products to our customers in a timely and cost-efficient manner. Our customers may also elect to pick up the products from us and arrange their own delivery.

SEASONALITY

As our major products are fertilisers for agricultural use, our business is generally exposed to seasonal fluctuations in demand for potash fertiliser products, which varies depending on soil conditions, weather patterns and the types of crops planted. Farmers in China typically apply crop nutrients during two short application periods. The main application period is the spring planting season, and the other application period is the post harvest fertilising season. As a result, the strongest demand for our products typically occurs during the spring planting season (January to March), with a second period of demand in the post harvest fertilising season (October to December). These two demand season falls into the second half of our financial year, with the non-peak season (April to September) falls into the first half of our financial year. Please refer to the sections headed "Risk Factors – Risks Relating to Our Business – Our business is subject to seasonality impact", "Business – Production Facilities and Capacities – Our Group's Production Facilities – Utilisation Rates – Utilisation Rate for Production Facilities Including Baoqing Production Facility and Anda Production Facility" and "Financial Information – Key Factors Affecting Our Results of Operations – Seasonality" in this document for details.

INVENTORY CONTROL

Our inventory comprised primarily of raw materials, finished goods and others. Our average inventory turnover days was approximately 24.5 days, 51.5 days, 41.2 days and 37.1 days for FY2021, FY2022, FY2023 and 8MFY2024, respectively. Please refer to the section headed "Financial Information – Selected Balance Sheet Items – Inventories" in this document. 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.

With the construction of the Heilongjiang Warehousing and Production Centre, we can centrally process, granulate, store and manage our KCL inventory which we believe will improve our supply efficiency. Further, with the increased storage capacity, it will give us greater flexibility to manage our inventory as we can purchase more KCL when its import price is low for use in our production and operation when needed. For further information of the Heilongjiang Warehousing and Production Centre, please refer to the section headed "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**] – Heilongjiang Warehousing and Production Centre" in this document.

We did not experience any material impairment to our inventory, such as slow moving or otherwise obsolete inventory, during the Track Record Period.

INSURANCE AND PRODUCT LIABILITY

We have procured insurance policies that cover our production facilities, machinery and equipment. We also provide social welfare insurance and occupational accident damages insurance for our employees in accordance with the relevant PRC laws and regulations.

We have not maintained any product liability insurance for our products, as we are not legally required to have such insurance under the PRC laws. Our Directors believe that it is not a common practice to procure the product liability insurance in our industry in the PRC. During the Track Record Period, we did not experience any material claim relating to our product liability. After taking into consideration the costs and benefits of purchasing such insurance, our Directors are of the view that such product liability insurance is not necessary. We would consider procuring product liability insurance in the event that events or market practise are to deem such procurement appropriate. For risks relating to our insurance, please refer to the section headed "Risk Factors – Risks Relating to Our Business – We may have insufficient insurance coverage in certain situations" in this document.

IMPACT OF THE COVID-19 OUTBREAK ON OUR BUSINESS

An outbreak of a public health emergency of an infectious disease caused by a strain of coronavirus started in December 2019 and declared a pandemic by the World Health Organization in March 2020. The COVID-19 pandemic spread globally and caused severe disease and death, and therefore has significant impact on economy across the globe. Government authorities in the PRC imposed a series of restrictions and controls to better detect the COVID-19 infections and manage the COVID-19, including restricting mobility, mandatory quarantine of travelers from affected regions, compulsory face mask orders, social gathering restrictions and lock down measure such as temporary shutdown of public transportation and certain business. As a result, the economic activities in the PRC have been slowed down effectively. Other governments have also implemented strict policies around the border crossing movement of people, goods, and services.

We primarily operate in China, and we market and sell our products mainly to customers in China. Our production facilities, research and development centers, and offices are mostly located in China. We are subject to PRC regulations and laws in light of the COVID-19 pandemic.

Our Changchun Production Facility was temporarily suspended from mid-March 2022 to end of April 2022 following the guidance from the local government on COVID-19 protection measures. In view of the suspension, our Changchun Production Facility allocated 5,000 tonnes of SOP and 5,000 tonnes of KCL for production at the Baoqing Production Facility and the Anda Production Facility. The aggregate estimated SOP production capacity and KCL production capacity of the Baoqing Production Facility and the Anda Production Facility was 15,000 tonnes of SOP and 16,667 tonnes of KCL for the two months ended 30 April 2022, while the aggregate actual production volume of SOP and KCL at the Baoqing Production Facility and the Anda Production Facility was 10,956 tonnes and 30,783 tonnes, respectively, for the same period. The aggregate actual production volume of KCL at the Baoqing Production Facility and the Anda Production Facility for the period was higher than the aggregate estimated production capacity of KCL at the Baoqing Production Facility and the Anda Production Facility as we used the equipment of the idle SOP production lines at the two facilities to assist in the granulation of KCL allocated to them by our Changchun Production Facility. Given that we had the Baoqing Production Facility and the Anda Production Facility to take over the manufacturing of SOP and the granulation of KCL, the temporary suspension of operation of our Changchun Production Facility did not have a material impact on our business operation as a whole.

However, the COVID-19 outbreak did lead to some disruption in logistics services leading to prolonged and delayed delivery in the supply of raw materials by our suppliers and sales of our products to our customers. There were delays in billing arrangements and delay in settlement of our trade receivables by our customers due to the impact of COVID-19. Please refer to the section headed "Financial Information" on the impact of COVID-19 to our financial performance.

Another round of COVID-19 outbreaks throughout October and November 2022 resulted in multiple cities across China under lock-down. Since late 2022 and early 2023, China has experienced a surge in COVID-19 confirmed cases. Some of our operations was temporarily affected. For example, due to the temporary travel restrictions and stay-at-home orders during the regional COVID-19 resurgence in Anda City, Heilongjiang Province in the second half of 2022, we experienced a temporary shortage of employees at our Anda Production Facility and there were also disruptions in the transport of raw materials and products to and from our Anda Production Facility during such period. However, as June to September was our non-peak season, we did not experience a material disruption to the operation of our Anda Production Facility as a result of the above. To maintain normal operation, some of our employees stayed in our Anda Production Facility to work on-site starting in October 2022 and vehicle drivers declared their health status in advance to government authorities so they can access our Anda Production Facility to transport raw materials and products.

In addition, due to the resurgence of COVID-19 in the PRC, we delayed our construction plan of our New Sichuan Production Facility and the Heilongjiang Warehousing and Production Centre and the completion of the construction of phase II of our Baoqing Production Facility and phase II of our Anda Production Facility. We initially intended to commence construction of our New Sichuan Production Facility and the Heilongjiang Warehousing and Production Centre in the second half of 2022. Given the various COVID-19 restrictions, we applied to the local authorities to delay construction of the Heilongjiang Warehousing and Production Centre and they agreed to postpone the commencement of construction. We postponed the commencement of construction of the Heilongjiang Warehousing and Production Centre to the second half of 2023 and intend to postpone the commencement of construction of our New Sichuan Production Facility to the second half of 2024. As at the Latest Practicable Date, site formation and infrastructure works of the Heilongjiang Warehousing and Production Centre have been commenced.

As we did not commence construction of our New Sichuan Production Facility and the Heilongjiang Warehousing and Production Centre during the period of resurgence of COVID-19 in the PRC, we did not experience any material adverse impact to our operation due to the delay in construction of our New Sichuan Production Facility and the Heilongjiang Warehousing and Production Centre. Also, we initially intended to complete construction and obtain the construction completion approval for phase II of our Baoqing Production Facility and phase II of our Anda Production Facility in the second half of 2022. Due to the restriction measures on COVID-19, we had not received the construction completion approval of phase II of our two production facilities as anticipated. We received the construction completion approval for phase II of our Baoqing Production Facility in March 2023 and received the construction completion approval for phase II of our Anda Production Facility in December 2023. As we were allowed to continue to operate phase II of our two production facilities prior to obtaining the relevant construction completion approval, we did not experience any material adverse impact to our operation due to the delay in receiving construction completion approval of the phase II construction of our Baoqing Production Facility and Anda Production Facility.

Given that the PRC government has substantially lifted its COVID-19 prevention and control policies at the Latest Practicable Date, our Directors are of the view that the COVID-19 pandemic is not expected to have a material adverse impact on our business in the long run. Nevertheless, if there are further waves of large-scale outbreaks of the pandemic in the PRC, the operations of our production facilities or the services provided by our logistics service providers may be adversely affected. The pandemic may also continue to affect the overall economy and demand for our products. In such circumstances, our operations and financial performance may be adversely affected. Please also refer to the section headed "Risk factors – We face risks related to force majeur events such as health epidemics, infectious diseases and other outbreak, including the COVID-19 outbreak" in this document.

ENVIRONMENT, CORPORATE SOCIAL RESPONSIBILITY AND SAFETY

ESG Policy

We take initiative on actions to protect the environment and are aware of our social responsibilities regarding climate-related issues for the benefit of our society and environment. We are determined to minimise the impact of our operations on the environment and promote social responsibility and environmental awareness across all levels of organisation. We are committed to comply with environmental, social, and governance ("**ESG**") reporting requirements upon [**REDACTED**]. Our ESG policy sets out our responsibility and authority in the process of meeting the standards of Appendix C2 to the Listing Rules.

Under our ESG Policy, we aim to build a sustainable communities with employees, customers and business partners. Through various activities (which may include corporate philanthropy activities, building community partnerships and mobilizing employees to participate in volunteer work), we aim to achieve practical and long-term benefits to the local area. Local activities in the community are supported. In addition, we are committed to energy conservation and sustainable development, and strive to reduce any negative impact on the environment. We also focus on inclusive diversity within the organisation, so that all employees enjoy equal treatment and respect in hiring, training, benefits, and career and personal development.

Our Board has the collective and overall responsibility for formulating our ESG strategies and reporting, assessing and determining our ESG-related risks and ensuring we have effective ESG risk management and internal control systems. Our Board is required to oversee the management in the design, implementation and monitoring of these systems. Upon [**REDACTED**], we will engage independent ESG consultant to evaluate our ESG risks, review our existing strategy, target and ESG corporate governance, provide advice to us in relation to ESG matters and assist us in preparing ESG report. We have established mitigation plans for all the key risks identified and the relevant risk owners are required to report the implementation status of the risk mitigation plans to the management and our Board. Please refer to the section headed "Business – Environmental, Corporate Social Responsibility and Safety – Identification, Assessment and Management of Environmental, Social and Climate related Risks and Opportunities" in this document for further details. We will also periodically review the key risks and mitigation plans to ensure necessary improvement will be implemented to mitigate the risks.

We have established an ESG committee to assist our Board to oversee ESG governance, ensure implementation of ESG policies, monitor ESG-related performance and targets, adjust ESG strategies as appropriate and oversee the preparation of the ESG report. Our ESG committee consists of two executive Directors, Mr. Liu Guo Cai and Mr. Sun Pingfu, and a senior management, Mr. Liu Xuebin. All three of our ESG committee members have extensive experience in the fertiliser industry and Mr. Sun Pingfu also heads our professional research and development team. Under his leadership, our research and development department has developed various production methods to reduce pollution to the environment. For further information on the background of the three ESG committee members, please refer to the section headed "Directors and Senior Management" in this document.

Our management is in charge of implementing our environmental protection and management policies in our daily operations, including production safety, prevention of pollution, training and protection of employees' health. It is also assigned with monitoring materiality assessments conducted to identify material ESG issues and associated risks, such as climate-related issues and associated risks. Our Board then reviews the results from the materiality assessment and concludes on the issues that we shall focus on. Our ESG committee and management would report to our Board on a semi-annual basis via board meetings on the ESG performance of our Group, the effectiveness of these ESG risk management and internal control systems and any applicable recommendations and our management shall provide confirmation to our Board regarding the effectiveness of the ESG risk management and internal control systems. Our internal audit function will also assist in reviewing the adequacy and effectiveness of these ESG systems.

Furthermore, our Board will closely follow and monitor the latest requirements regarding ESG disclosure and regulatory compliance. For instance, we are highly aware of the Hong Kong Stock Exchange's ESG requirements, and in order to ensure compliance with said requirements, our Board shall review the content and quality of the ESG report after [**REDACTED**].

Environment

During our production, waste water, waste gas and solid waste are regularly discharged. Our operations are therefore subject to numerous national and provincial environmental laws and regulations governing the discharge of waste water, gas emission, hazardous chemicals and waste management. For example, we are subject to, among others, the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》). Please refer to the section headed "Regulatory Overview – Law Supervision Over Environmental Protection" in this document for details of the applicable PRC laws and regulations.

During the Track Record Period, some of our Group companies were listed as key pollutant discharge units on the relevant local List of Key Pollutant Discharge Units (《重點排污單位名錄》) pursuant to the Measures for the Administration of the Directory of Key Environmental Supervision Units (《環境監管重點單位名錄管理辦法》) issued by the Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部) on 28 November 2022 and effective on 1 January 2023, which replaced the Administrative Provisions on the Catalogues of Major Pollutant Discharge Entities (for Trial Implementation) (《重點排污單位名錄管理規定(試行)》) that was abolished on 1 January 2023. Due to such listing, the relevant governmental authorities may come to our production facilities periodically to conduct an inspection to ensure our discharge of pollutants comply with the relevant pollutant discharge permits that we have obtained. We may also be required to periodically conduct self-inspection and report to them our amount of pollutants discharged.

As advised by our PRC Legal Advisers, we had obtained all relevant pollutant discharged permits during the Track Record Period. Please refer to the section headed "Business – Licences and Approvals" in this document for details. As advised by our PRC Legal Advisers, based on the confirmations by the local authorities, we had not been found to be in breach of relevant environmental laws and regulations during the Track Record Period. If our Group fails to comply with the relevant laws and regulations, we would be subject to fines, suspension of business or cessation of operations. Please refer to the section headed "Risk Factors – Risks Relating to Our Business – Our business is required to comply with environmental protection laws and regulations and changes in social trend and political policies relating to ESG may have a material adverse impact on us" in this document for further information on our risks.

Our management focuses on ensuring that our production emissions, treatment of waste water, waste gas and solid waste are in compliance with the relevant regulations and policies of national and local governments.

We have a management system to reduce, treat and recycle waste water, waste gas and solid waste generated during our production. For example, to ensure that we meet the national exhaust emission standards, we have added and upgraded our production method and equipment to reduce the emission of HCL gas. Also, for the production of our by-product liquid HCL, we have added environmental protection absorption devices to achieve high recycling and reuse rate of liquid HCL.

We also perform regular maintenance on our production facilities to ensure the equipment and systems are in good working condition. Further, we have developed a manual of safety code which specified operational procedures during production. As to our future environmental protection plan, we will continue to adopt advanced technology to upgrade our environmental protection standard.

As advised by our PRC Legal Advisers, we were in compliance in all material respects with the relevant PRC environmental laws or regulations during the Track Record Period and up to the Latest Practicable date. For risks relating to environmental protection, please refer to the section headed "Risk Factors – Risks Relating to Our Business – Our business is required to comply with environmental protection laws and regulations and changes in social trend and political policies relating to ESG may have a material adverse impact on us" in this document.

During the Track Record Period and up to the Latest Practicable Date, we had produced the following waste materials:

Waste Water

Waste water is generated during production in our production facilities. We have installed water treatment facilities to treat the waste water generated in our production facilities. Such treated waste water is discharged according to relevant regulatory standards. Further, we have also established waste water recycling systems at our factories. The treated and recycled waste water is used for road cleaning and other purposes, within the factory areas. This helps us to significantly reduce the consumption of tap water by over 20,000 m^3 in FY2023.

Waste Gas

Waste gas is generated at our production facilities. Our waste gas can primarily be categorized as waste gas from combustion processes (i.e. waste gas generated from combustion of resources such as natural gas and heavy oil) and waste gas from production (i.e. waste gas generated from our other production methods such as the Mannheim Method). The waste gas generated includes, among others, sulphur dioxide, nitrogen oxide, ammonia, HCL and smoke plumes.

To reduce the impact of our waste gas on the environment and the climate, we have adopted various measures to reduce and monitor our waste gas (including greenhouse gas) emission such as the following measures:

- The waste gas generated from our production is purified by our desulphurisation or alkaline washing system before emission and we added two sets of comprehensive environmental protection absorption devices to our alkaline washing system at our Guangdong Production Facility in 2020 and 2021.

- We upgraded our natural gas system in 2019 at our Guangdong Production Facility which reduced our emission of sulphur dioxide.

- We also added eight sets of alkaline washing towers to our machinery at our Changchun Production Facility in 2019 to reduce emission of HCL gas.

- Dusts produced during NOP production are filtered out by our dust removal equipment.

- We are equipped with monitoring facilities to control gas emission to ensure compliance with the relevant discharge standards.

- During our production, we would engage third party companies to conduct onsite inspection and prepare relevant reports for submission to local authorities.

Solid Waste

We generate solid waste in our production. The solid waste we generated can be further categorized as hazardous waste and non-hazardous waste. The primary hazardous waste we generated includes, among others, laboratory testing waste liquid, activated carbon and oil sludge and the primary non-hazardous waste we generated includes, among others, solid dust. We dispose our solid waste at waste disposal sites designated by the municipal government department. We also recycle certain of our solid waste. For example, the woven bags are recycled by its manufacturer and certain waste is recycled by the municipal government department. Further, with the use of fully automated packaging technology at our production facilities, it can effectively reduce consumption of packaging materials and reduce generation of solid waste during the packaging process. For hazardous waste, we engage qualified third party waste disposal service provider to handle such solid waste.

Physical and Transitional Risks

In addition, we acknowledge that climate-related matters pose a certain level of threat to us. Climate-related risks identified by us can be classified into two major categories: physical risk and transitional risk.

We define physical risks as risks that potentially cause physical impact to us. We believe that climate-related issues may bring about the risk of increasingly severe extreme weather events, such as more frequent storms, extreme cold weather, typhoons and flooding. Our business operations could be susceptible to the physical damages resulting from intense precipitation and floods and extreme cold weather. For instance, in January 2020, due to extreme weather at our Daxing Production Facility, some of our employees were unable to attend to work. Further, in August 2020, there was heavy rainstorm in the local area where our Guangdong Production Facility was situated. Due to the heavy rainstorm, the sewage system was not able to drain the water properly and a number of our properties were flooded including a production room, a power room, a maintenance room and a warehouse. We had to suspend production at the relevant production room to inspect and repair the relevant equipment and machinery.

Our Directors consider that physical damages resulting from extreme weather events could result in material adverse effect on our business operations, financial conditions and prospects. Our Group offers various potash fertiliser products and our potash fertiliser products are highly susceptible to water damage. Further, extreme weather conditions could result in damages to our production facility and machinery, resulting in increased maintenance and replacement cost and temporary suspension of production. In addition, the health and safety of employees may also be endangered.

Transitional risks represent risks arising from climate change and climate-related issues resulting in potential changes to our operational practices. Owing to the increasing public awareness on eco-friendliness, customers may shift their preferences for products that are more environmentally friendly, while regulators may require increasing disclosure on emission. Our

research and development capability is crucial to the development of potash fertiliser products which utilise environmentally friendly production methods to meet the evolving requirements of our customers. For example, we have been developing a new SOP production method for our SOP manufacturing to eliminate the production of HCL, a toxic substance, as a by-product in the production. However, we cannot guarantee we can successfully commercialise the new SOP production method at our production facilities. Failing to enhance our research and development capabilities to meet the evolving demand of customers may result in a loss of sales and materially and adversely affect our business, results of operations and financial conditions.

Further, if we fail to comply with the relevant applicable environmental policies and laws and regulations, we may be involved in costly litigation or subject to penalties or other sanctions imposed by the relevant PRC judicial or governmental authorities. Our reputation may also be adversely affected, resulting in a loss of business as our customers may be less inclined to purchase from potash fertiliser company with environmental non-compliance. Regulatory development and changes in social trend in relation to ESG may potentially have significant impacts on our business operations and present transitional risks to us.

In view of the climate related risks, our management has taken and will continue to take adequate steps to build resilience to climate change by identifying and managing climate related risks and opportunities and by development strategies which are in line with global best practices to adapt to and mitigate the impact of climate change on our operations. For example, for extreme weather conditions, we have in place work arrangements for bad weather and/or extreme conditions to mitigate potential injuries to employees thereby reducing the impact of such risk on us. For further details of our other ESG associated risks and our mitigation measures, please refer to the section headed "Business – Environmental, Corporate Social Responsibility and Safety – Identification, Assessment and Management of Environmental, Social and Climate related Risks and Opportunities" in this document.

In order to mitigate the impact of climate change, we intend to reduce our carbon footprint through the establishment and implementation of long-term carbon emissions reduction targets. We encourage our employees, suppliers and customers to reduce carbon emissions in their daily operations wherever practicable. We will adopt industry best practices to improve energy efficiency in our operations.

Corporate Social Responsibility

Caring for the Community

We are committed to the fulfillment of our corporate responsibility. For instance, we donated RMB400,000 to Red Cross in PRC in 2021 to support our communities. We also made donation to the local education association in the amount of RMB20,000 in 2023.

Going forward, our Directors will commission our management to:

- come up with a reasonable budget and action plan to further solidate our action to the focus area of contribution;
- promote the "caring for the community" spirit among our workforce; and
- incorporate the "caring for the community" spirit as a KPI in our corporate culture.

Anti-corruption

We strictly abide by the laws and regulations related to anti-corruption, including but not limited to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and the Criminal Law of the PRC (《中華人民共和國刑法》). We uphold a high standard of integrity and have zero tolerance for corruption. We promote clear work ethics to employees, and strictly prohibit bribery, extortion, fraud, money laundering and other unethical behaviours, such as gambling, misappropriation of our Group's assets, provision or acceptance of gifts or other improper benefits. We distribute our code of conduct, which includes anti-corruption provisions, to all employees on the initial orientation and require them to comply with our code of conduct. We have established various working committees with members from different departments responsible for receiving reports and complaints on unethical work behaviours and to prepare written records accordingly to report to the management or the Board in a timely manner. Any illegal discrimination or retaliation against whistleblowers or hostile measures against employees assisting in investigations are prohibited.

Safety

We consider occupational health and safety as one of our important responsibilities. We have implemented a system of occupational health and safety measures, details of which are set forth as follows.

We have implemented various measures relating to occupational health and safety. Specifically, we have designated safety personnel at each production facility to oversee our production safety.

We have established our occupational health and safety management system with regular review. We have safety policies to record and handle accidents. We strengthen our employees' safety awareness by providing training programmes on occupational health and safety to our employees. We also regularly provide external professional trainings tailored to each job function to our employees. In addition, we provide our employees with regular body check in order to ensure their occupational health. We have implemented emergency measures to manage, report and investigate any potential incident and organise safety drills regularly.

We also review our production activities in weekly production report meetings. We have arranged personnel with professional qualifications such as registered safety engineers to continue to monitor the safety measures adopted by our production facilities. We have full-time safety management personnel at each production facility, and each production factory has a safety production management department.

In addition, we have arranged special personnel to keep abreast of the changes and updates in laws and regulations in relation to environmental protection, health and safety laws and regulations, and organise internal learning and trainings. In respect of our environmental and occupational safety matters, our expenses incurred for FY2021, FY2022, FY2023 and 8MFY2024 were approximately RMB8.6 million, RMB11.1 million, RMB25.9 million and RMB15.6 million, respectively, which accounted for approximately 0.5%, 0.3%, 0.7% and 0.8% of our total cost of goods sold for the same years/periods, respectively. We expect our annual cost of compliance with applicable environmental and occupational safety matters in the near future will not experience significant changes from that of the Track Record Period, subject to any future changes in applicable laws and regulations on environmental and occupational health and safety matters which may arise.

Other than (i) the fine of RMB10,000 for failing to ensure special safety operation training provided to one of our employees and to ensure such employee has obtained the relevant qualifications; and (ii) the fine of RMB5,000 for failing to coordinate and manage the work safety of our contractor as disclosed in the section headed "Risk Factors – Risk Relating to Our Business – Our production and operation are subject to various safety laws and personal injury may result in personal injury claims which may have a negative impact to our business reputation or result in civil and criminal penalties" in this document, we did not receive any other fines or penalty in relation to breach of safety related laws and regulations nor have any major accidents, claims or complaints relating to work safety which had materially and adversely affected our operation during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that we are in material compliance with the current applicable national and local health and safety laws and regulations of the PRC during the Track Record Period and up to the Latest Practicable Date. For risks relating to work accidents, please refer to the section headed "Risk Factors – Risks Relating to Our Business – Our production and operation are subject to various safety laws and personal injury may result in personal injury claims which may have a negative impact to our business reputation or result in civil and criminal penalties" in this document.

Identification, Assessment and Management of Environmental, Social and Climate related Risks and Opportunities

We identify the material ESG issues and associated risks by means of materiality assessment which is performed with reference to the recommendations of Appendix C2 to the Listing Rules. The material assessment includes the consideration of business locations and operations and the following procedures:

i. stakeholder engagement – the engagement of internal (such as department heads and key staff) and external stakeholders (such as customers and suppliers) through interviews and periodic communications to identify any potential ESG issues and associated risks that are relevant to our Group;

ii. ESG issues and associated risks assessment – regarding the potential ESG issues and associated risks from stakeholders, our management would discuss and assess the relevance and impact of these issues; and

iii. prioritisation of material ESG issues and associated risks – the process where the results of identification and assessment are combined to generate the ESG materiality ranking. Then, our management would present the material ESG issues and associated risks to our Board for further discussion, review and monitoring.

Based on our management's judgement, we have identified the following ESG associated risks, their potential impacts and our mitigation measures.

ESG Associated Risks	Potential Level of Impact	Impact on our Group	Mitigation Measures
Extreme weather conditions	High	Climate change may lead to risks of more frequent extreme weather conditions. Such risks may lead to potential damage to our properties, disruption of our production facilities and our operations, injuries to employees and increase in insurance premiums.	We assess the energy consumption in our operation comprehensively and optimise production methods and operations to reduce energy consumption. We also provide work arrangements for bad weather and/or extreme conditions to mitigate potential injuries to employees.

ESG Associated Risks	Potential Level of Impact	Impact on our Group	Mitigation Measures
Insufficient human capital	High	Insufficient resources devoted towards the development of human capital, such as lack of training and promotion opportunities, may put our Group at risk of higher turnover rates and less competent workforce in medium and long term.	We provide employees with competitive remuneration packages and career development opportunities. Also, strong human capital development may lead to a stronger employee base and improve employee retention and dedication.
Instability of suppliers or substandard suppliers	High	The instability of suppliers or substandard suppliers will have a negative impact on our procurement channels, which will directly affect our operations and production, financial condition, customer satisfaction and our reputation. It may also lead to potential loss of market share.	We will continue to evaluate and communicate with upstream suppliers to ensure the stability of supply. At the same time, we will also continue to look to diversify our supplier base. We will continue to conduct internal training to ensure we can timely evaluate the performance of our suppliers.
Ineffective resources and energy management	Medium	Ineffective resources and energy management may potentially lead to excessive energy usage, which leads to increased operational cost.	We intend to continue to promote energy conservation and environmentally friendly practices and review and account for greenhouse gas emissions and resource consumptions.
Occupational health and safety risks	Medium	As we operate in a chemical manufacturing industry, our employees are exposed to occupational risks such as work-related injuries, which may result in penalties from relevant authorities or compensation costs to the injured employees.	We will continue to provide training for employees on occupational health and safety and other related topics. We have also purchased insurance for specific types of work. We will also conduct research and development on our production technologies to improve the safety of our production process such as development of automated production processes and recycling of dust emissions during the production process to protect the occupational health and safety of our employees.

ESG Associated Risks	Potential Level of Impact	Impact on our Group	Mitigation Measures
Leakage of data	Medium	The leakage of our internal and third party data may have an impact on our operations and may result in lawsuits and/or penalties from relevant regulatory authorities. It will also significantly affect our reputation.	We will continue to provide internal training on data privacy and protection to our employees. We plan to have independent and separate storage of certain of our data and to have real-time monitoring for greater data security and protection. We will appoint an independent third party from time to time to review, evaluate and enhance our IT security system.
Inefficient equipment and machineries	Low	Equipment and machineries at our production facilities may provide opportunities for us to enhance our environmental performance through selecting more energy efficient equipment and machineries. While this may potentially incur greater cost in the short term, it will have long term benefit to our operations and reputation.	We will continue to maintain, upgrade and replace old equipment and machineries at our production facilities to ensure we can continue to meet the relevant environmental laws and regulations and to reduce our emissions and resource consumption.
Substandard product quality and services	Low	We have always placed great emphasis on the quality of our products and our after-sales services. If we are unable to provide the quality and level of services our customers need, we may lose our customers or even market shares and our reputation may be damaged.	We will continue to conduct quality supervision of our products and actively engage customers to provide their feedbacks to us. If there are any product quality issues, our policy is to handle the relevant issues in a timely manner. We intend to continue to strengthen our trainings to our employees on after-sales service to enhance our customer satisfactions.

Furthermore, we are willing to consult professional entities to improve our compliance and quality on emission disclosures, and regularly communicate with different stakeholders on their views on climate-related issues.

Metrics and targets on environmental, social and climate-related risks

We have taken into account the quantitative information that reflect our management for environmental, social and climate-related risks, which includes greenhouse gas emissions and resource consumption. Greenhouse gas emissions consists of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the greenhouse gas emissions from our production facilities and vehicles. Scope 2 energy indirect emissions include the greenhouse gas emissions from usage of purchased electricity. The following table sets forth the information of our greenhouse gas emissions and resource consumption for the years/periods indicated:

Emissions	**FY2021**	**FY2022**	**FY2023**	**8MFY2024**
Greenhouse gas emissions (tonnes CO_2 equivalent)	115,775	56,138	85,749	65,727
• Scope 1 (direct emissions) (tonnes CO_2 equivalent)	106,688	48,091	73,270	58,694
• Scope 2 (indirect emissions) (tonnes CO_2 equivalent)	9,087	8,048	12,479	7,033

Resource consumption	**FY2021**	**FY2022**	**FY2023**	**8MFY2024**
Water consumption (m^3)	368,936	220,076	204,809	178,901
Electricity consumption (MWh)	14,895	13,190	20,454	11,528
Natural gas consumption (m^3)	6,194,197	7,558,297	7,769,164	7,987,383
Heavy oil (tonnes)	4,214	–	–	–
Coal (tonnes)	573	251	290	67
Liquefied petroleum gas (tonnes)	–	–	2,489	998
Biofuels (tonnes)	1,449	1,213	1,840	279

Emission/consumption per unit[(1)]	FY2021	FY2022	FY2023	8MFY2024
Greenhouse gas emissions per unit (tonne/RMB'000)	0.0531	0.0147	0.0182	0.0288
Water consumption per unit (tonne/RMB'000)	0.16929	0.05729	0.04337	0.07834
Electricity consumption per unit (MWh/RMB'000)	0.00683	0.00343	0.00433	0.00505
Natural gas consumption per unit (m^3/RMB'000)	2.84231	1.96759	1.64505	3.49749
Heavy oil (tonnes/RMB'000)	0.00193	–	–	–
Coal (tonnes/RMB'000)	0.00026	0.00007	0.00006	0.00003
Liquefied petroleum gas (tonnes/RMB'000)	–	–	0.00053	0.00044
Biofuels (tonnes/RMB'000)	0.00067	0.00032	0.00039	0.00012

Note:

(1) Calculated by emissions/consumptions divided by revenue for the year/period.

For FY2022, our total greenhouse gas emission and water consumption decreased compared to FY2021 primarily due to the lower production volume of SOP and compound fertiliser in FY2022. Our total natural gas consumption increased in FY2022 compared to FY2021 albeit the reduction in production volume of SOP and compound fertiliser primarily as a result of our Guangdong Production Facility having fully replaced the use of heavy oil with natural gas in FY2022. We have replaced the use of heavy oil with natural gas as natural gas is a more environmentally friendly source of energy than heavy oil.

For FY2023, our total greenhouse gas emission, electricity consumption, and natural gas consumption increased compared to FY2022 primarily as a result of the consolidation of Baoqing Migao and Anda Migao to our Group since 31 March 2022 so we included the emission and consumption data of our Baoqing Production Facility and Anda Production Facility for FY2023. For FY2023, our water consumption decreased compared to FY2022 primarily due to decrease in the manufacturing of SOP at our production facilities.

For 8MFY2024, our natural gas consumption increased compared to FY2023 primarily as a result of the increase manufacturing of SOP at our Guangdong Production Facility.

The Paris Agreement, which was adopted at the 21st Conference of the Parties (COP21) to the United Nations in 2015, established universal standards and ambitious goals to reduce global carbon emissions and mitigate the impact of climate change on the environment. The Chinese government has also announced its commitment to carbon reduction, with the goal of reaching peak emissions by 2030 and achieving carbon neutrality by 2060 (i.e. "30-60 Dual Carbon Goals").

We actively follow the guidance of the national "30-60 Dual Carbon Goals" by systematically planning and taking proactive actions to integrate the principles of green and low-carbon development into our production and operations. As our production facilities are located in China, we are committed to reducing greenhouse gas emissions and aligning our sustainable development with national climate change agendas to achieve our long term goal of carbon neutrality.

To achieve this, we actively address the challenges of climate change and develop corresponding carbon management and climate change strategies to minimise the potential environmental impact of our daily operations. We collect relevant emission data and maintain a carbon emissions inventory to establish greenhouse gas reduction targets and track progress. As part of our climate change strategy, we are dedicated to implementing various energy and resource-saving initiatives to reduce energy consumption in our daily operations. We also work closely with suppliers to implement green logistics practices, and engage in carbon reduction programs to reduce carbon emissions, thereby supporting the country's "dual carbon" goals.

Carbon management strategy

Operation:

- Disclose total greenhouse gas emissions (Scope 1 and 2)
- Commit to reducing greenhouse gas emission intensity
- Report our Group's greenhouse gas data and emission reduction progress in the annual environmental, social and governance report
- Regularly review and update climate change policies and projects
- Increase renewable energy usage
- Improve energy conservation by implementing a strategy of utilising energy on a "need-only" basis, resulting in reduced energy consumption

Supply Chain:

- Collaborate closely with our suppliers to encourage them to adopt environmentally-friendly practices and reduce their carbon footprint
- Prioritise suppliers with strong sustainability practices can help minimise the carbon impact of the supply chain
- Improve the efficiency of transportation and logistics operations

Further, to better manage our environmental, social and climate-related risks, we aim to reduce our greenhouse gas emissions and resource consumption in the foreseeable future. Although our total overall greenhouse gas emissions and resource consumption may increase in the future in view of the completion of our new production facilities, warehouse, warehousing and production centre and research development centre, we plan to reduce our greenhouse gas emissions and main resource consumption by emission/consumption per unit by around 10% by the year ending 31 March 2030 based on our emissions and resource consumption in 8MFY2024. We aim to reduce our greenhouse gas emission, electricity consumption, natural gas consumption and coal consumption to less than 0.0259 tonne/RMB'000, 0.00455 MWh/RMB'000, 3.14774 m^3/RMB'000 and 0.000027 tonnes/RMB'000 by the year ending 31 March 2030.

We set our targets based on our estimation of the reduction in greenhouse gas emissions and resource consumption brought by the replacement of the existing equipment and machinery in our older production facilities (e.g. Guangdong Production Facility, Changchun Production Facility and Daxing Production Facility), the upgrading of our productions facilities with automatic raw material feeding systems, the use of clean energy and enhancement of our SOP production methods. Please refer to the section headed "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**]" in this document on the details of the plan. We will engage independent third party to evaluate and monitor our greenhouse gas emission and resource consumption and provide an update of the status of the implementation of our emission and consumption reduction plans in our period ESG report after [**REDACTED**].

Although we may incur additional operation costs in the short term in carrying out the above plans, we believe the long term environmental benefits justify the implementation of the plans. Our operation may also be impacted as we may need to temporarily suspend operation of certain of our production lines to replace or upgrade them, we intend to do so during the low season and in batches and therefore we do not expect our operations will be materially affected.

EMPLOYEES

As at the Latest Practicable Date, we had 423 full-time employees. Most of our employees are based in the PRC. The following table sets forth the number of our employees by function as at the Latest Practicable Date:

Function	Number of employees	% of total
Manufacturing	177	41.8
Procurement	19	4.5
Research and Development	73	17.3
Sales and Marketing	18	4.3
Finance	40	9.5
General Administration	96	22.7
Total	**423**	**100.0**

Our success depends on our ability to attract, retain and motivate qualified personnel. We have generally been able to attract and retain qualified personnel and maintain a stable key employee team. As at the Latest Practicable Date, our employees consisted of 26 members who were at the manager level or above.

We recruit our employees based on a number of factors, including their work experience, educational background, and the needs of our vacancies. In our recruitment process, we strictly adhere to PRC's anti-discrimination regulations to ensure all applicants are evaluated based on their merit.

We provide our employees with a variety of trainings. We design and implement in-house training programmes tailored to each job function and a set of responsibilities to enhance performance. Specific training is provided during orientation for new employees to familiarise them with our working environment and operational procedures. We also regularly provide to our existing employees with professional trainings, such as trainings on production safety, equipment operation and storage management depending on which department the employee is in.

We compensate our employees with basic salaries and performance-based bonuses. We believe we offer our employees competitive compensation packages. As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance and unemployment insurance. During the Track Record Period and as of the Latest Practicable Date, we made contributions to employee benefit plans for our employees as required by local authorities in accordance with applicable PRC laws and regulations in all material respects.

To ensure equal opportunities for all our employees, we have implemented merit-based promotion mechanism. We examine our employees' performance regularly and promote our employees based on their job performance.

We have established a labour union for our employees. Each production facility has a labour union head to collect feedback from local employees. We also host activities on a regular basis to enhance the connections and relationships among employees across different departments. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any disruption to our business operations due to labour disputes. Our Directors consider that we have maintained good relationships with our employees.

COMPETITION

We face intense competition in the potash fertiliser industry in the PRC. There were over 200 potash fertiliser producers in the PRC in 2022, which included SOEs, private-owned enterprises and foreign-invested enterprises.

For FY2023, our sales volume of KCL and SOP was approximately 1,067,000 tonnes and 124,000 tonnes, respectively, and the sales volume of NOP and compound fertiliser of Yunnan EuroChem for the same year was approximately 32,000 tonnes and 53,000 tonnes, respectively. As such, our Directors and Frost & Sullivan consider that we are in direct competition with large-scale potash fertiliser producers in the PRC. Please refer to the section headed "Industry Overview – Competitive Landscape Analysis" in this document for further information about the competitive landscape of the potash industry in the PRC.

Our Directors are of the view that we have distinguished ourselves in the competitive industry leveraging on our position as an integrated potash fertiliser producer with extensive and strategic market coverage. Our Directors believe that there are significant entry barriers as significant capital investment is required for establishing and maintaining large-scale potash fertiliser production facilities which complies with relevant environmental regulations in the PRC. However, some of our existing and potential competitors may have significantly greater financial, operational and marketing resources, a larger customer base, stronger relationships with customers and suppliers, a more diversified and higher quality products, greater development, or more advanced technology than we do. Please refer to the section headed "Risk Factors – Risks Relating to Our Industry – The fierce competition in the fertiliser business may materially and adversely affect our financial performance" in this document for more information on risks relating to competition.

AWARDS AND ACCREDITATIONS

We earned a number of awards and accreditations. The major awards and accreditations are set forth as follows:

Year awarded	Award/Accreditation	Awarding authority
2016 – 2022	China Top 10 Potash Fertiliser Enterprise (中國鉀肥企業10強)	China Chemical Information Centre (中國化工信息中心)[1] China Chemical Industry Information Association* (中國化工情報信息協會)
2016 – 2023	China Top 100 Chemical Fertiliser Enterprise (中國化肥企業100強)	China Chemical Information Centre (中國化工信息中心)[1] China Chemical Industry Information Association* (中國化工情報信息協會)
2020	Meritorious Enterprise of China Potash Industry (中國鉀鹽鉀肥工業功勛企業)	China Inorganic Salts Industry Association Potash Industry Sub-Association* (中國無機鹽工業協會鉀鹽鉀肥行業分會)

Year awarded	Award/Accreditation	Awarding authority
2020	National Pilot Enterprise for the Production of Eco-friendly and Quality Agricultural Inputs (Fertiliser) (全國生態環保優質農業投入品(肥料)生產試點單位)	Quality and Safety of Agricultural Products Centre, Ministry of Agriculture and Rural Affairs* (農業農村部農產品質量安全中心)
2020	National Leading Manufacturer in Potassium Sulphate Industry (全國硫酸鉀行業質量領先企業)	China Quality Inspection Association* (中國質量檢驗協會)
2021	National Quality Integrity Leading Enterprise (全國質量誠信先進企業)	China Quality Inspection Association* (中國質量檢驗協會)
2021	National Leading Manufacturer in Chemical Industry (全國化工行業質量領先品牌)	China Quality Inspection Association* (中國質量檢驗協會)
2021	National Quality Leading Enterprise (全國質量先進企業)	China Quality Inspection Association* (中國質量檢驗協會)

Note:

(1) For 2016, the awarding authorities were Chemical Fertiliser Professional Committee of China Chemical Society* (中國化工學會化肥專業委員會) and China Chemical Industry Information Association* (中國化工情報信息協會)

LAND AND PROPERTIES

As at the Latest Practicable Date, we owned 12 parcels of land and held interest in 82 properties, leased one parcel of land and ten properties and had one site under construction-in-progress in various regions of the PRC. The properties are mainly used for our production, warehouse, offices and employee residences.

As at the Latest Practicable Date, as none of our properties had a carrying amount of 15% or more of our total assets, pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, we are exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires a valuation report with respect to all of our Group's interests in land or buildings.

Land

As at the Latest Practicable Date, we owned 12 parcels of land in the PRC with an aggregate site area of approximately 898,501 sqm. As advised by our PRC Legal Advisers, we have obtained the land use right certificates for ten parcels of the land with an aggregate site area of approximately 444,087.9 sqm and are entitled to legally occupy, use, transfer, lease, mortgage or dispose of these parcels of land within the scope of use specified in the relevant land use right certificates and in accordance with the relevant PRC laws and regulations regarding the use of land, subject to existing mortgages of the relevant land.

We have also signed the state-owned construction land use right transfer contracts (國有建設用地使用權出讓合同) for two parcels of the land with an aggregate site area of approximately 454,413.1 sqm. On 22 June 2022, we signed a state-owned construction land use right transfer contract with the local authorities to acquire a parcel of land in Anda City, Heilongjiang Province with a site area of approximately 86,308.4 sqm, which is in close proximity to our Anda Production Facility. The acquisition price for the land use right is RMB13,810,000 and we paid a deposit in the amount of RMB2,770,000 under the agreement. In July 2022, we paid the rest of the acquisition price. We intend to construct warehouse and buildings on the land primarily for the storage of our raw materials and fertiliser products and other industrial purposes, and the construction plan of which shall be subject to approval from the government. We intend to commence construction of the warehouse and buildings in the second half of 2024.

On 21 September 2022, we signed a state-owned construction land use right transfer contract with the local authorities to acquire a parcel of land in Tongjiang City, Heilongjiang Province with a site area of approximately 368,104.7 sqm for the construction of the Heilongjiang Warehousing and Production Centre. The acquisition price for the land use right is RMB60,210,000 and we had paid the acquisition price in September 2022. Please refer to the section headed "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**] – Heilongjiang Warehousing and Production Centre" in this document for further information on the construction plan of the Heilongjiang Warehousing and Production Centre. As advised by our PRC Legal Advisers, the two above state-owned construction land use right transfer contracts are legally valid and enforceable.

In relation to the Heilongjiang Warehousing and Production Centre, we have signed a special designated railway connecting line agreement ("**Railway Cooperation Agreement**") with a local state-owned enterprise (the "**Railway SOE**"), pursuant to which we are allowed to connect our Heilongjiang Warehousing and Production Centre through our connection lines to the conjunction area of Tongjiang North Station where the Russian railway system and the Chinese railway system are connected. The material terms of the Railway Cooperation Agreement are as follows: (i) the connecting lines will be used primarily for the transport of potash products; (ii) we shall be responsible for the construction of the connecting lines and relevant facilities and the part of the connecting lines and facilities which connects to the conjunction area of Tongjiang North Station shall belong to the Railway SOE upon construction; (iii) the Railway SOE shall lease to us the land (the "**Railway Land**") of the

conjunction area which connects to our connecting lines; (iv) the term of the agreement shall be long term; (v) if the parties decide to terminate the cooperation, a separate agreement shall be signed; and (vi) the Railway SOE may suspend or close off the connecting lines if (a) there is material safety risks to the connecting lines; or (b) there is a breach of the relevant laws and regulations. Further to the Railway Cooperation Agreement, we have also entered into a lease agreement (the "**Railway Lease Agreement**") with the Railway SOE for lease of the Railway Land. The lease term of the Railway Land is 36 months commencing from 23 August 2022 to 22 August 2025. The total rental fee for entire lease term is approximately RMB252,000 (inclusive of tax) and payable within ten days from the date of the lease agreement. As at the Latest Practicable Date, we have paid the total rental fee to the Railway SOE.

According to our PRC Legal Advisers, the Railway Land is an allocated land (劃撥用地). Allocated land can only be leased upon obtaining the approval by the relevant land administrative authorities. Based on the interview with the Tongjiang Natural Resources Bureau (同江市自然資源局), which our PRC Legal Adviser has advised is the competent authority for this matter, confirming that it agrees to the lease of the Railway Land to us, our PRC Legal Adviser has advised us that the risk of the Railway Lease Agreement being deemed invalid is low. In relation to our risks of the usage of the Railway Land, please refer to the section headed "Risk Factors – Risks Relating to Our Business – We may face fines in relation to leased properties or may not be able to continue to use certain buildings on the leased properties or use the land we leased" in this document for further information.

Properties

Owned Properties

As at the Latest Practicable Date, we held interest in 82 properties in the PRC with an aggregate gross floor area of approximately 230,917 sqm used primarily for production, warehouse, offices and employee residences. As at the Latest Practicable Date, as advised by our PRC Legal Advisers, save as disclosed below, we held all building ownership certificates for our properties, according to which we are entitled to occupy, use, transfer, lease, mortgage or dispose of these properties, subject to existing mortages of the relevant properties. As at the Latest Practicable Date, we leased out six warehouses to an Independent Third Party. During the Track Record Period, the relevant fire department authorities had conducted fire safety checks at our production facilities and we had acted on their recommendations to enhance our fire safety measures. Pursuant to the compliance certificates issued by the relevant competent authorities, no penalties have been imposed on us in relation to fire safety during the Track Record Period.

Properties with defective titles

The table below summarises our properties with defective titles as at the Latest Practicable Date:

Properties and nature of title defect	Reasons for title defect	Legal impact	View of our PRC Legal Advisers	Relocation plan
1. Our Changchun Production Facility had not obtained the building ownership certificates for four properties with an aggregate gross floor area of approximately 22,176.32 sqm. Among them: i. one production room with an approximate gross floor area of 1,313 sqm did not obtain the construction work planning permit (建設工程規劃許可證), the construction work commencement permit (建築工程施工許可證) and the housing completion and acceptance documents (房屋竣工驗收文件); ii. one warehouse and one power room with an aggregate approximate gross floor area of 15,598.49 sqm did not obtain the construction work commencement permit and the housing completion and acceptance documents; and iii. one production room, warehouse and change room with an aggregate approximate gross floor area of 5,264.83 sqm did not obtain the housing completion and acceptance documents. Due to failure to obtain the construction work planning permit, the construction work commencement permit and/or the housing completion and acceptance documents, we had not obtained the building ownership certificates for these properties.	The reasons for the incidents were mainly due to (i) administrative oversight; (ii) our employees were unfamiliar with and misunderstood certain property-related laws and regulatory requirements and procedures; and (iii) our relevant employees did not seek proper advice from external advisers or our management team.	According to the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》), for construction work that is carried out without a construction work planning permit, the competent authorities may order the construction to be ceased, and (i) impose a fine ranging from 5% to 10% of the construction cost and order rectification of the impact caused by such construction, if such impact can be rectified; or (ii) impose a fine of not more than 10% of the construction cost and the demolition of such construction, if such can be demolished, or confiscation of the property and/or any income illegally earned from such construction, if such construction cannot be demolished. According to the Measures for the Administration of Construction Licensing of Construction Projects (《建築工程施工許可管理辦法》), for construction work that is carried out without a construction work commencement permit, the competent authorities may (i) order the construction to be suspended; (ii) order rectification within a prescribed time limit; and (iii) impose a fine of not less than 1% and not more than 2% of the construction cost. According to the Construction Engineering Quality Management Regulations (《建設工程質量管理條例》), for construction projects that have put into use without passing the construction project completion acceptance check, the competent authorities may (i) order rectification and payment of compensation where any damage has been caused; and (ii) impose a fine of not less than 2% but not more than 4% of the construction cost. We estimated that the potential maximum penalty for the above incidents relating to our properties at our Changchun Production Facility is approximately RMB1.3 million.	According to the interviews with Changchun Economic and Technological Development Zone Planning and Natural Resource Management Service Centre (長春市經濟技術開發區規劃和自然資源管理服務中心) and Changchun Economic and Technological Development Zone Construction and Development Bureau (長春市經濟技術開發區建設發展局), which are the competent authorities as advised by our PRC Legal Advisers, the authorities advised that they will not require the demolition of the relevant properties and Changchun Migao may continue to operate in those properties. We had obtained written confirmation from Changchun City Economic and Technological Development Zone Construction and Development Bureau, which is the competent authority as advised by our PRC Legal Advisers, that no penalties had been imposed on Changchun Migao with respect to any breach of the Construction Engineering Quality Management Regulations during the Track Record Period. Our PRC Legal Advisers did not find any records of penalties against Changchun Migao on the websites of Changchun City Planning and Natural Resources Bureau (長春市規劃和自然資源局) and Changchun City Urban and Rural Construction Committee (長春市城鄉建設委員會) during the Track Record Period and up to the Latest Practicable Date. In view of the above, our PRC Legal Advisers are of the view that Changchun Migao may continue to use the properties amid the lack of construction work planning permit, the construction work commencement permit and/or the housing completion and acceptance documents and such would not have a material adverse impact to the business operation of Changchun Migao.	In the event that the relevant authorities order us to relocate from the properties, we will be able to relocate to our other buildings in the Changchun Production Facility. Our estimated cost of demolishing the properties and relocating from the properties is approximately RMB990,000 and the expected time required for the demolition and relocation is approximately one month.

Properties and nature of title defect	Reasons for title defect	Legal impact	View of our PRC Legal Advisers	Relocation plan
2. Our Guangdong Production Facility had not obtained the building ownership certificates for 15 properties with an aggregate gross floor area of approximately 38,759.2 sqm. Among them: i. two warehouses, one power room, one security room and one water pump room with an aggregate approximate gross floor area of 4,980.49 sqm did not obtain the construction work planning permit, the construction work commencement permit and the housing completion and acceptance documents; ii. security rooms with an aggregate approximate gross floor area of 63.2 sqm did not obtain the construction work commencement permit and the housing completion and acceptance documents; and iii. two production rooms, two warehouses, two comprehensive buildings, one testing building, one office building, and one power room with an aggregate approximate gross floor area of 33,715.46 sqm did not obtain the housing completion and acceptance documents. Due to failure to obtain the construction work planning permit, the construction work commencement permit and/or the housing completion and acceptance documents, we had not obtained the building ownership certificates for these properties.	The reasons for the incidents were mainly due to (i) administrative oversight; (ii) our employees were unfamiliar with and misunderstood certain property-related laws and regulatory requirements and procedures; and (iii) our relevant employees did not seek proper advice from external advisers or our management team.	According to the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》), for construction work that is carried out without a construction work planning permit, the competent authorities may order the construction to be ceased, and (i) impose a fine ranging from 5% to 10% of the construction cost and order rectification of the impact caused by such construction, if such impact can be rectified; or (ii) impose a fine of not more than 10% of the construction cost and the demolition of such construction, if such can be demolished, or confiscation of the property and/or any income illegally earned from such construction, if such construction cannot be demolished. According to the Measures for the Administration of Construction Licensing of Construction Projects (《建築工程施工許可管理辦法》), for construction work that is carried out without a construction work commencement permit, the competent authorities may (i) order the construction to be suspended; (ii) order rectification within a prescribed time limit; and (iii) impose a fine of not less than 1% and not more than 2% of the construction cost. According to the Construction Engineering Quality Management Regulations (《建設工程質量管理條例》), for construction projects that have put into use without passing the construction project completion acceptance check, the competent authorities may (i) order rectification and payment of compensation where any damage has been caused; and (ii) impose a fine of not less than 2% but not more than 4% of the construction cost. We estimated that the potential maximum penalty for the above incidents relating to our properties at our Guangdong Production Facility is approximately RMB1.2 million.	According to the interview with Gaoming District Engineering Construction Completion Joint Acceptance Leading Group (高明區工程建設竣工聯合驗收領導小組), which is the competent authorities as advised by our PRC Legal Advisers, the authorities advised that they will not penalise Guangdong Migao and will not require the demolition of the relevant properties and the Guangdong Migao may continue to operate in those properties. We had obtained written confirmation from Foshan City Gaoming District Housing and Urban-Rural Development and Water Conservancy Bureau (佛山市高明區住房城鄉建設和水利局), which is the competent authority as advised by our PRC Legal Advisers, that Guangdong Migao has abided by PRC laws and regulations relating to construction and buildings management and no penalties or investigation had been imposed on Guangdong Migao with respect to any breach of such PRC laws and regulations during the Track Record Period. In view of the above, our PRC Legal Advisers are of the view that Guangdong Migao may continue to use the properties amid the lack of construction work planning permit, the construction work commencement permit, and/or the housing completion and acceptance documents and such would not have an material adverse impact to the business operations of Guangdong Migao.	In the event that the relevant authorities order us to relocate from the properties, we will be able to relocate to our other buildings in the Guangdong Production Facility. Our estimated cost of demolishing the properties and relocating from the properties is approximately RMB150,000 and the expected time required for the demolition and relocation is less than one month.

	Properties and nature of title defect	Reasons for title defect	Legal impact	View of our PRC Legal Advisers	Relocation plan
3.	Our Daxing Production Facility had not obtained the building ownership certificates for one production room with a gross floor area of approximately 5,760 sqm due to the lack of construction work planning permit, the construction work commencement permit and the housing completion and acceptance documents.	The reasons for the incident were mainly due to (i) administrative oversight; (ii) our employees were unfamiliar with and misunderstood certain property-related laws and regulatory requirements and procedures; and (iii) our relevant employees did not seek proper advice from external advisers or our management team.	According to the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》), for construction work that is carried out without a construction work planning permit, the competent authorities may order the construction to be ceased, and (i) impose a fine ranging from 5% to 10% of the construction cost and order rectification of the impact caused by such construction, if such impact can be rectified; or (ii) impose a fine of not more than 10% of the construction cost and the demolition of such construction, if such can be demolished, or confiscation of the property and/or any income illegally earned from such construction, if such construction cannot be demolished. According to the Measures for the Administration of Construction Licensing of Construction Projects (《建築工程施工許可管理辦法》), for construction work that is carried out without a construction work commencement permit, the competent authorities may (i) order the construction to be suspended; (ii) order rectification within a prescribed time limit; and (iii) impose a fine of not less than 1% and not more than 2% of the construction cost. According to the Construction Engineering Quality Management Regulations (《建設工程質量管理條例》), for construction projects that have put into use without passing the construction project completion acceptance check, the competent authorities may (i) order rectification and payment of compensation where any damage has been caused; and (ii) impose a fine of not less than 2% but not more than 4% of the contract price of the construction cost. We estimated that the potential maximum penalty for the above incident relating to our properties at our Daxing Production Facility is approximately RMB1.0 million.	According to the interview with Planning Technology Service Centre of Zunyi Natural Resources Bureau (Bozhou) (遵義市自然資源局規劃技術服務中心(播州)) and Housing and Urban Rural Development Bureau of Bozhou District, Zunyi (遵義市播州區住房和城鄉建設局), which are the competent authorities as advised by our PRC Legal Advisers, the authorities advised that Daxing Migao may continue to operate in such property and they will not require Daxing Migao to demolish the relevant property and will not pursue any penalties against Daxing Migao in such regard. We had obtained written confirmation from Zunyi Real Estate Leasing (遵義房地產租賃), which is the competent authorities as advised by our PRC Legal Advisers, that they acknowledged the aforementioned title defect and confirmed Daxing Migao may continue its operations therein and they will not order Daxing Migao to suspend, restore or relocate from the relevant property nor impose any penalty in such regard. In view of the above, our PRC Legal Advisers are of the view that the likelihood of penalties being imposed by the relevant authorities for the lack of construction work planning permit, the construction work commencement permit and the housing completion and acceptance documents is low.	In the event that the relevant authorities order us to relocate from the properties, we will be able to relocate to our other buildings in the Daxing Production Facility. Our estimated cost of demolishing the properties and relocating from the properties is approximately RMB150,000 and the expected time required for the demolition and relocation is less than one month.

Considering (i) the total gross floor area of the properties with defective title only accounted approximately 28.9% of the total gross floor area of all our production facilities as at the Latest Practicable Date; (ii) majority of the properties with defective title were not directly required for our manufacturing operations; (iii) the revenue attributable to the properties with defective title directly required for our manufacturing operations only accounted for approximately 3.9%, 2.5%, 1.0% and 1.5% of our total revenue for FY2021, FY2022, FY2023 and 8MFY2024, respectively; (iv) the estimated cost and time for relocation; (v) for our properties with defective title only due to lack of housing completion and acceptance documents, the relevant PRC laws and regulations do not require the demolition of those properties and those properties accounted for the majority of our properties with defective title; (vi) for our properties with defective title only due to lack of housing completion and acceptance documents at our Guangdong Production Facility, we have already made the relevant filings for obtaining such documents; (vii) Mr. Liu having entered into the Deed of Indemnity with and in favour of our Company and each of our subsidiaries to provide indemnities in respect of the aforementioned properties with defective title; and (viii) the views of our PRC Legal Advisers, our Directors are of the view that our properties with defective titles are, individually and collectively, not expected to have material adverse impact to our business operations. Our Directors also confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the government authorities requiring us to demolish and/or relocate from the properties with defective titles.

We have established and implemented entity-level control measures, including both preventive and remedial measures, to ensure its compliance with regulations in relation to obtaining building ownership certificates before occupying our future properties. We have established and implemented written policy and procedures, including:

i. before carrying out production and operation activities, the acquisition of building ownership certificates for purchased properties are monitored by a designated person, and upon all permits are obtained, approval is required prior to the commencement of production and operation activities in new premises;

ii. we have assigned a designated person to monitor the status of our permits and certificates of our properties with defective titles;

iii. we will engage external lawyer and external advisers to provide annual trainings to our relevant employees; and

iv. we will perform annual review on all existing property related certificates to ensure the completeness, validity and safekeeping of the permits and certificates.

During the Track Record Period and up to the Latest Practicable Date, we had not been penalised by any government authority over safety conditions concern in respect of our properties with defective titles for which we have not obtained the relevant building ownership certificates or construction work planning permits or construction work commencement permits or housing completion acceptance filing documents as required under the relevant PRC laws and regulations. We will continuously monitor and maintain safety conditions of our properties with reference to relevant national or local standards for evaluation of a property's safety condition. Where any safety issues are identified, we will immediately repair or take other measures. We have also obtained safety reports (安全鑒定報告) prepared by third party construction advisory company. In addition, our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there had been no material incident to our knowledge that would raise questions as to the safety conditions of all properties we occupied with defective titles. Based on the above, our Directors are of the view that such properties are safe for occupation. Our Directors confirm that the safety condition of the properties with defective titles is in compliance with the relevant safety requirements in material respects during the Track Record Period and up to the Latest Practicable Date.

According to the relevant PRC laws and regulations and as advised by our PRC Legal Adviser, our rights as owner or occupant of these properties may be adversely affected due to the absence of the relevant building ownership certificates. Accordingly, certain rights including our rights to transfer or lease the properties and/or to mortgage the properties may be restricted.

Our Directors are of the view that the costs we incurred for our properties with defective titles would not materially differ from that we would have to pay if these properties did not have defective titles.

Please refer to the section headed "Risk Factors – Risks Relating to Our Business – Our rights to use the properties on our production facilities may be interfered" for further information in relation to the risks of our properties with defective titles.

Leased Properties

As at the Latest Practicable Date, we leased 12 properties, one located in Zunyi City, Guizhou Province, seven located in Tongjiang City, Heilongjiang Province, one located in Harbin City, Heilongjiang Province, one located in Chengdu City, Sichuan Province, one located in Hong Kong and one located in Singapore, with an aggregate gross floor area of approximately 47,493.45 sqm. The following table sets forth a summary of certain information regarding our material leased properties.

No.	Location		Approximate gross floor area	Use	Lease Period
1.	Gezhuang Village, Sanhe Town, Bozhou District, Zunyi City[(1)/(2)]	遵義市播州區三合鎮閣莊村	46,114.04 sqm	Production and operation	1 January 2022 to 31 December 2024
2.	Shop 5, Building 10, Tongjiang E-Commerce Industrial Park, Tongjiang City	同江市電商產業園內10號樓5號門市	136.19 sqm	Office	23 April 2022 to 23 April 2024
3.	Shop 4, Puxi Gardens, Tongjiang City	同江市浦西花園4號門市	121.5 sqm	Office	27 May 2023 to 27 May 2025
4.	Garage No. 113, Phase II, Building 10, Urban Mingyuan, Tongjiang City	同江市都市名苑10號樓二期113號車庫	21.89 sqm	Car park	17 March 2023 to 17 March 2024
5.	Room 601, 11-1, Urban Mingyuan, Tongjiang City	同江市都市名苑11-1-601室	109.78 sqm	Employee residence	17 March 2023 to 17 March 2024
6.	No. 602, Unit 2, Building 11, Lishe Community, Xiang Street, Tongjiang City	同江市香街麗舍社區11號樓2單元602號	70.31 sqm	Employee residence	23 July 2023 to 22 July 2024
7.	No. 403, Unit 4, Building 5, Lishe Community, Xiang Street, Tongjiang City	同江市香街麗舍社區5號樓4單元403號	81.91 sqm	Employee residence	29 July 2023 to 28 July 2024
8.	No. 602, Unit 1, Building 2, Binjiang Shanshui Renjia Community, Tongjiang City	同江市濱江山水人家社區二號樓1單元602號	76.51 sqm	Employee residence	6 September 2023 to 5 September 2024

No.	Location		Approximate gross floor area	Use	Lease Period
9.	No. 1, 11th Floor, Unit 4, Building B7, District 2, Shuimu Qinghua Community, No. 288, Wenhui Road, Songbei District, Harbin City	哈爾濱市松北區文匯路288號水木清華社區二區B7棟4單元11層1號	89.74 sqm	Employee residence	1 August 2023 to 31 July 2024
10.	No. 609, 6th Floor, Unit 1, Building 18, No. 266, Jitai 2nd Road, High-tech Zone, Chengdu City	成都市高新區吉泰二路266號 18棟1單元6樓609號	55.77 sqm	Office	1 August 2023 to 31 July 2024
11.	Room 801, 8th Floor, COFCO Tower, No. 262 Gloucester Road, Causeway Bay, Hong Kong	香港銅鑼灣告士打道262號中糧大廈8樓801室	2,958 sqf	Office	1 December 2022 to 30 November 2024
12.	8 Temasek Boulevard, #32-03 Suntec Tower Three, Singapore, 038988	–	341 sqm	Office	1 July 2019 to 30 June 2025

Note:

(1) The landlord is Zunyi Migao, a connected person of the Company. For details, please refer to the section headed "Connected Transactions – Connected Transaction – Daxing Lease Agreement" in this document.

(2) As advise by our PRC Legal Advisers, based on the compliance certificates issued by the Zunyi City Bozhou District Fire Rescue Brigade (遵義市播州區消防救援大隊), no penalties have been imposed on us by the Zunyi City Bozhou District Fire Rescue Brigade during the Track Record Period.

As at the Latest Practicable Date, we had not filed the lease agreements in relation to our 10 leased properties in the PRC with the local housing administration authorities as required under the PRC law. As at the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of the failure to file the lease agreements described above. As advised by our PRC Legal Advisers, the non-registration of lease agreements does not affect the validity of such

lease agreements. However, we might be ordered to rectify this non-compliance by the competent authorities and if we fail to rectify within the prescribed period, a penalty of RMB1,000 to RMB10,000 per lease agreement may be imposed on us as a result of such non-filing.

During the Track Record Period and as at the Latest Practicable Date, the lessors of our three leased properties (No. 1 to No. 3) in the PRC could not provide us with valid building ownership certificates for some of the buildings with an aggregate gross floor area of 5,729.69 sqm. Such buildings were used by us as production room and offices. As advised by our PRC Legal Advisers, if the lessors do not have ownership or the right to lease these buildings, our leases may be rendered void and we may be required to vacate the buildings and relocate.

However, according to an interview conducted with Zunyi Natural Resources Bureau Planning Technology Service Centre (Bozhou) (遵義市自然資源局規劃技術服務中心(播州)), the current planning procedures for those buildings at our Daxing Production Facility are incomplete but the lessor can reapply after completing those procedures. Before the rectification is completed, the authorities advised that there will be no punishment or order to demolish the buildings, and the buildings can continue to be leased and used. Further, according to an interview conducted with the Housing and Urban-Rural Development Bureau of Bozhou District, Zunyi City (遵義市播州區住房和城鄉建設局), the authorities advised that they will not impose penalties or order demolition of the leased buildings, and those buildings can continue to be leased and used.

In relation to our two leased properties (No. 2 and No. 3) in Tongjiang City, Heilongjiang Province, if we are required to relocate to other locations, we believe relocation from such leased properties would not cause any material disruption to our operation since (i) such leased properties are only used as our offices; and (ii) there is sufficient supply of properties for office use in the neighboring area and we believe it will not incur significant time and costs to find and relocate to alternative properties in such area.

In view of the above, our PRC Legal Advisers are of the view that the lack of building ownership certificates of the above buildings would not have any material adverse impact on our business operation.

Construction In-progress

As at the Latest Practicable Date, we had one site under construction in-progress, which is the construction of the Heilongjiang Warehousing and Production Centre in the Heilongjiang Province. For the Heilongjiang Warehousing and Production Centre, site formation and infrastructure works have been commenced and we expect to complete construction of the Heilongjiang Warehousing and Production Centre in the second half of 2025. For further details of the Heilongjiang Warehousing and Production Centre, please refer to the section headed "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**] – Heilongjiang Warehousing and Production Centre" in this document for further information.

INTELLECTUAL PROPERTIES

We rely on a combination of trademarks and patents to protect our intellectual property, which are critical to our business operations. As at the Latest Practicable Date, we had registered 122 trademarks, ten patents and ten software copyrights in the PRC and three trademarks in Hong Kong and we had 13 pending patent applications in the PRC, which are material in relation to our business. Please refer to the section headed "Appendix IV – Statutory and General Information – B. Further Information About Our Business – 2. Intellectual Property Rights of Our Group" to this document for details of our material intellectual properties.

We had not been subject to any material dispute and claims for infringement of third-parties' trademarks, patents, copyrights and other intellectual property rights during the Track Record Period and up to the Latest Practicable Date. However, please refer to the section headed "Risk Factors – Risks Relating to Our Business – Third parties may claim that we infringe their intellectual property rights or proprietary rights, which could cause us to incur significant legal expense and prevent us from continuing using our existing production methods" in this document for more information.

LICENCES AND APPROVALS

The following table sets forth the details of our material licences, permits, registrations and approvals for our operation as at the Latest Practicable Date:

Licence and Permit	Issuing Authority	Date of Issue	Date of Expiry	Holder
The Safety Production Permit (安全生產許可證)	Changchun Emergency Management Bureau	9 June 2021	8 June 2024	Changchun Migao
	Heilongjiang Provincial Emergency Management Bureau	6 March 2023	29 September 2025	Baoqing Migao
	Heilongjiang Provincial Emergency Management Bureau	11 December 2023	11 May 2025	Anda Migao
Pollutant Discharge Permit (排污許可證)	Zunyi Environment Bureau	19 December 2022	18 December 2027	Daxing Migao
	Foshan Environment Bureau	12 May 2022	11 May 2027	Guangdong Migao
	Changchun City Ecological Environment Bureau	6 June 2022	5 June 2027	Changchun Migao
	Shuangyashan Environment Bureau	16 March 2023	15 March 2028	Baoqing Migao
	Suihua Environment Bureau	18 May 2021	17 May 2026	Anda Migao

Licence and Permit	Issuing Authority	Date of Issue	Date of Expiry	Holder
The National Production Licence for Industrial Products (全國工業產品生產許可證)	Guangdong Provincial Market Supervision Administration Bureau	6 May 2021	5 May 2026	Guangdong Migao
	Heilongjiang Provincial Market Supervision Administration Bureau	3 December 2021	8 July 2024	Baoqing Migao
	Zunyi Municipal Market Supervision Administration Bureau	8 July 2019	7 July 2024	Daxing Migao
	Jilin Provincial Market Supervision Administration Bureau	7 July 2020	30 June 2025	Changchun Migao
	Sichuan Provincial Market Supervision Administration Bureau	22 January 2020	12 March 2025	Sichuan Migao
	Heilongjiang Provincial Market Supervision Administration Bureau	1 July 2022	30 June 2027	Anda Migao
Registration Certificate of Hazardous Chemicals (危險化學品登記證)	Emergency Management Department Chemical Registration Centre and Guangdong Provincial Hazardous Chemicals Registration Office	23 March 2021	22 March 2024	Guangdong Migao
	Emergency Management Department Chemical Registration Centre and Heilongjiang Provincial Hazardous Chemicals Registration Management Centre	19 January 2022	24 February 2025	Baoqing Migao
	Emergency Management Department Chemical Registration Centre and Jilin Provincial Hazardous Chemicals Registration Management Centre	18 July 2022	17 July 2025	Changchun Migao
	Emergency Management Department Chemical Registration Centre and Heilongjiang Provincial Hazardous Chemicals Registration Management Centre	19 September 2023	10 November 2026	Anda Migao

Licence and Permit	Issuing Authority	Date of Issue	Date of Expiry	Holder
Safety Production Licence for Hazardous Chemicals (危險化學品安全生產許可證)	Foshan Emergency Administration Bureau	30 July 2021	29 July 2024	Guangdong Migao
Production Record Certificate of Non-drug Chemicals (非藥品類易製毒化學品生產備案證明)	Foshan Emergency Management Bureau	3 August 2021	29 July 2024	Guangdong Migao
	Changchun Emergency Management Bureau	11 January 2023	10 January 2026	Changchun Migao
	Shuangyashan Emergency Management Bureau	7 December 2021	6 December 2024	Baoqing Migao
	Suihua Emergency Management Bureau	24 May 2022	23 May 2025	Anda Migao
The Registration Certificate of the Customs Declaration Unit (海關報關單位註冊登記證書)/ Registration of Customs Declaration Unit (海關報關單位註冊登記)	Foshan Customs	10 July 2017	/	Guangdong Migao
	Changchun Customs	27 January 2016	/	Changchun Migao
	Chengdu Customs	9 August 2016	/	Sichuan Migao
	Chengdu Customs	/	31 July 2068	Migao Century (Chengdu)
Entry-exit Inspection and Quarantine Application Enterprise Record Form (出入境檢驗檢疫報檢企業備案表)	Guangdong Entry-Exit Inspection and Quarantine Bureau	11 July 2017	/	Guangdong Migao
	Jilin Entry-Exit Inspection and Quarantine Bureau	20 July 2016	/	Changchun Migao
Record Registration Form for Foreign Trade Operators (對外貿易經營者備案登記表)	Foshan Gaoming Foreign Trade Operator Registration Authority	19 November 2021	/	Guangdong Migao
	Foreign Trade Operator Registration Authority	22 January 2016	/	Changchun Migao
	Foreign Trade Operator Registration Authority	15 April 2022	/	Tongjiang Migao
Urban Drainage Permit (城市排水許可證)	Foshan Gaoming Housing and Urban-Rural Development and Water Conservancy Bureau	30 March 2021	29 March 2026	Guangdong Migao
Fertiliser Official Registration Certificate (肥料正式登記證)	Sichuan Provincial Department of Agriculture	24 December 2019	December 2024	Sichuan Migao
	Guizhou Province Department of Agriculture and Rural Affairs	3 September 2020	September 2025	Daxing Migao
		4 September 2019	September 2024	

In addition to the licenses, permits, registrations and approvals listed above, we also held automatic import licenses during the Track Record Period primarily for our import of KCL. The imports and exports of KCL are subject to control by the PRC government. The MOFCOM has implemented an automatic licensing system for imports and exports of KCL, under which the MOFCOM or its authorised agencies shall grant a licence to the consignee or consignor who applies for automatic licensing prior to completing customs clearance formalities for imports and exports subject to automatic licensing.

Each automatic import licence of KCL is for a single shipment only and a consignor or consignee is required to apply for another automatic import licence of KCL for each new shipment and is required to submit further documents (such as the relevant KCL purchase contract/order with each application). During the Track Record Period, as we purchased some of our KCL from overseas suppliers either through shipment by sea or transportation by railway through various purchase contracts/orders in various shipments under the framework supply agreements, we are required to apply for an automatic import licence of KCL for each shipment utilising our own automatic import licence. As at the Latest Practicable Date, Guangdong Migao had obtained three KCL automatic import licences for the import of an aggregate of approximately 95.6 million kg of KCL from overseas. The expiry date of the KCL automatic import licences is 11 July 2024. As advised by our PRC Legal advisers, according to their consultation with Trade Management Office of Guangdong Provincial Department of Commerce (廣東省商務廳貿易管理處), which is the competent authority, our business practice with respect to imported KCL are in compliance with the Administrative Measures on Automatic Import Licensing (《貨物自動進口許可管理辦法》).

As advised by our PRC Legal Advisers, save as disclosed in this document, we had obtained all necessary licences, permits, approvals and certificates for our business operations in the PRC during the Track Record Period and as at the Latest Practicable Date. We did not experience any difficulties in renewing the necessary licences, permits, approvals and certificates during the Track Record Period, and we do not expect to have any material difficulty in renewing them when they expire.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

Legal Proceedings

As at the Latest Practicable Date, our Directors confirmed that we were not engaged in any litigation, arbitration or claim of material importance, and there had been no litigation, arbitration, administrative proceedings or claim was known to our Directors to be pending or threatened by or against our Group or any of our Directors which could have a material adverse effect on our Group's financial condition or results of operations.

Our Directors, have confirmed that as at the Latest Practicable Date, there were no breaches or violations of PRC laws applicable to our Group that would have a material adverse effect on our Group's business or financial condition taken as a whole.

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented a series of measures to manage the various types of risks that we face in our operations, including the production and sales of products, daily operations, administration, financial reporting and recording, fund management, production safety and compliance with applicable environmental protection laws and regulations.

Our management team actively monitors and promptly reacts to changes in the industry's laws and regulations that impact our operations. Each of our manufacturing, research and development, sales and marketing and finance team members regularly report to our management with respect to any risks they identify, including product safety and quality risks, product liability risks and compliance risks. Where a potential risk or breach has been identified, responsible team members shall propose risk response plans if necessary for implementation and supervision, in order to minimise damage and prevent any further recurrence. Our Board supervises the implementation of our risk management policy at the corporate level by bringing together each operating department, to collaborate on risk issues among different business functions. We will consider whether measures against risk are being taken appropriately and revise our response plans or internal policies as appropriate.

In preparation for the [**REDACTED**], we engaged an internal control consultant to perform an internal control review of our Group's internal control system, including but not limited to the areas of financial, information technology, operation and compliance. Our internal control consultant would identify deficiencies in our internal control system, furnish recommendation on enhanced internal control measures established by us to prevent future violations and ensure on-going compliance with applicable laws and regulations, perform testing for the implementation status of such enhanced internal control measures and prepare a report in this regard.

Our Group has implemented or will implement the following internal control measures:

(i) we will formulate emergency preparation and response management procedures, safe production management system, occupational health management regulations and production safety accident emergency plan to standardise accident response, investigation and handling. We regularly arrange our safety management personnel to attend external training from a third-party organisation to ensure that we are up to date with industry-related health and safety information. Our safety management personnel will arrange regular trainings for our employees on health and safety and we will keep a training record. We will train at least one first aider for every 100 employees, who will be trained by a qualified third-party organisation trains and will obtain a first aid certificate;

(ii) we will regularly arrange for the identification and assessment of health and safety risks in each department by the responsible personnel of the safety department; establish and regularly update the files of major hazards according to the risk assessment methods of our Safety Risk Management System and Risk Assessment

Guidelines; and conduct risk assessment and develop risk control measures. We will give relevant support to the evaluation of the occupational disease hazards in our Group and arrange to commission a third-party organisation with appropriate qualifications to conduct an evaluation of the current occupational disease hazards at least once every three years and issue written records;

(iii) we will pay social security benefits for new employees within one month of their commencement date. The head of human resources will prepare the "Staff Housing Provident Fund Request Report" in accordance with the relevant regulations setting out the base level of the Housing Provident Fund, which will be approved by the general manager and the chairperson of the Board;

(iv) we have adopted various enhanced internal control and risk management measures in relation to sanctions compliance. For details, please refer to the section headed "Business – Business Dealings with Third Parties Subject to International Sanctions – Sanctions Compliance Measures" in this document for further information;

(v) we have adopted various enhanced internal control measures in relation to tax return filing and payment. For details, please refer to the section headed "Financial Information – Key Components of Our Consolidated Statements of Comprehensive Income – Income Tax Expense – PRC Tax Re-filings" in this document;

(vi) we will engage external PRC legal adviser(s) to provide assistance in respect of any legal and compliance matters relating to our operations, where necessary;

(vii) our Directors have attended trainings conducted by our Company's legal advisers as to Hong Kong law on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules, and our Directors are aware of their duties and responsibilities as directors of a listed company in Hong Kong;

(viii) we will establish an audit committee which comprises three independent non-executive Directors. The audit committee will also adopt terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters; and

(ix) we have appointed Soochow Securities International Capital Limited as our Company's compliance adviser pursuant to the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines.