*You should read the following discussion and analysis in conjunction with our audited consolidated financial statements, including the notes thereto included in the Accountants' Report set out in Appendix I to this document. The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions.*

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ from those anticipated in these forward-looking statements as a result of any of these factors, including those set out in "Forward-looking Statements" and "Risk Factors" in this document.

For the purpose of this section, unless the context otherwise requires, references to FY2021, FY2022 and FY2023 refer to our financial years ended 31 March 2021, 2022 and 2023, respectively; references to 8MFY2022, 8MFY2023 and 8MFY2024 refer to the first eight months of our financial years ended 30 November 2021, 2022 and 2023, and references to 2021, 2022 and 2023 refer to the calendar years ended 31 December of such years.

OVERVIEW

We are a national potash fertiliser company in China with sourcing and procurement and processing and manufacturing capabilities selling various potash fertiliser products. During the Track Record Period, we provided various potash fertiliser products, including KCL, SOP, NOP and compound fertilisers. We ranked the third among potash fertiliser companies in China in terms of sales volume of potash fertilisers in 2022, and we ranked the second among fertiliser companies without its own potash mineral resources (non reserve-based potash fertiliser companies) in China by the same measure. We accounted for approximately 7.1% of the total sales volume of potash fertilisers in China for the same year. In terms of sales revenue of KCL, SOP and NOP in 2022, we ranked the third, the fourth and the fifth, respectively, among potash fertiliser companies in China, and accounted for approximately 7.0%, 4.0% and 0.3% of the total sales revenue of KCL, SOP and NOP, respectively, in China for the same year.

For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our revenue amounted to RMB2,081.6 million, RMB3,841.4 million, RMB4,722.7 million, RMB2,727.2 million and RMB2,283.7 million, respectively, and our gross profit amounted to RMB250.7 million, RMB633.4 million, RMB767.5 million, RMB460.7 million and RMB329.6 million, respectively.

From FY2021 to FY2023, we achieved significant growth in our revenue. However, the level of growth from FY2021 to FY2023 was not indicative of our historical financial performance. For example, for FY2020, we recorded a significantly lower gross profit and profit for the year than FY2021, FY2022 and FY2023. We cannot assure you that we can continue to record the same level of growth or will not record net loss in the future. Please refer to the section headed "Risk Factors – Risks Relating to Our Business – We have historically recorded lower gross profit and net profit prior to the Track Record Period" for further information.

BASIS OF PREPARATION

The business of our Group commenced in 2003 when our founder established Sichuan Migao, our first PRC operating subsidiary. For the purpose of the [**REDACTED**] of our Shares on the Main Board of the Hong Kong Stock Exchange, our Group underwent certain Reorganisation steps, including incorporating our Company in the Cayman Islands on 21 November 2017 as an exempted company with limited liability. For further details of our Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure – The Reorganisation" in this document and Note 2 to the Accountants' Report in Appendix I to this document.

Upon completion of the Reorganisation, our Company has become the holding company of the companies now comprising our Group. Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity; accordingly, the historical financial information of our Group has been prepared as if our Company has always been the holding company of our Group.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial position and results of operations have been, or are expected to be in the future, significantly affected by a number of factors, many of which may be beyond our control. A discussion of certain of these key factors is set out below.

Price of Major Raw Material

KCL is our major raw material. Among our cost of goods sold, the cost of direct materials constituted approximately 95.9%, 97.9%, 97.5%, 97.2% and 96.4% of our total cost of goods sold, for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively. Among all direct materials, the purchase costs of KCL accounted for approximately 77.7%, 86.6%, 90.4%, 90.3% and 92.2% of our total purchase of all direct materials for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively. Therefore, our costs of KCL affect our gross profit margin.

The costs of KCL we purchased are subject to market conditions and import price fluctuations. The sea import master contract price ("**Sea Import Master Contract Price**") is negotiated by a consortium of PRC state-owned enterprises with overseas KCL producers and suppliers usually each year in an annual master contract which specifies the price term. Our purchase price of KCL is generally determined with reference to the Sea Import Master Contract Price and/or the Land Import Price depending on the mode of purchase. Our purchase price of KCL from domestic suppliers is commercially negotiated between us and domestic KCL suppliers. Such price under normal circumstances is generally higher than the price with overseas suppliers. The Sea Import Master Contract Price increased from US$220 per tonne in April 2020 to US$247 per tonne in February 2021, and further increased significantly to US$590 per tonne in February 2022, and subsequently decreased to US$307 per tonne in June 2023. The increase in 2022 was largely due to the supply shortage brought about by various factors, including the international sanctions targeting the Belarus Producer since mid-2021, the Russia-Ukraine conflict starting in February 2022 and the resulting sweeping sanctions imposed against Russia by the Western countries, the repeated COVID-19 outbreaks, the supply chain interruptions and the rising costs in logistics and transportation. Our historical operations and margins have been and will continue to be affected by price fluctuations of KCL. Please refer to the section headed "Risk Factors – Risk relating to our Business – We are exposed to global KCL supply uncertainty, as well as challenges in logistics and delivery; if we fail to effectively deal with these issues, our business and financial conditions could be adversely affected" of this document for further information.

For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our unit cost of goods sold of KCL was RMB1,546.0 per tonne, RMB2,438.9 per tonne, RMB3,126.2 per tonne, RMB3,394.1 per tonne and RMB2,248.4 per tonne, respectively. Assuming all other variables remain constant, the following sensitivity analysis illustrates the impact of hypothetical fluctuations in the unit cost of goods sold of our KCL per tonne on our profit before tax for the years/periods indicated. Based on the historical fluctuation of the unit cost of goods sold of our KCL and the Sea Import Master Contract Price during the Track Record Period up to the Latest Practicable Date, fluctuations are assumed to be 10%, 20% and 100% for the relevant indicated years/periods:

	For the year ended 31 March			For the eight months ended 30 November	
	2021	**2022**	**2023**	**2022**	**2023**
			RMB'000		
Change in profit before tax if unit cost of goods sold of KCL increases/ (decreases) by 10%	(112,147)/ 112,147	(270,493)/ 270,493	(333,555)/ 333,555	(196,238)/ 196,238	(168,612)/ 168,612
Change in profit before tax if unit cost of goods sold of KCL increases/ (decreases) by 20%	(224,294)/ 224,294	(540,986)/ 540,986	(667,109)/ 667,109	(392,475)/ 392,475	(337,224)/ 337,224
Change in profit before tax if unit cost goods sold of KCL increases/ (decreases) by 100%	(1,121,468)/ 1,121,468	(2,704,932)/ 2,704,932	(3,335,547)/ 3,335,547	(1,962,376)/ 1,962,376	(1,686,118)/ 1,686,118

Our Directors believe our purchase prices of KCL and thus our unit cost of goods sold of KCL will continue to fluctuate and we do not hedge our exposure to the fluctuation in the Sea Import Master Contract Price. In the event that the purchase price of KCL continues to rise due to external factors, which are out of our control and if we are not able to pass on the cost increase to our customers, our profits and financial performance could be materially and adversely affected.

Price of Products

Our major products are KCL and SOP. During FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, KCL accounted for approximately 60.1% to 87.2% of our total revenue, whereas SOP accounted for approximately 7.8% to 25.1% of our total revenue. According to the Pricing Law of the PRC, the price of most of commodities and services (including fertiliser products) is subject to market conditions and decided by market participants. As a result, any changes in the domestic market price of imported KCL and SOP, and to a less extent, the domestic market price of our other products, will affect our revenue and financial performance. For example, the average selling price of our KCL increased significantly by approximately 66.3% in FY2022 comparing to FY2021, which contributed to the significant increase in our total gross profit by RMB382.7 million, or approximately 152.6%, from RMB250.7 million for FY2021 to RMB633.4 million for FY2022, as well as the increase in our gross profit margin from approximately 12.0% for FY2021 to approximately 16.5% for FY2022.

The domestic market price of imported KCL in China increased from RMB1,785.7 per tonne in FY2021 to RMB3,339.4 per tonne in FY2022 and further to RMB3,914.9 per tonne in FY2023; whereas the domestic market price of SOP in China increased from RMB2,399.5 per tonne in FY2021 to RMB3,653.7 per tonne in FY2022 and further to RMB4,141.9 per tonne in FY2023. The domestic market price of imported KCL in China decreased to RMB2,523.8 per tonne in 8MFY2024; whereas the domestic market price of SOP in China decreased to RMB3,062.8 per tonne in the same period.

The following table sets forth the average selling prices per tonne of our products for the years/periods indicated:

	For the year ended 31 March			For the eight months ended 30 November	
	2021	2022	2023	2022	2023
	RMB per tonne				
Average selling price[(1)]					
KCL	1,723.9	2,867.7	3,771.6	4,112.8	2,598.2
SOP	2,328.4	3,281.5	3,850.3	4,030.4	3,065.8
NOP	3,726.6	4,006.1	6,097.7	5,691.4	6,043.7
Compound Fertilisers	2,364.5	2,275.7	2,501.8	2,701.8	2,397.2
By-Products and Others[(2)]	310.7	430.5	674.6	848.8	423.1

Notes:

(1) Value added tax is excluded.

(2) Our other products include floating seed (漂盤), which we sold to our tobacco company customers by pieces (and not weight) since FY2021. Thus, we excluded the revenue contributed by the sales of floating seed and the sales volume of floating seed from the average selling price calculation of by-products and other products sold by us.

Since the fourth quarter of 2021, we adopted a new business arrangement with Guizhou Tobacco Investment (one of our overlapping customers and suppliers) with respect to certain compound fertiliser. Under the new arrangement, Guizhou Tobacco Investment provides the principal raw materials to us for manufacturing into such compound fertiliser; in return, we charge them production fees, as opposed to the old arrangement under which we sourced raw materials according to Guizhou Tobacco Investment's requirements, manufactured the raw materials into compound fertiliser and then sold the products to Guizhou Tobacco Investment. In FY2022, FY2023, 8MFY2023 and 8MFY2024, the average production fee for compound fertiliser under this new business arrangement was RMB454.4 per tonne, RMB519.5 per tonne, RMB512.6 per tonne and RMB395.2 per tonne, respectively.

The average selling prices of our KCL and SOP as set out in the table above during the Track Record Period generally correlated the fluctuations of the domestic market price. The average selling price of our KCL and SOP were below domestic market price of imported KCL and SOP in the PRC during FY2021, FY2022 and FY2023 primarily due to the competitive pricing we offered to our key customers such as large agricultural reclamation companies and agribusiness companies for their relatively large sales orders during the same years, so as to develop and maintain a strategic cooperation network with these key customers.

As our compound fertiliser is a multi-component providing phosphorus and potassium, the changes in average selling price of our compound fertiliser for each of the financial years/periods during the Track Record Period can generally be attributed to the differences in types of our compound fertiliser sold for the relevant years/periods. For example, the increase in average selling price of our compound fertiliser from RMB2,275.7 per tonne for FY2022 to RMB2,501.8 per tonne for FY2023 was primarily due to the increasing trend in the sales volume of certain types of our compound fertiliser with higher selling price for the relevant years.

Assuming all other variables remain constant, the following sensitivity analysis illustrates the impact of hypothetical fluctuations in the average selling price of our KCL and SOP on our profit before tax for the years/periods indicated. Based on the historical fluctuation of our average selling price and the domestic market price of imported KCL and SOP during the Track Record Period and up to Latest Practicable Date, fluctuations are assumed to be 10%, 20% and 60% during the relevant years/periods:

	For the year ended 31 March			For the eight months ended 30 November	
	2021	**2022**	**2023**	**2022**	**2023**
			RMB'000		
Change in profit before tax if average selling price of KCL increases/(decreases) by 10%	125,049/ (125,049)	318,057/ (318,057)	402,409/ (402,409)	237,789/ (237,789)	194,841/ (194,841)
Change in profit before tax if average selling price of KCL increases/(decreases) by 20%	250,098/ (250,098)	636,115/ (636,115)	804,818/ (804,818)	475,578/ (475,578)	389,682/ (389,682)
Change in profit before tax if average selling price of KCL increases/(decreases) by 60%	750,293/ (750,293)	1,908,345/ (1,908,345)	2,414,453/ (2,414,453)	1,426,735/ (1,426,735)	1,169,047/ (1,169,047)
Change in profit before tax if average selling price of SOP increases/(decreases) by 10%	52,204/ (52,204)	53,357/ (53,357)	47,606/ (47,606)	21,376/ (21,376)	25,039/ (25,039)
Change in profit before tax if average selling price of SOP increases/(decreases) by 20%	104,408/ (104,408)	106,714/ (106,714)	95,212/ (95,212)	42,752/ (42,752)	50,077/ (50,077)
Change in profit before tax if average selling price of SOP increases/(decreases) by 60%	313,223/ (313,223)	320,141/ (320,141)	285,635/ (285,635)	128,255/ (128,255)	150,232/ (150,232)

Product Mix

During the Track Record Period, we sold KCL, SOP, NOP, compound fertiliser, and by-products and other products which mainly consist of HCL and fertiliser additive. The sales of KCL contributed the largest portion of our revenue, accounting for approximately 60.1%, 82.8%, 85.2%, 87.2% and 85.3% of our total revenue for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively. The second largest portion of our revenue has been derived from the sales of SOP, which accounted for approximately 25.1%, 13.9%, 10.1%, 7.8% and 11.0% of our total revenue for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, respectively.

The following table sets forth the sales volume of our products in absolute amount and as a percentage of our total sales volume for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	Tonnes	*%*	*Tonnes*	*%*	*Tonnes*	*%*	*Tonnes*	*%*	*Tonnes*	*%*
Sales volume										
KCL	725,405	58.1	1,109,099	74.5	1,066,950	73.9	578,170	74.3	749,913	74.1
SOP	224,201	18.0	162,599	10.9	123,642	8.6	53,036	6.8	81,670	8.1
NOP	13,167	1.1	2,230	0.1	2,520	0.2	2,177	0.3	388	0.0
Compound Fertilisers										
– By sales	81,892	6.6	10,982	0.7	19,085	1.3	3,632	0.5	3,489	0.3
– By provision of production services[(1)]	–	–	45,787	3.1	57,826	4.0	19,459	2.5	13,724	1.4
By-Products and Others[(2)]	204,137	16.3	158,633	10.7	173,605	12.0	121,648	15.6	162,410	16.1
Total	1,248,802	100.0	1,489,330	100.0	1,443,628	100.0	778,122	100.0	1,011,594	100.0

Notes:

(1) It represents the volume of compound fertiliser we manufactured for Guizhou Tobacco Investment under the new business arrangement since the fourth quarter of 2021 for which we only charge production fees.

(2) Our other products include floating seed (漂盤), which we sold to our tobacco company customers by pieces (and not weight) since FY2021. Thus, we excluded floating seed from the volume calculation of by-products and others sold by us. Floating seed is a container used by our tobacco company customers for cultivating the seedlings of tobacco and is a non-fertiliser product of our Group. Floating seed was only sold together with our fertiliser products to tobacco companies as a value-added product. During FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, revenue from sales of floating seed was RMB2.9 million, RMB4.2 million, RMB12.3 million, RMB0.1 million and RMB0.1 million respectively, representing only approximately 0.1%, 0.1%, 0.3%, 0.1% and less than 0.1% of the total revenue for the same years/periods.

The change in the product mix has had, and will continue to have, an impact on our financial performance. Generally, our SOP have higher average selling price than our KCL, and our NOP have higher average selling price than our SOP. Thus, historically NOP commanded higher gross profit margin than SOP, and SOP had higher gross profit margin than KCL. However, we recorded a lower gross profit margin for our NOP during the Track Record Period as we purchased NOP from external suppliers following the discontinuation of NOP production at our own facility since 2019 which increased the unit cost of goods sold of NOP. Under normal circumstance and after we resume NOP production to a normal commercial production scale when our New Sichuan Production Facility is completed, we expect that the higher proportion of SOP and NOP sold, the higher of the gross profit margin we might achieve. Please refer to the section headed "Business – Expansion Plan – New Sichuan Production Facility Plan" in this document for further details. In addition, in view of the relatively low demand of our SOP during the non-peak season in FY2023, we adopted a temporary marketing strategy to offer competitive pricing to certain customers of our SOP during such year so as to promote sales of our SOP. As such, we recorded a lower gross profit margin for our SOP for FY2023 as compared to the gross profit margin for our KCL for the same year.

In FY2022, the average selling price of our KCL surged by approximately 66.3% compared to that in FY2021, which has the highest increase in average selling price among all of our other products for the same year. In such a case, the higher proportion of KCL we sold in our product portfolio, the higher gross profit margin we can achieve. In FY2022, we sold a total of approximately 1,109,099 tonnes of KCL compared to a total of approximately 725,405 tonnes in FY2021, representing an increase of approximately 52.9% in the sales volume of KCL. Accordingly, the proportion of sales volume of KCL to our total sales volume increased from approximately 58.1% for FY2021 to approximately 74.5% for FY2022. As a result, the increase in the proportion of KCL sales contributed to the increase of our gross profit margin from approximately 12.0% for FY2021 to approximately 16.5% for FY2022.

Production capacity, production volume and utilisation rate

Our results of operations depend on our production capacity, production volume and utilisation rate. As at the Latest Practicable Date, we had five key production facilities. We are planning to construct the New Sichuan Production Facility and plan to resume production of NOP, SOP and compound fertiliser at the New Sichuan Production Facility. As at the Latest Practicable Date, we had 40 SOP production lines, three KCL granulating lines and three compound fertilisers production lines.

In general, higher our production capacity will enable us to have more products for sales to satisfy our customers' demand and therefore may achieve higher revenue. In addition, a higher production capacity and better utilisation of our production facilities will allow us to achieve a better economy of scale, resulting in the reduction of the fixed costs to be assigned to each unit of our products and increase in the profitability of our products. Following the inclusion of Baoqing Migao and Anda Migao as our subsidiaries on 31 March 2022, our estimated annual production capacity for SOP increased by approximately 144,000 tonnes as at the Latest Practicable Date, which is expected to contribute to the expected increase in revenue in the near future.

Seasonality

The sales of our fertiliser products is seasonal because the use of crop nutrients is seasonal. Farmers tend to apply crop nutrients during two short application periods, the strongest one in the spring, before planting, and the other in the fall, after harvest. As a result, the strongest demand for our products typically occurs during the spring planting season (January to March), with a second period of demand in the post harvest fertilising season (October to December). These two demand seasons fall into the second half of our financial year, with the non-peak season (April to September) falling into the first half of our financial year. The seasonality of crop nutrient demand results in our sales volume and sales revenue typically being the highest during the second half of our fiscal year and our working capital requirements typically being the highest just prior to the start of the fall season.

Accordingly, our sales in the second half of our financial year are typically significantly higher than those in the first half of our financial year. In each of FY2021, FY2022 and FY2023, revenue generated from the first half of the financial year only accounted for approximately 33.6%, 41.6% and 35.7% of our total revenue, respectively. We recorded a higher proportion of revenue in the first half of FY2022 as compared to the first half of FY2021 and the first half of FY2023, as our customers had increased their potash fertiliser reserve in the first half of FY2022 for use in the upcoming harvest and planting seasons in view of the potential risk of adverse domestic market price fluctuation of imported KCL due to the global supply uncertainty.

In addition, the degree of seasonality of our business can change significantly from year to year due to conditions in the agricultural industry and other factors, which makes it difficult for us to predict the level of demand with precision. If seasonal demand exceeds our expectation, we will not have enough products to sell to customers, which would affect our sales performance. If seasonal demand is less than what we expect, we will be left with excess inventory, higher working capital and liquidity requirements, as well as the risk of impairment losses on our inventory.

Market demand of Potash Fertiliser products

The demand for our product and services is primarily driven by the plantation activities of our customers.

Since the second half of 2020, domestic plantation activities recovered as a result of the governmental policy on promoting agricultural activities and stabilising agricultural products supplies, such as the Notice of the Central Leading Group against COVID-19 on Printing and Distributing the Current Spring Ploughing Production Guidelines (中央應對新型冠狀病毒感染

肺炎疫情工作領導小組關於印發當前春耕生產工作指南的通知), the Notice on Effectively Supporting the Stable Production and Supply of Agricultural Products During the Prevention and Control of the New Coronary Pneumonia Epidemic (關於切實支持做好新冠肺炎疫情防控期間農產品穩產保供工作的通知) and the Notice on Doing a Good Job in the Production, Supply and Price Stabilisation of Fertilisers for Spring Ploughing in 2021 (關於做好2021年春耕化肥生產供應和價格穩定工作的通知) implemented. As a result, our sales volume increased from approximately 1,248,802 tonnes for FY2021 to approximately 1,489,330 tonnes for FY2022, resulting in the profit after tax of RMB206.5 million for FY2021 and RMB396.6 million for FY2022.

MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Results may differ from these estimates under different assumptions and conditions.

Our management continually evaluates such estimates, assumptions and judgments based on historical experience and other assumptions which our management believes to be reasonable under the circumstances.

We set forth below the accounting policies that we believe involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policy information, as well as our key source of estimation uncertainties, which are important for understanding our financial condition and results of operations, are set forth in Notes 4 and 5 of Appendix I to this document.

Impairment of Financial Assets

We perform impairment assessment under expected credit loss ("**ECL**") model on financial assets, which include trade and other receivables, amount due from a related company, amounts due from joint ventures, loans to joint ventures, amount due from a shareholder, and restricted cash and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Assessment are done based on our Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

We use both lifetime ECL model and 12-month ECL ("**12m ECL**") model to recognise our financial assets. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

The provision of ECL is sensitive to changes in estimates. We recognises lifetime ECL for trade receivables and trade related balances with related parties. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings. For all other instruments, our Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case we recognise lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

For trade receivables which are individually insignificant, we use collective assessment to calculate ECL. The ECL rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The collective assessment is based on our Group's historical default rates, taking into consideration forward-looking information that is reasonable, supportable, and available without undue costs or effort. At every reporting date, our management also reassessed the historical observed default rates and considered changes in the forward-looking information.

For the non-trade related balances with related parties, our Directors have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of these balances. Accordingly, the loss allowance for non-trade related balances with related parties are measured at an amount equal to 12-month ECL. Assessment are done based on our Group's historical credit loss experience, adjusted for factors that are specific to the related parties, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Impairment on Plant and Equipment, and Right-of-Use Assets

We have a number of product facilities hosting various plants and equipment. At the end of each reporting year/period, we review the carrying amounts of our plant and equipment, and right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, our Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. In testing a CGU for impairment, we allocated assets to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not to exceed the carrying amount determined in prior years. An impairment loss or a reversal of an impairment loss is recognised immediately in profit or loss. During the Track Record Period, no impairment loss was recognised for our plant and equipment and right-of-use assets.

Impairment on Goodwill

Our goodwill was arising from our acquisition of Daxing Migao during the year ended 31 March 2017 and our acquisition of Baoqing Migao on 31 March 2022. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, our goodwill is allocated to Daxing Migao and Baoqing Migao, i.e. our CGUs that are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting year/period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting year/period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). The recoverable amounts of our relevant CGUs, namely, Daxing Migao and Baoqing Migao, have been determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by our management covering a 5-year period, and pre-tax discount rate of 18%. The cash flows beyond the 5-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, and such estimation is based on the CGU's past performance and our management's expectations for the market development. During the Track Record Period, our Directors determine that there is no impairment on our relevant CGUs.

Our Group performed sensitivity test on Baoqing Migao CGU as at 31 March 2023 and 30 November 2023 by increasing 1% of pre-tax discount rate or decreasing 1% of long-term growth rate or decreasing 5% of budgeted sales or decreasing 1% of budgeted gross margin, which are the key assumptions for determining the recoverable amount of Baoqing Migao CGU, with all other variables held constant.

Based on the sensitivity test performed, no material impairment issue was noted. The headroom of Baoqing Migao CGU as at 31 March 2023 and 30 November 2023 is not less than 22%.

Our Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of a CGU to exceed the recoverable amount of that CGU.

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Ownership Interests in Leasehold Land and Building

When we purchase properties which includes both leasehold land and building elements, we allocate the consideration between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets". When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as plant and equipment. During the Track Record Period, all of our interest in leasehold land was presented as "right-of-use assets".

We recognise depreciation so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year/period, with the effect of any changes in estimate accounted for on a prospective basis.

Investments in Joint Ventures

We have a 50%-50% joint venture with EuroChem International, namely, EuroChem Migao, which in turn holds 70% of equity interest in Yunnan EuroChem. In addition, since the establishment of Baoqing Migao and Anda Migao and up to 31 March 2022, our Group was able to exercise joint control over them as decisions on certain matters would require consent of all shareholders of Baoqing Migao and Anda Migao under their respective articles of association, and accordingly, Baoqing Migao and Anda Migao were treated as joint ventures of our Group. Our investments in joint ventures are accounted for using the equity method from the respective date on which each investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over our share of the net fair value of the identifiable assets and liabilities of the investee are recognised as goodwill, which is included within the carrying amount of the investment. Any excess of our share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the year/period in which each relevant investment is acquired.

Following the amendments to the respective articles of association of Baoqing Migao and Anda Migao by removing specific terms which would require consent of all shareholders of Baoqing Migao and Anda Migao on certain matters, our Group has obtained control over Baoqing Migao and Anda Migao and they have become our subsidiaries since 31 March 2022. When our Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, our Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, our Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

We assess whether there is an objective evidence that the interest in the joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases. During the Track Record Period, no impairment loss was recognised for our investments in joint ventures. In particular, although our Group had shared loss from EuroChem Migao in FY2021 and 8MFY2024, no impairment loss was recognised for our investment in EuroChem Migao for the same year/period. Our Directors considered that the losses incurred by EuroChem Migao for FY2021 and 8MFY2024 were temporary, as (i) the loss incurred by EuroChem Migao for FY2021 was primarily due to the outbreak of COVID-19 and the adverse changes in the economic environment during the same year; and (ii) the loss incurred by EuroChem Migao for 8MFY2024 was primarily due to the temporary decrease in sales volume of their NOP and the decrease in gross profit margin of their compound fertilisers for the same period due to the impact of seasonality. As such, there was no objective evidence that our investment in EuroChem Migao as at 31 March 2021 and 30 November 2023 may be impaired and no impairment assessment was carried out.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which our Group must incur to make the sales. During the Track Record Period, no impairment loss was recorded for our inventories.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss data and each item as a percentage of our total revenue for the years/periods indicated, which is derived from our consolidated statements of profit or loss set out in the Accountants' Report included in Appendix I to this document:

	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* (unaudited)	%	*RMB'000*	%
Revenue	2,081,579	100.0	3,841,400	100.0	4,722,749	100.0	2,727,223	100.0	2,283,747	100.0
Cost of goods sold	(1,830,838)	(88.0)	(3,207,977)	(83.5)	(3,955,216)	(83.7)	(2,266,532)	(83.1)	(1,954,164)	(85.6)
Gross profit	250,741	12.0	633,423	16.5	767,533	16.3	460,691	16.9	329,583	14.4
Other income	15,545	0.7	17,416	0.5	6,847	0.1	4,304	0.2	6,309	0.3
Other gains and losses	126,982	6.1	12,055	0.3	(16,908)	(0.4)	(12,907)	(0.5)	4,133	0.2
Impairment losses, net of reversal	2,954	0.1	(11,181)	(0.3)	1,655	0.0	(4,441)	(0.2)	2,931	0.1
Distribution and selling expenses	(28,304)	(1.4)	(74,768)	(1.9)	(61,716)	(1.3)	(34,924)	(1.3)	(17,311)	(0.8)
General and administrative expenses	(62,800)	(3.0)	(63,607)	(1.7)	(105,689)	(2.2)	(60,188)	(2.2)	(63,511)	(2.8)
Research and development expenses	(24,515)	(1.2)	(38,854)	(1.0)	(31,037)	(0.7)	(21,681)	(0.8)	(26,299)	(1.2)
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other expenses	(1,424)	(0.1)	–	–	–	–	–	–	–	–
Share of results of joint ventures	(2,038)	(0.1)	28,287	0.7	11,267	0.2	(298)	(0.0)	(11,142)	(0.5)
Finance costs	(10,471)	(0.5)	(9,661)	(0.3)	(17,651)	(0.4)	(12,240)	(0.4)	(12,729)	(0.6)
PROFIT BEFORE TAX	264,926	12.7	471,044	12.3	533,414	11.3	305,485	11.2	196,608	8.6
Income tax expense	(58,401)	(2.8)	(74,464)	(1.9)	(111,900)	(2.4)	(68,642)	(2.5)	(34,482)	(1.5)
PROFIT FOR THE YEAR/PERIOD	206,525	9.9	396,580	10.3	421,514	8.9	236,843	8.7	162,126	7.1
Profit (loss) for the year/period attributable to:										
Owners of our Company	202,294	9.7	396,337	10.3	405,089	8.6	237,552	8.7	157,235	6.9
Non-controlling interests	4,231	0.2	243	0.0	16,425	0.3	(709)	(0.0)	4,891	0.2
	206,525	9.9	396,580	10.3	421,514	8.9	236,843	8.7	162,126	7.1

KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue mainly consists of sales of our products. Since the fourth quarter of 2021, we started to generate production fees through the provision of production services. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our revenue amounted to RMB2,081.6 million, RMB3,841.4 million, RMB4,722.7 million, RMB2,727.2 million and RMB2,283.7 million, respectively. The major source of our revenue during the Track Record Period was generated from the sales of KCL, and secondly from the sales of SOP. The following table sets forth the breakdown of our total revenue by source for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Sales of products	2,081,579	100.0	3,820,596	99.5	4,692,708	99.4	2,717,248	99.6	2,278,323	99.8
Provision of production services	–	–	20,804	0.5	30,041	0.6	9,975	0.4	5,424	0.2
Total	2,081,579	100.0	3,841,400	100.0	4,722,749	100.0	2,727,223	100.0	2,283,747	100.0

Revenue from Sales of Products

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

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Revenue from sales of products										
– KCL	1,250,489	60.1	3,180,575	82.8	4,024,088	85.2	2,377,891	87.2	1,948,412	85.3
– SOP	522,039	25.1	533,569	13.9	476,058	10.1	213,759	7.8	250,386	11.0
– NOP	49,068	2.4	8,933	0.2	15,366	0.3	12,391	0.5	2,347	0.1
– Compound Fertilisers	193,629	9.3	24,992	0.7	47,747	1.0	9,812	0.3	8,363	0.4
– By-Products and Others[(1)]	66,354	3.2	72,527	1.9	129,449	2.7	103,395	3.8	68,815	3.0
Total	2,081,579	100.0	3,820,596	99.5	4,692,708	99.4	2,717,248	99.6	2,278,323	99.8

Note:

(1) By-products and others mainly consists of HCL and fertiliser additive.

Sales of KCL

KCL are the products from which we derived most of our revenue. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, revenue from our sales of KCL was RMB1,250.5 million, RMB3,180.6 million, RMB4,024.1 million, RMB2,377.9 million and RMB1,948.4 million, respectively, which contributed to approximately 60.1%, 82.8%, 85.2%, 87.2% and 85.3% of our total revenue during the same years/periods, respectively.

Our revenue from the sale of KCL increased by RMB1,930.0 million or approximately 154.3% from RMB1,250.5 million for FY2021 to RMB3,180.6 million for FY2022 primarily due to (i) the significant increase in the average selling price of our KCL by approximately 66.3% from RMB1,723.9 per tonne in FY2021 to RMB2,867.7 per tonne in FY2022 as a result of the shortage in supply of KCL in China, as well as globally, due to the uncertainty in global potash supply; and (ii) the substantial increase in sales volume of our KCL by approximately 52.9% from approximately 725,405 tonnes in FY2021 to approximately 1,109,099 tonnes in FY2022 driven by the increased demand in China due to increasing plantation and agricultural activities as the economic and market conditions in China continued to recover from COVID-19.

Our revenue from the sale of KCL increased by RMB843.5 million or approximately 26.5% from RMB3,180.6 million for FY2022 to RMB4,024.1 million for FY2023, primarily due to the significant increase in the average selling price of our KCL by approximately 31.5% from RMB2,867.7 per tonne in FY2022 to RMB3,771.6 per tonne in FY2023 as a result of the uncertainty in global potash supply, partially offset by the decrease in sales volume of our KCL by approximately 3.8% from approximately 1,109,099 tonnes in FY2022 to approximately 1,066,950 tonnes in FY2023 due to the additional demand of our KCL in FY2022 as our agricultural reclamation customers had increased their potash fertiliser reserve for use in the upcoming harvest and planting seasons in view of the potential risk of adverse domestic market price fluctuation of imported KCL due to the global supply uncertainty, while a general decreasing trend was recorded for the domestic market price of imported KCL by month in China within FY2023.

Our revenue from the sale of KCL decreased by RMB429.5 million or approximately 18.1% from RMB2,377.9 million for 8MFY2023 to RMB1,948.4 million for 8MFY2024, primarily due to (i) the decrease in average selling price of our KCL by approximately 36.8% from RMB4,112.8 per tonne in 8MFY2023 to RMB2,598.2 per tonne in 8MFY2024. Such decrease was attributable to the reducing uncertainties on the global supply of potash fertiliser as the U.S. Department of Treasury had clarified in the third quarter of 2022 that agricultural commodities (including fertilisers) were not targets of the sanctions imposed by the U.S. on Russia, and the U.S. had not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia. It is not expected there will be a further decrease in the Sea Import Master Contract Price in the near future as the international market price of KCL has been recovering from its low level in June 2023, and therefore, we expect that the average selling price of our KCL will not further decrease, partially offset by (ii) the increase in sales volume of our KCL by approximately 171,742 tonnes from 8MFY2023 to 8MFY2024, due to the increase in demand of KCL in 8MFY2024 as a result of the decrease in domestic market price of imported KCL in 8MFY2024. In addition, as the Sea Import Master Contract Price has been determined in June 2023 and the further decrease in domestic market price of imported KCL has eased and the domestic market price of imported KCL has been recovering in the second half of 2023, a considerable amount of customers, who had previously took a more conservative approach in their purchases of our KCL in view of the magnitude of the decrease in domestic market price of imported KCL in the first half of 2023, had commenced their purchases of remaining planned purchase volume of KCL from July 2023 to November 2023.

The sales volume of our KCL was approximately 1,007,000 tonnes for the ten months ended 31 January 2024, which already represented approximately 94.3% of our total sales volume of KCL for FY2023. Therefore, we expect the sales volume of our KCL for FY2024 would exceed FY2023.

Our Group recorded a significant revenue growth for the sales of our KCL as compared to the industry average during the Track Record Period, primarily due to the product mix of our Group and the customer portfolio for our KCL. First of all, the sales of our KCL is the primary source of our revenue, and its sales volume contributed approximately 58.1% to 74.5% of our total sales volume during Track Record Period. As such, the significant increase in average selling price of our KCL from RMB1,723.9 per tonne for FY2021 to RMB3,771.6 per tonne for FY2023 as a result of factors as highlighted in the paragraph headed "Key Factors Affecting our Results of Operations – Price of Major Raw Material" above had led to the higher revenue growth as compared to the industry average during the Track Record Period. In addition, in response to government policies on promoting agricultural activities and stabilising agricultural products supplies implemented since FY2021, our SOE customers, who were the major customers for our KCL and contributed more than a majority of our revenue during the Track Record Period, had significantly increased their demands in our KCL in FY2022. As such, our revenue derived from SOE customers increased from RMB1,212.8 million for FY2021 to RMB2,608.4 million for FY2022, which also led to the higher growth in our revenue as compared to the industry average during the Track Record Period.

Sales of SOP

For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, revenue from our sale of SOP amounted to RMB522.0 million, RMB533.6 million, RMB476.1 million, RMB213.8 million and RMB250.4 million, respectively, which contributed to approximately 25.1%, 13.9%, 10.1%, 7.8% and 11.0% of our total revenue during the same years/periods, respectively.

Our revenue from the sale of SOP increased by RMB11.5 million or approximately 2.2% from RMB522.0 million for FY2021 to RMB533.6 million for FY2022, mainly due to the substantial increase in the average selling price of our SOP by approximately 40.9%, partially offset by the decrease in the sales volume of our SOP by approximately 27.5%. The potash fertiliser market was relatively volatile in FY2022 due to the shortage in supply of KCL, which led to a substantial increase in domestic market price of SOP, as KCL is the principal raw material for manufacturing SOP. In addition, SOP as crop nutrients can be replaced by KCL to some extent. As such, when the domestic market price of SOP continued to increase, as an alternative, customers are inclined to purchase KCL, which has a lower price generally. As a result, the demand of our SOP decreased in FY2022.

Our revenue from the sale of SOP decreased by RMB57.5 million or approximately 10.8% from RMB533.6 million for FY2022 to RMB476.1 million for FY2023, primarily due to the decrease in sales volume of our SOP by approximately 24.0% from approximately 162,599 tonnes in FY2022 to approximately 123,642 tonnes in FY2023 due to the negative impact of the increase in the average selling price of our SOP on the demand of our SOP, partially offset by the increase in the average selling price of our SOP by approximately 17.3% from RMB3,281.5 per tonne in FY2022 to RMB3,850.3 per tonne in FY2023 as a result of the increase in the purchase costs of KCL for use as raw material for manufacturing our SOP.

Our revenue from the sale of SOP increased by RMB36.6 million or approximately 17.1% from RMB213.8 million for 8MFY2023 to RMB250.4 million for 8MFY2024, primarily due to the increase in sales volume of our SOP by approximately 54.0% from approximately 53,036 tonnes in 8MFY2023 to approximately 81,670 tonnes in 8MFY2024 due to the positive impact of the decrease in the average selling price of our SOP on the demand of our SOP, partially offset by the decrease in the average selling price of our SOP by approximately 23.9% from RMB4,030.4 per tonne in 8MFY2023 to RMB3,065.8 per tonne in 8MFY2024 as a result of the decrease in purchase costs of KCL for use as raw material for manufacturing our SOP due to the decrease in the uncertainties on the global supply of potash fertiliser from the third quarter of 2022.

Sales of NOP

For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, revenue from our sale of NOP amounted to RMB49.1 million, RMB8.9 million, RMB15.4 million, RMB12.4 million and RMB2.3 million, respectively, which contributed to approximately 2.4%, 0.2%, 0.3%, 0.5% and 0.1% of our total revenue during the same years/periods, respectively.

Our revenue from the sale of NOP remained low during the Track Record Period because we discontinued manufacturing of NOP since January 2019 in our Chengdu Production Facility, which was the only production line of NOP within our Group, as a result of change of zoning policy by the local government. Since then, we purchased finished NOP mostly from Yunnan EuroChem, an indirect joint venture of our Company, at domestic market price, leaving us with little or no profits on our sales of NOP. As a result, we mainly sold NOP during the Track Record Period to satisfy long-term customers' ad hoc demand. For example, in FY2021, we secured a relatively large order from a tobacco company for NOP, which contributed approximately 63.3% of overall revenue dervied from the sales of NOP in FY2021 and led to the higher revenue for the sales of our NOP of RMB49.1 million for the same year as compared to FY2022 and FY2023.

Sales of Compound Fertiliser

For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, revenue from our sale of compound fertiliser amounted to RMB193.6 million, RMB25.0 million, RMB47.7 million, RMB9.8 million and RMB8.4 million, respectively, which contributed to approximately 9.3%, 0.7%, 1.0%, 0.3% and 0.4% of our total revenue during the same years/periods, respectively.

Most of our compound fertilisers are customised based on tobacco companies' requests, and therefore the volume of sales order could vary from time to time based on the annual soil nutrition testing results and other factors taken into account by tobacco companies.

In addition, we began to adopt a new type of business arrangement with Guizhou Tobacco Investment for the tobacco compound fertiliser we manufacture for them since the fourth quarter of 2021, under which we derived production fees, as opposed to revenue from sales of compound fertiliser under the old arrangement. As such, such new arrangement contributed further to the lower proportion of revenue from sales of compound fertiliser in FY2022 and FY2023 as compared to FY2021. For details, please refer to the paragraph headed "Revenue from Provision of Production Services" below.

The revenue contribution of our compound fertiliser remained relatively low in both 8MFY2023 and 8MFY2024, primarily due to the low demand for compound fertiliser from our tobacco company customers during the non-peak season.

Sales of By-products and Other Products

Our by-products and other products mainly consist of HCL, which is a by-product from the manufacturing of SOP, and fertiliser additive. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, revenue from our sale of by-products and other products was RMB66.4 million, RMB72.5 million, RMB129.4 million, RMB103.4 million and RMB68.8 million, respectively, which contributed to approximately 3.2%, 1.9%, 2.7%, 3.8% and 3.0% of our total revenue during the same years/periods, respectively.

The sales of our by-products and other products are primarily relating to the production volume of our SOP. Our revenue from the sale of by-products and other products increased by RMB6.2 million, or approximately 9.3% from RMB66.4 million for FY2021 to RMB72.5 million for FY2022 primarily due to the increase in sales of HCL which contributed RMB59.2 million and RMB63.1 million of revenue for the years ended 31 March 2021 and 2022, respectively. The increase in revenue contributed by sales of HCL was mainly due to the increase in selling price of our HCL driven by the increasing demand in South China region. In addition, we recorded a slight increase in revenue contributed by sales of floating seed and other processing fees of RMB4.2 million and RMB5.0 million respectively in FY2022, as compared to RMB2.9 million and RMB2.7 million in FY2021, which, to a lesser extent, led to the increase in revenue from sales of by-products and other products in FY2022.

Our revenue from the sale of by-products and other products increased by RMB56.9 million, or approximately 78.5%, from RMB72.5 million for FY2022 to RMB129.4 million for FY2023, primarily due to (i) the additional revenue derived from the sales of our new fertiliser additive introduced in FY2023 of RMB54.6 million; and (ii) the additional revenue derived from the disposal of unused auxiliary raw materials for the manufacturing of compound fertiliser of RMB15.5 million to Guizhou Tobacco Investment in FY2023 as a result of the change in our business arrangement with Guizhou Tobacco Investment regarding tobacco compound fertiliser, partially offset by the decrease in sales of HCL from RMB63.1 million for FY2022 to RMB46.7 million for FY2023 as a result of the decrease in sales volume of HCL from approximately 147,362 tonnes for FY2022 to approximately 128,434 tonnes for FY2023 due to the decrease in production and sales volume of our SOP in FY2023 as well as the decrease in average selling price of our HCL from RMB428.0 per tonne for FY2022 to RMB363.9 per tonne for FY2023.

Our revenue from the sale of by-products and other products decreased by RMB34.6 million, or approximately 33.4%, from RMB103.4 million for 8MFY2023 to RMB68.8 million for 8MFY2024, primarily due to (i) the decrease in average selling price of our HCL from RMB447.3 per tonne in 8MFY2023 to RMB120.2 per tonne in 8MFY2024; and (ii) the decrease in revenue derived from the sales of our fertiliser additive from RMB54.6 million in 8MFY2023 to RMB42.4 million in 8MFY2024, which was mainly contributed by the demand from oversea customers in 8MFY2024, partially offset by (iii) the increase in sales volume of HCL from approximately 79,144 tonnes in 8MFY2023 to approximately 130,157 tonnes in 8MFY2024.

Revenue from Provision of Production Services

Since the fourth quarter of 2021, we began to adopt a new type of business arrangement with Guizhou Tobacco Investment for certain tobacco compound fertiliser we manufacture for them. Under the new arrangement, Guizhou Tobacco Investment would provide us with the principal raw materials and we would only charge them a production fee for manufacturing certain tobacco compound fertiliser.

The following table sets forth the breakdown of our revenue derived from Guizhou Tobacco Investment by source of revenue and each item as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Revenue from Guizhou Tobacco Investment[(1)]										
– Sales of tobacco compound fertiliser	158,728	7.6	1,161	0.0	18,121	0.4	1,628	0.1	1,594	0.1
– Provision of production services	–	–	20,804	0.5	30,041	0.6	9,975	0.4	5,424	0.2
Total	158,728	7.6	21,965	0.6	48,161	1.0	11,603	0.4	7,018	0.3

Note:

(1) During the Track Record Period, value-added tax rate of 9% was applicable to the sales of our tobacco compound fertiliser to Guizhou Tobacco Investment and value-added tax rate of 6% to 13% was applicable to our provision of production services to Guizhou Tobacco Investment.

The decrease in revenue derived from Guizhou Tobacco Investment from RMB158.7 million in FY2021 to RMB22.0 million in FY2022 was primarily due to (i) the lower average production fees in FY2022 of RMB454.4 per tonne, as compared to the average selling price for our sales of tobacco compound fertiliser to Guizhou Tobacco Investment in FY2021 of RMB2,496.0 per tonne, as it is not necessary to take into account the costs of raw materials as well as the labour costs for raw material sourcing for the determination of production fees under the new business arrangement; and (ii) the decrease in volume of tobacco compound fertiliser supplied to Guizhou Tobacco Investment from approximately 63,593 tonnes for FY2021 to approximately 46,127 tonnes in FY2022. The revenue contributed by Guizhou Tobacco Investment increased by RMB26.2 million, or approximately 119.3%, from RMB22.0 million for FY2022 to RMB48.2 million for FY2023, primarily due to the (i) increase in revenue from our sales of compound fertiliser to Guizhou Tobacco Investment from RMB1.2 million for FY2022 to RMB18.1 million for FY2023 as a result of the increase in sales volume of compound fertiliser to Guizhou Tobacco Investment from approximately 340 tonnes for FY2022 to approximately 8,170 tonnes for FY2023; and (ii) the increase in revenue from our provision of production services from RMB20.8 million for FY2022 to RMB30.0 million for FY2023 as a result of the increase in production service volume from approximately 45,787 tonnes for FY2022 to approximately 57,826 tonnes for FY2023 as well as the increase in average production fee from RMB454.4 per tonne for FY2022 to RMB519.5 per tonne for FY2023.

Our revenue from Guizhou Tobacco Investment was RMB11.6 million and RMB7.0 million for 8MFY2023 and 8MFY2024, respectively, representing 0.4% and 0.3% of our total revenue for the same periods.

Revenue by SOE/non-SOE Customers

A majority of our customers are state-owned enterprises ("**SOE**"). The following table sets forth the breakdown of our revenue by SOE/non-SOE customers and each item as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Revenue by SOE/non-SOE customers										
– SOE	1,212,761	58.3	2,608,427	67.9	2,660,983	56.3	1,368,215	50.2	1,069,594	46.8
– Non-SOE	868,818	41.7	1,232,973	32.1	2,061,766	43.7	1,359,008	49.8	1,214,153	53.2
Total	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

SOE customers

Our customers from SOE customers primarily consist of agricultural reclamation companies, agribusiness companies and tobacco companies, such as, Customer A, Company B, Hulunbuir Agricultural, Anhui Huilong and Guizhou Tobacco Investment. For details of our key SOE customers during the Track Record Period, please refer to the section headed "Business – Customers and Sales and Marketing – Top Five Customers" in this document.

Our revenue from SOE customers increased by RMB1,395.7 million or approximately 115.1% from RMB1,212.8 million for FY2021 to RMB2,608.4 million for FY2022 and accounted for approximately 58.3% and 67.9% of our total revenue during the same year, respectively. Our revenue from SOE customers remained stable for FY2023, and accounted for approximately 56.3% of our total revenue during the same year, respectively. Our revenue from SOE customers decreased by RMB298.6 million or approximately 21.8% from RMB1,368.2 million for 8MFY2023 to RMB1,069.6 million for 8MFY2024, and accounted for approximately 50.2% and 46.8% of our total revenue during the same period. The decrease in the percentage of revenue from SOE customers from approximately 50.2% for 8MFY2023 to approximately 46.8% for 8MFY2024 was primarily due to the decrease in the average selling price of our potash fertiliser to SOE customers from RMB3,549.7 per tonne in 8MFY2023 to RMB2,215.5 per tonne in 8MFY2024, which was generally in line with the market trend, partially offset by the increase in sales volume of our potash fertiliser to SOE customers from approximately 385,441 tonnes in 8MFY2023 to approximately 482,775 tonnes in 8MFY2024, due to the positive impact of the decrease in the average selling price of our potash fertiliser to SOE customers on the demand of our potash fertiliser, and the additional sales to new SOE customers in 8MFY2024.

Non-SOE

Our customers from non-SOE primarily consist of fertiliser production and supply companies, such as, Customer E, Company H and Yunnan EuroChem. For details of our key non-SOE customers during the Track Record Period, please refer to the section headed "Business – Customers and Sales and Marketing – Top Five Customers" in this document.

Our revenue from non-SOE increased by approximately 41.9% and 67.2% for FY2022 and FY2023, respectively, and accounted for approximately 41.7%, 32.1% and 43.7% of our total revenue during FY2021, FY2022 and FY2023, respectively. Our revenue from non-SOE customers decreased by approximately 10.7% from 8MFY2023 to 8MFY2024, and accounted for approximately 49.8% and 53.2% of our total revenue during the same period. The increase in percentage of revenue from non-SOE customers from approximately 49.8% for 8MFY2023 to approximately 53.2% for 8MFY2024 was primarily due to (i) the decrease in percentage of revenue from SOE customers for 8MFY2024 as discussed above; and (ii) the increase in revenue from one of our non-SOE customers, namely, Yunnan EuroChem, in 8MFY2024. For further analysis, please refer to the paragraph headed "Selected Balance Sheet Items – Related Party Transactions – (b) Amounts Due from (to) Joint Ventures/Loans to Joint Ventures" in this section.

Revenue by Types of Customers

The major source of our revenue during the Track Record Period was from agribusiness companies, and secondly from agricultural reclamation companies. The following table sets forth the breakdown of our revenue by each type of customers and each item as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Revenue by types of customers										
– Agribusiness companies	818,978	39.3	2,425,590	63.1	3,220,948	68.2	2,080,232	76.3	1,884,981	82.5
– Agricultural reclamation companies	844,200	40.6	1,202,222	31.3	1,275,895	27.0	537,349	19.7	320,498	14.0
– Tobacco companies	233,364	11.2	71,020	1.8	81,055	1.7	31,868	1.2	19,695	0.9
– Others	185,038	8.9	142,568	3.7	144,851	3.1	77,773	2.9	58,574	2.6
Total	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

The following table sets forth the sales volume of our products by each type of our customers for the years/period indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	(tonnes)	%	*(tonnes)*	%	*(tonnes)*	%	*(tonnes)*	%	*(tonnes)*	%
Sales volume by each type of customers										
– Agribusiness companies	426,506	34.2	781,997	52.5	815,304	56.5	488,034	62.7	704,581	69.7
– Agricultural reclamation companies	476,282	38.1	463,072	31.1	357,897	24.8	137,704	17.7	119,899	11.9
– Tobacco companies[1]	90,583	7.3	68,432	4.6	112,840	7.8	61,614	7.9	44,978	4.4
– Others	255,431	20.5	175,829	11.8	157,586	10.9	90,770	11.7	142,137	14.1
Total	1,248,802	100.0	1,489,330	100.0	1,443,628	100.0	778,122	100.0	1,011,594	100.0

Note:

(1) We sold floating seed (漂盤), which is a container used for cultivating the seedlings of tobacco, to our tobacco company customers by pieces (and not weight). As such, we excluded floating seed from the sales volume calculation for tobacco companies.

Agribusiness Companies

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

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

The revenue from agribusiness companies decreased from RMB2,080.2 million for 8MFY2023 to RMB1,885.0 million for 8MFY2024, primarily due to the decrease in the average selling price of our KCL in 8MFY2024 compared to 8MFY2023 as a result of the decrease in the uncertainties on the global supply of potash fertiliser as the U.S. Department of Treasury has clarified in the third quarter of 2022 that agricultural commodities (including fertilisers) are not targets of the sanctions imposed by the U.S. on Russia and the U.S. has not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia, partially offset by the increase in sales volume of our KCL to agribusiness companies from approximately 488,034 tonnes for 8MFY2023 to approximately 704,581 tonnes for 8MFY2024.

Agricultural Reclamation Companies

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

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

The revenue from agricultural reclamation companies decreased from RMB537.3 million for 8MFY2023 to RMB320.5 million for 8MFY2024, primarily due to the decrease in sales volume of our KCL to agricultural reclamation companies from approximately 137,704 tonnes for 8MFY2023 to approximately 119,899 tonnes for 8MFY2024 and the decrease in the average selling price of our KCL in 8MFY2024 compared to 8MFY2023 as a result of the decrease in the uncertainties on the global supply of potash fertiliser as the U.S. Department of Treasury has clarified in the third quarter of 2022 that agricultural commodities (including fertilisers) are not targets of the sanctions imposed by the U.S. on Russia and the U.S. has not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia.

Cost of Goods Sold

Our cost of goods sold primarily consists of direct materials, direct labour and manufacturing overhead. The following table sets forth a breakdown of our cost of goods sold by amount and their corresponding percentage to our cost of goods sold and our total revenue for the years/periods indicated:

	For the year ended 31 March									For the eight months ended 30 November					
	2021			2022			2023			2022			2023		
	RMB'000	*% of cost of goods sold*	*% of total revenue*	*RMB'000*	*% of cost of goods sold*	*% of total revenue*	*RMB'000*	*% of cost of goods sold*	*% of total revenue*	*RMB'000*	*% of cost of goods sold*	*% of total revenue*	*RMB'000*	*% of cost of goods sold*	*% of total revenue*
										(unaudited)					
Cost of goods sold															
Direct materials	1,755,059	95.9	84.3	3,141,276	97.9	81.8	3,857,343	97.5	81.7	2,203,599	97.2	80.8	1,882,837	96.4	82.4
Direct labour	14,021	0.8	0.7	12,418	0.4	0.3	16,381	0.4	0.3	9,657	0.4	0.4	18,836	1.0	0.8
Manufacturing overhead	61,758	3.3	3.0	54,283	1.7	1.4	81,492	2.1	1.7	53,276	2.4	2.0	52,490	2.7	2.3
Total	1,830,838	100.0	88.0	3,207,977	100.0	83.5	3,955,216	100.0	83.7	2,266,532	100.0	83.1	1,954,164	100.0	85.6

Direct materials consist primarily of the purchase costs of raw materials, such as KCL, SOP and NOP, and ancillary costs incurred in purchase of these raw materials, such as transport and storage costs. Among all direct materials, the purchase costs of KCL accounted for approximately 77.7%, 86.6%, 90.4%, 90.3% and 92.2% of our total purchase of all direct materials for FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024 respectively.

Our costs of direct materials increased substantially by approximately 79.0% from RMB1,755.1 million for FY2021 to RMB3,141.3 million for FY2022 primarily due to the increase in our overall sales volume by approximately 19.3% and the substantial increase in our purchase price of KCL as a result of the increase in the Sea Import Master Contract Price from US$220 per tonne and US$247 per tonne as applied to FY2021 to US$247 per tonnes as primarily applied to FY2022. Our costs of direct materials increased by RMB716.1 million, or approximately 22.8%, from RMB3,141.3 million for FY2022 to RMB3,857.3 million for FY2023, primarily due to the substantial increase in our purchase price of KCL as a result of the increase in the Sea Import Master Contract Price from US$247 per tonne as primarily applied to FY2022 to US$590 per tonne as applied to FY2023, partially offset by the decrease in our overall sales volume by approximately 3.1%. Our costs of direct materials decreased by RMB320.8 million, or approximately 14.6%, from RMB2,203.6 million for 8MFY2023 to RMB1,882.8 million for 8MFY2024, primarily due to (i) the decrease in the Sea Import Master Contract Price to US$307 per tonne in June 2023, partially offset by (ii) the increase in overall sales volume by approximately 30.0%, mainly due to the positive impact of the decrease in the average selling price of KCL and SOP to the demand of KCL and SOP.

Costs of direct labour primarily consist of wages, salaries and social welfare for our employees directly involved in our production. Such costs only accounted for approximately less than 1% of our total cost of goods sold during the Track Record Period.

Manufacturing overhead primarily consists of certain fixed costs directly attributable to the production and sales of our products such as depreciation expenses. Our manufacturing overhead accounted for approximately between 1.7% to 3.3% of our total cost of goods sold during the Track Record Period.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of goods sold. Our gross profit margin represents our gross profit as a percentage of our revenue.

The following table sets out the gross profit/(loss) by source of revenue for the years/periods indicated:

	For the year ended 31 March			For the eight months ended 30 November	
	2021	2022	2023	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Gross profit (loss)					
Sales of products					
– KCL	129,021	475,643	688,541	415,515	262,294
– SOP	81,552	125,576	49,848	28,852	55,027
– NOP	1,399	(102)	1,311	1,287	175
– Compound Fertilisers	22,814	423	7,278	1,349	1,275
– By-Products and Others	15,955	25,899	10,634	11,348	8,755
Provision of production services	–	5,984	9,921	2,339	2,057
Overall	250,741	633,423	767,533	460,691	329,584

For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our gross profit was RMB250.7 million, RMB633.4 million, RMB767.5 million, RMB460.7 million and RMB329.6 million, respectively.

The following table sets out the gross profit/(loss) margin by source of revenue for the years/periods indicated:

	For the year ended 31 March			For the eight months ended 30 November	
	2021	2022	2023	2022	2023
	%	*%*	*%*	*%*	*%*
				(unaudited)	
Gross profit (loss) margin					
Sales of products					
– KCL	10.3	15.0	17.1	17.5	13.4
– SOP	15.6	23.5	10.5	13.5	22.0
– NOP	2.9	(1.1)	8.5	10.4	7.4
– Compound Fertilisers	11.8	1.7	15.2	13.8	15.2
– By-Products and Others	24.0	35.7	8.2	11.0	12.7
Provision of production services	–	28.8	33.0	23.4	37.9
Overall	12.0	16.5	16.3	16.9	14.4

Sales of KCL

We recorded a significant increase in gross profit for sales of KCL by approximately 268.7% from RMB129.0 million in FY2021 to RMB475.7 million in FY2022 due to the significant increase in sales volume by approximately 52.9%. The increase in gross profit margin for sales of KCL from approximately 10.3% for FY2021 to approximately 15.0% for FY2022 was primarily due to the significant increase in average selling price of our KCL of approximately 66.3% as the pricing of our KCL in FY2022 had taken into account the substantial increase in average domestic market price of imported KCL of RMB1,785.7 per tonne for FY2021 to RMB3,339.4 per tonne for FY2022, which outpaced the increase in unit cost of goods sold of KCL of approximately 57.8% during FY2022 as a result of the substantial increase in our average purchase price of KCL. In particular, approximately 58.5% of our revenue derived from sales of KCL was recorded during the peak season from October 2021 to March 2022 when the average domestic market price of imported KCL was RMB3,768.5 per tonne which had significantly contributed to the increase in gross profit margin for sales of KCL in FY2022.

We recorded an increase in gross profit for sales of KCL by RMB212.8 million, or approximately 44.7%, from RMB475.7 million in FY2022 to RMB688.5 million in FY2023, primarily due to the increase in revenue from sales of KCL of approximately 26.5% in FY2023. We recorded an increase in gross profit margin for sales of KCL from approximately 15.0% for FY2022 to approximately 17.1% for FY2023, primarily due to the increase in average selling price of our KCL of approximately 31.5% from RMB2,867.7 per tonne in FY2022 to RMB3,771.6 per tonne in FY2023 as a result of the increase in average domestic market price of imported KCL of RMB3,339.4 per tonne for FY2022 to RMB3,914.9 per tonne for FY2023, which outpaced the increase in unit cost of goods sold of our KCL of approximately 28.2% as a result of the relatively high inventory reserve of KCL of approximately 191,000 tonnes carried forward from FY2022 and subsequently sold in FY2023, whereas the average purchase price of KCL of RMB2,448.8 per tonne for FY2022 was lower than that of RMB2,996.4 per tonne for FY2023.

We recorded a decrease in gross profit for sales of KCL by RMB153.2 million, or approximately 36.9%, from RMB415.5 million in 8MFY2023 to RMB262.3 million in 8MFY2024, primarily due to (i) the decrease in average selling price of our KCL by approximately 36.8% from RMB4,112.8 per tonne in 8MFY2023 to RMB2,598.2 per tonne in 8MFY2024. Such decrease was attributable to the reducing uncertainties on the global supply of potash fertiliser as the U.S. Department of Treasury had clarified in the third quarter of 2022 that agricultural commodities (including fertilisers) were not targets of the sanctions imposed by the U.S. on Russia, and the U.S. had not imposed sanctions on the exportation of fertiliser from, to, transiting, or involving Russia, partially offset by (ii) the increase in sales volume of our KCL by approximately 171,742 tonnes from 8MFY2023 to 8MFY2024, due to the increase in demand of KCL in 8MFY2024 as a result of the decrease in domestic market price of imported KCL in 8MFY2024. In addition, as the Sea Import Master Contract Price has been determined in June 2023 and the further decrease in domestic market price of imported KCL has eased and the domestic market price of imported KCL has been recovering in the second half of 2023, a considerable amount of customers, who had previously took a more conservative approach in their purchases of our KCL in view of the magnitude of the decrease in domestic market price of imported KCL in the first half of 2023, had commenced their purchases of remaining planned purchase volume of KCL from July 2023 to November 2023. The decrease in gross profit margin for sales of KCL from approximately 17.5% for 8MFY2023 to approximately 13.4% for 8MFY2024 was primarily due to higher gross profit margin for our sale of our KCL in 8MFY2023, as the average selling price of our KCL had increased to RMB4,112.8 per tonne in 8MFY2023 based on average domestic market price of imported KCL at its recent peak of RMB4,665.4 per tonne for the same period, which outpaced the increase in the unit cost of goods sold. As it is not expected there will be a further decrease in the Sea Import Master Contract Price in the near future as the international market price of KCL has been recovering from its low level in June 2023, we expect that the average selling price and the gross profit margin for our KCL to be relatively stable in the near future, and there will not be any material decrease in our overall gross profit margin for FY2024 compared to the Track Record Period.

Sales of SOP

We recorded an increase in gross profit for sales of SOP by approximately 54.0% from RMB81.6 million in FY2021 to RMB125.6 million in FY2022 and an increase in gross profit margin for sales of SOP from approximately 15.6% for FY2021 to approximately 23.5% for FY2022. These are primarily due to the higher increase in the average selling price of our SOP by approximately 40.9% as a result of the increase in average domestic market price of SOP of RMB2,399.5 per tonne for FY2021 to RMB3,621.2 per tonne for FY2022, which outpaced the increase in the unit cost of goods sold for SOP of approximately 27.7%. In particular, approximately 56.8% of our revenue derived from sales of SOP was recorded during the peak season from October 2021 to March 2022 when the average domestic market price of SOP was RMB3,876.5 per tonne which had significantly contributed to the increase in gross profit for the sales of SOP in FY2022. The gross profit margin for our sales of SOP for FY2022 increased by a rate of approximately 50.6% compared to that for FY2021, while the gross profit margin for our sales of KCL for FY2022 increased by a rate of approximately 45.6% compared to that for FY2021. As such, the rate of change of gross profit margin for both products was comparable for the relevant year.

We recorded a decrease in gross profit for sales of SOP by approximately 60.3% from RMB125.6 million in FY2022 to RMB49.8 million in FY2023, primarily due to the significant decrease in sales volume of our SOP by approximately 24.0% in FY2023 as a result of the negative impact of our increase in average selling price of our SOP on the demand of our SOP during the same year. We recorded a decrease in gross profit margin for sales of SOP from approximately 23.5% for FY2022 to approximately 10.5% for FY2023, primarily due to the higher increase in the unit cost of goods sold of our SOP by approximately 37.4% as a result of the increase in our average purchase price of KCL from RMB2,448.8 per tonne in FY2022 to RMB2,996.6 per tonne in FY2023, whereas the average selling price of our SOP had increased at a less significant pace of approximately 17.3% in FY2023. The gross profit margin for our sales of SOP for FY2023 decreased by a rate of approximately 55.3% compared to that for FY2022, while the gross profit margin for our sales of KCL for FY2023 increased by a rate of approximately 14.0% as compared to that for FY2022, primarily because when the purchase price of KCL increases, the headroom for the increase in selling price of our SOP is generally more limited as compared to that of our KCL, due to the higher selling price of our SOP in general, and it is consistent with the general market trend.

We recorded an increase in gross profit for sales of SOP by approximately 90.7% from RMB28.9 million in 8MFY2023 to RMB55.0 million in 8MFY2024, primarily due to the increase in sales volume of our SOP by approximately 54.0% from approximately 53,036 tonnes in 8MFY2023 to approximately 81,670 tonnes in 8MFY2024 due to the positive impact of the decrease in the average selling price of our SOP on the demand of our SOP, partially offset by the decrease in the average selling price of our SOP by approximately 23.9% from RMB4,030.4 per tonne in 8MFY2023 to RMB3,065.8 per tonne in 8MFY2024 as a result of the decrease in purchase costs of KCL for use as raw material for manufacturing our SOP. The gross profit margin for sales of SOP increased from approximately 13.5% for 8MFY2023 to approximately 22.0% for 8MFY2024, primarily due to the higher decrease in the unit cost of goods sold of our SOP by approximately 31.4% as a result of the decrease in purchase costs of KCL for use as raw material for manufacturing our SOP due to the decrease in the uncertainties on the global supply of potash fertiliser from the third quarter of 2022, which outpaced the decrease in the average selling price for our SOP of approximately 23.9%. The gross profit margin for our sales of SOP for 8MFY2024 increased by a rate of approximately 63.0% compared to that for 8MFY2023, while the gross profit margin for our sales of KCL for 8MFY2024 decreased by a rate of approximately 23.0% as compared to that for 8MFY2023, primarily due to the higher decrease in the average selling price of our KCL of approximately 36.8% for 8MFY2024, as compared to the decrease in the average selling price of our SOP of approximately 23.9% for the same period, which was in line with the market trend. The lower decrease in average selling price of our SOP as compared to our KCL in 8MFY2024 was primarily due to the higher increase in demand of our SOP for the same period.

Sales of NOP

We kept offering NOP to our customers despite recording a gross loss margin in FY2022, because we considered it is important to maintain our diversified product portfolio, as well as to retain our long-term customers and maintain good relationship with them. For the majority of the NOP we sold to our customers during the Track Record Period, we purchased them from Yunnan EuroChem. Given that Yunnan EuroChem was not our subsidiary but only a joint venture invested by our direct joint venture, we purchased the NOP from them at domestic market price which did not give us much room for additional markup margins. As such, we generally recorded lower gross profit margin (or even gross loss margin) for NOP compared to the gross profit margins of our other products. We therefore planned to construct the New Sichuan Production Facility to resume self-production of NOP, which is expected to enable us to regain profitability for this product as we can better control our costs when we manufacture our own NOP. Further, given that NOP is generally the type of our fertiliser products with the highest selling price, we expect we can achieve higher gross profit from our sales of NOP than from our sales of compound fertilisers after we have regained our ability to manufacture NOP ourselves at our New Sichuan Production Facility. For further information of the New Sichuan Production Facility, please refer to the section headed "Business – Expansion Plan – New Sichuan Production Facility Plan" in this document.

According to our PRC Legal Advisers, there were no laws or regulations enacted in the PRC which restricted the manufacturing of tobacco products during the Track Record Period. The gross profit for sales of NOP had decreased from a gross profit of RMB1.4 million for FY2021 to a gross loss of RMB0.1 million for FY2022, and the gross profit margin for sales of NOP had decreased from a gross profit margin of approximately 2.9% for FY2021 to a gross loss margin of approximately 1.1% for FY2022. It was because we had secured a relatively large contract of NOP from a tobacco company in FY2021 for delivery in FY2021 and FY2022 with a selling price determined based on the prevailing market price of NOP in FY2021 and our expectation that the purchase price of NOP would remain stable in FY2022. However, the purchase price of NOP from Yunnan EuroChem had actually increased in FY2022 when we purchased NOP for the above contract in the same year. As such, a gross loss and a gross loss margin were recorded for sales of NOP in FY2022.

The gross profit for sales of NOP had increased from a gross loss of RMB0.1 million for FY2022 to a gross profit of RMB1.3 million for FY2023, and the gross profit margin for sales of NOP had increased from a gross loss margin of approximately 1.1% for FY2022 to a gross profit margin of approximately 8.5% for FY2023. It is because we had sales of NOP to certain overseas customers in FY2023 with higher selling price determined with reference to international market conditions. As our NOP delivered to these overseas customers was purchased from Yunnan EuroChem with purchase price determined with reference to the domestic market price of NOP. As such, a gross profit and a gross profit margin were recorded for sales of NOP in FY2023.

Sales of Compound Fertiliser

The decrease in gross profit for sales of compound fertiliser from RMB22.8 million for FY2021 to RMB0.4 million for FY2022 and gross profit margin for sales of compound fertiliser from approximately 11.8% for FY2021 to approximately 1.7% for FY2022 was primarily due to the decrease in revenue derived under the new type of business arrangement with Guizhou Tobacco Investment, our major customer for compound fertiliser, since the fourth quarter of 2021 under which we derive production fees, instead of revenue from sales of compound fertiliser.

Under the new business arrangement, we shall provide production services to Guizhou Tobacco Investment and manufacture compound fertiliser with principal raw materials provided by them. As such, the working capital requirement under this arrangement is lower. For FY2022, FY2023, 8MFY2023 and 8MFY2024, the gross profit and gross profit margin for such provision of production services was RMB6.0 million, RMB9.9 million, RMB2.3 million and RMB2.1 million and approximately 28.8%, 33.0%, 23.4% and 37.9%, respectively.

The following table sets forth the breakdown of our gross profit derived from Guizhou Tobacco Investment by source of revenue and the corresponding gross profit margin for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		**2022**		**2023**		**2022**		**2023**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Gross profit and gross profit margin from Guizhou Tobacco Investment										
– Sales of tobacco compound fertiliser	26,081	16.4	450	38.8	2,392	13.2	277	17.0	339	34.3
– Provision of production services	–	–	5,984	28.8	9,921	33.0	2,339	23.4	2,057	37.9
Overall	26,081	16.4	6,435	29.3	12,313	25.6	2,616	22.5	2,396	34.1

Generally speaking, the provision of production services is more profitable than the sales of relevant tobacco compound fertiliser to Guizhou Tobacco Investment, as evidenced by the higher gross profit margin for the provision of production services in FY2022, FY2023 and 8MFY2024 as compared to the gross profit margin for the sales of tobacco compound fertiliser to Guizhou Tobacco Investment in FY2021, primarily because the working capital requirement of and the inventory risk associated with the provision of production services are lower. A relatively higher gross profit margin for the sales of tobacco compound fertiliser to Guizhou Tobacco Investment of approximately 38.8% was recorded in FY2022, as it was derived from the sales of our remaining tobacco compound fertiliser reserve of an insignificant amount to Guizhou Tobacco Investment during the non-peak season before the change of business arrangement in FY2022, which was non-recurring in nature.

We recorded an increase in gross profit for sales of compound fertiliser from a gross profit of RMB0.4 million in FY2022 to a gross profit of RMB7.3 million in FY2023, primarily due to the increase in sales volume of certain types of compound fertiliser with higher selling price and gross profit in FY2023. The increase in gross profit margin for the sales of our compound fertiliser from approximately 1.7% for FY2022 to approximately 15.2% for FY2023 was primarily due to the combined effect of the increase in average selling price of our compound fertiliser of approximately 9.9% and the decrease in unit cost of goods sold of our compound fertiliser of approximately 5.2% for FY2023.

Our gross profit for sales of compound fertiliser was only RMB1.3 million and RMB1.3 million for 8MFY2023 and 8MFY2024, respectively, due to the low demand for compound fertiliser from our tobacco company customers during the non-peak season.

Sales of By-Products and Other Products

The increase in gross profit for sales of our by-products and other products from RMB16.0 million in FY2021 to RMB25.9 million in FY2022, with gross profit margin of approximately 24.0% and 35.7% recorded respectively, was mainly due to the increase in average selling price of our HCL from RMB299.3 per tonne in FY2021 to RMB428.0 per tonne in FY2022. The average selling price of our HCL increased in FY2022 due to the decrease in the market supply of HCL as a result of certain government control policies on energy consumption implemented in the same year. We recorded a decrease in gross profit for sales of by-products and other products by approximately 58.8% from RMB25.9 million in FY2022 to RMB10.6 million in FY2023 and a decrease in gross profit margin for sales of by-products and other products from approximately 35.7% for FY2022 to approximately 8.2% for FY2023, primarily due to (i) the increase in the unit cost of goods sold of HCL from RMB276.0 per tonne in FY2022 to RMB369.6 per tonne in FY2023 due to the increase in purchase price of KCL, while the average selling price of our HCL products decreased from RMB428.0 per tonne in FY2022 to RMB363.9 per tonne in FY2023 due to the resumption of market supply of HCL in FY2023; and (ii) the gross loss derived from our disposal of unused auxiliary raw materials for the manufacturing of compound fertiliser to Guizhou Tobacco Investment in FY2023 as a result of the change in our business arrangement with Guizhou Tobacco Investment. We recorded a decrease in gross profit for sales of by-products and other products by approximately 22.8% from RMB11.3 million in 8MFY2023 to RMB8.8 million in 8MFY2024, primarily due to the gross loss of RMB1.6 million derived from the sales of our HCL in 8MFY2024, partially offset by the increase in gross profit derived from the sales of a fertiliser additive from RMB9.5 million in 8MFY2023 to RMB12.6 million in 8MFY2024. The increase in gross profit margin for sales of by-products and other products from approximately 11.0% for 8MFY2023 to approximately 12.7% for 8MFY2024 was primarily due to the higher gross profit margin contributed by a fertiliser additive in 8MFY2024.

Gross Profit and Gross Profit Margin by Types of Customers

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

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Gross profit and gross profit margin by each type of customers										
– Agribusiness companies	105,094	12.8	519,174	21.4	610,537	19.0	385,344	18.5	274,513	14.6
– Agricultural reclamation companies	86,272	10.2	68,334	5.7	139,252	10.9	68,326	12.7	46,982	13.7
– Tobacco companies	36,480	15.6	15,874	22.4	11,691	14.4	4,294	13.5	1,496	7.6
– Other	22,895	12.4	30,040	21.1	6,052	4.2	2,727	3.5	6,592	11.3
Overall	250,741	12.0	633,423	16.5	767,533	16.3	460,691	16.9	329,583	14.4

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

Agribusiness Companies

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

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

We recorded a decrease in gross profit and gross profit margin of agribusiness companies from 8MFY2023 to 8MFY2024, primarily due to the general decreasing trend of the overall gross profit and gross profit margin of our KCL for the same periods as discussed above.

Agricultural Reclamation Companies

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

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

We recorded a decrease in gross profit of agricultural reclamation companies from 8MFY2023 to 8MFY2024, primarily due to the decrease in gross profit contributed by the sales of our KCL to agricultural reclamation companies from RMB59.8 million for 8MFY2023 to RMB28.0 million for 8MFY2024 as a result of the decrease in sales volume and average selling price of our KCL to agricultural reclamation companies. The slight increase in gross profit margin of agricultural reclamation companies from 8MFY2023 to 8MFY2024 was mainly due to the increase in gross profit margin for the sales of our SOP to agricultural reclamation companies.

Other Income

Our other income consists of bank interest income, interest income from joint ventures, government grants, rental income and others. Bank interest income refers to the interest derived from our bank deposits. Interest income from joint ventures was derived from our loans to Anda Migao and Baoqing Migao, our joint ventures during the Track Record Period up to 31 March 2022, in support of their working capital requirements.

Government grants have been received from local government (i) as subsidies towards the cost of construction of Anda Production Facility and Baoqing Production Facility; and (ii) as a support to the manufacturing industry during the impact of COVID-19. Rental income refers to the rent derived primarily from our renting out of warehouses located in our Sichuan Production Facility and Daxing Production Facility.

The following table sets forth the breakdown of our other income by amount and as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Other Income										
Bank interest income	4,691	0.2	2,916	0.1	3,539	0.1	1,965	0.1	2,980	0.1
Interest income from joint ventures	7,160	0.3	12,729	0.3	–	–	–	–	–	–
Government grants	415	0.0	249	0.0	2,007	0.0	1,381	0.1	2,144	0.1
Rental income	2,799	0.1	1,473	0.0	1,127	0.0	819	0.0	679	0.0
Others	480	0.0	49	0.0	174	0.0	139	0.0	506	0.0
Total	15,545	0.7	17,416	0.5	6,847	0.1	4,304	0.2	6,309	0.3

Other Gains and Losses

Our other gains and losses consist of gain or loss on disposal of plant and equipment, gain on disposal of right-of-use assets, net foreign exchange gains or losses, gain on deemed disposal of joint ventures, surcharges and others, and others. Gain or loss on disposal of plant and equipment refers to the gain or loss on disposal of buildings, production machinery and equipment. Gain on disposal of right-of-use assets was primarily derived from the sum received from the PRC government for its resumption of our land held by Sichuan Migao and constituted the primary other gain item in FY2021. Gain on deemed disposal of joint ventures represents the gain derived from the acquisition of subsidiaries through obtaining control over two former joint ventures of our Group, namely, Anda Migao and Baoqing Migao, on 31 March 2022. Surcharges and others represent the provision for the surcharges and others for late tax filings of the PRC subsidiaries of our Group.

The following table sets forth the breakdown of our other gains and losses by amount and as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		**2022**		**2023**		**2022**		**2023**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Other Gains and (Losses)										
Gain (loss) on disposal of plant and equipment	30,319	1.5	(117)	(0.0)	(12)	(0.0)	15	0.0	170	0.0
Gain on disposal of right-of-use assets	94,363	4.5	–	–	–	–	–	–	–	–
Net foreign exchange gains (losses)	11,630	0.6	(485)	(0.0)	(16,357)	(0.3)	(12,197)	(0.4)	4,900	0.2
Gain on deemed disposal of joint ventures	–	–	12,962	0.3	–	–	–	–	–	–
Surcharges and others	(9,330)	(0.4)	(10)	(0.0)	(88)	(0.0)	–	–	–	–
Others	–	–	(295)	(0.0)	(451)	(0.0)	(725)	(0.0)	(937)	(0.0)
Total	126,982	6.1	12,055	0.3	(16,908)	(0.4)	(12,907)	(0.5)	4,133	0.2

Impairment Losses, Net of Reversal

Our impairment losses net of reversal consist of impairment losses recognised on trade receivables.

The following table sets forth the breakdown of our impairment losses, net of reversal, by amount and as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Impairment Losses, Net of Reversal										
Impairment losses recognised on:										
– Trade receivables	(2,954)	(0.1)	11,181	0.3	(1,655)	(0.0)	4,441	0.2	(2,931)	(0.1)
Total	(2,954)	(0.1)	11,181	0.3	(1,655)	(0.0)	4,441	0.2	(2,931)	(0.1)

Distribution and Selling Expenses

Our distribution and selling expenses primarily consist of transportation charge, and other distribution and selling expenses. The following table sets forth a breakdown of our distribution and selling expenses, by amount and as a percentage of our total revenue, for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Distribution and Selling Expenses										
Transportation charge	26,722	1.3	69,049	1.8	57,666	1.2	33,119	1.2	16,027	0.7
Other distribution and selling expenses	1,582	0.1	5,719	0.1	4,049	0.1	1,805	0.1	1,284	0.1
Total	28,304	1.4	74,768	1.9	61,716	1.3	34,924	1.3	17,311	0.8

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) payroll and welfare for administrative employees; (ii) depreciation and amortisation, which primarily consist of depreciation of office buildings and office equipment and amortisation of right-of-use assets; (iii) other taxes; (iv) travelling and entertainment expense; (v) professional fees mainly for our subsidiaries' local audits and legal fees; (vi) office supplies; and (vii) others which primarily consist of miscellaneous office expense, employees' training, insurance, maintenance and other expenses.

The following table sets forth a breakdown of our general and administrative expenses, by amount and as a percentage of our total revenue, for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		2022		2023		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
General and Administrative Expenses										
Payroll and welfare.	19,049	0.9	22,314	0.6	29,897	0.6	17,973	0.7	24,350	1.1
Depreciation and amortisation . . .	13,489	0.6	13,158	0.3	15,753	0.3	9,772	0.4	9,234	0.4
Other taxes	5,191	0.2	5,314	0.1	8,670	0.2	5,528	0.2	5,604	0.2
Travelling and entertainment expense	6,285	0.3	7,702	0.2	14,208	0.3	8,436	0.3	11,460	0.5
Professional fees . .	9,271	0.4	1,131	0.0	9,865	0.2	7,977	0.3	2,078	0.1
Office supplies . . .	3,202	0.2	3,724	0.1	4,741	0.1	5,324	0.2	4,139	0.2
Other	6,313	0.3	10,264	0.3	22,555	0.5	5,178	0.2	6,646	0.3
Total	62,800	3.0	63,607	1.7	105,689	2.2	60,188	2.2	63,511	2.8

Research and Development Expenses

Our research and development expenses are derived from our research and development activities to improve our production methods. For details of our research and development activities, please refer to the section headed "Business – Research and Development" in this document. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our research and development expenses amounted to RMB24.5 million, RMB38.9 million, RMB31.0 million, RMB21.7 million and RMB26.3 million, respectively.

Other Expenses

Our other expenses mainly consist of professional service fees incurred in relation to a previous potential [**REDACTED**] exercise that has fully expensed during the Track Record Period. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our other expenses amounted to RMB1.4 million, nil, nil, nil and nil, respectively.

Share of Results of Joint Ventures

Our share of results of joint ventures relates to our share of profit or loss from our joint ventures during the Track Record Period, namely, EuroChem Migao, Baoqing Migao and Anda Migao. EuroChem Migao invests in a joint venture, Yunnan EuroChem, which is primarily involved in operating the business of production and sale of fertilisers and related chemical product. Baoqing Migao and Anda Migao, our joint ventures during the Track Record Period and up to 31 March 2022, hold and operate our Baoqing Production Facility and Anda Production Facility, respectively. For FY2021, FY2022, FY2023, 8MFY2023 and 8MFY2024, our share of results of joint ventures amounted to a loss of RMB2.0 million, a gain of RMB28.3 million, a gain of RMB11.3 million, a loss of RMB0.3 million and a loss of RMB11.1 million, respectively. For details of the financial position and profitability of each of our joint ventures, please refer to Note 19 to the Accountants' Report included in Appendix I to this document.

Finance Costs

Our finance costs primarily consist of (i) interest expenses on bank borrowings; (ii) interest expenses on loans from related companies, namely, a related company of Heilongjiang Beidahuang and the immediate holding company of Heilongjiang Beidahuang, to Anda Migao. For details, please refer to the paragraph headed "Indebtedness – Loans from Related Companies" below; and (iii) interest expenses on lease liabilities representing the present value of the lease payments correspond to our right-of-use assets (i.e. our leased properties primarily used as office or production facility during the Track Record Period).

The following table sets forth a breakdown of our finance costs and each item as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		**2022**		**2023**		**2022**		**2023**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Finance Costs										
Interest expenses on bank borrowings	10,197	0.5	9,362	0.2	11,203	0.2	8,005	0.3	8,936	0.4
Interest expenses on loans from related companies	–	–	–	–	5,825	0.1	3,843	0.1	3,442	0.2
Interest expenses on lease liabilities	274	0.0	299	0.0	623	0.0	392	0.0	351	0.0
Total	10,471	0.5	9,661	0.3	17,651	0.4	12,240	0.4	12,729	0.6

Income Tax Expense

Our income tax expense consist of PRC enterprise income tax ("**EIT**") and deferred income tax. We are subject to income tax or profit tax at various rates under different jurisdictions.

The following table sets forth the breakdown of our income tax expense and each item as a percentage of our total revenue for the years/periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2021		**2022**		**2023**		**2022**		**2023**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Income tax expense comprised:										
Current tax										
EIT	50,286	2.4	77,783	2.0	111,785	2.4	70,585	2.6	34,415	1.5
Deferred tax	8,115	0.4	(3,319)	(0.1)	115	0.0	(1,943)	(0.1)	67	0.0
Total	58,401	2.8	74,464	1.9	111,900	2.4	68,642	2.5	34,482	1.5

The following summarises certain tax laws and regulations applicable to us in the Cayman Islands, Hong Kong and the PRC.

Cayman Islands

Our Company is incorporated in the Cayman Islands. Our Group is not subject to any income tax in the Cayman Islands pursuant to the rules and regulations in the jurisdiction.

Hong Kong

We have a Hong Kong subsidiary within our Group. Hong Kong currently adopts a two-tiered profits tax rates regime, under which the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

No provision for Hong Kong profits tax was made for the Track Record Period as our Hong Kong subsidiary did not record assessable profit subject to Hong Kong profits tax for the relevant years.

PRC

We have a number of PRC subsidiaries that are subject to EIT. EIT is calculated at the applicable rates of tax prevailing in the areas in which our Group operates, based on the existing legislation, interpretations and practices.

Pursuant to the PRC EIT law and its detailed implementation rules, the tax rate is at 25%. Besides, if the subsidiaries are qualified as high-technology companies (under the applicable PRC EIT law), the subsidiaries are entitled to a reduced rate of 15% and such qualification is subject to renewal every three years. Certain of our group entities in the PRC are entitled to the reduced tax rate of 15% during the Track Record Period.

According to the PRC EIT Law and its implementation rules, withholding income tax at a rate of 10% would be imposed on dividends to foreign investors for companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise; otherwise, the withholding rate remains at 10%.

PRC Tax Re-filings

Two of our operating subsidiaries in the PRC had voluntarily re-filed their tax filings involving prior year adjustments with the PRC tax authorities in 2022. Specifically, Guangdong Migao adjusted its profit for calendar years prior to 2019 as well as its profit by RMB24.6 million, RMB69.8 million and RMB210.8 million in its EIT annual settlement returns for 2019, 2020 and 2021, respectively, due to the accounting treatment on (i) the timing difference in recognising rebates from suppliers of RMB24.6 million, RMB42.0 million and RMB51.5 million for 2019, 2020 and 2021, respectively; (ii) the timing difference in recognising profits generated from consignment sales of RMB27.9 million and RMB61.9 million for 2020 and 2021, respectively; and (iii) the over-provision of transportation and operating expenses of RMB97.5 million for 2021, primarily due to the provision for transportation costs in connection with the purchases, internal transfers and sales of certain batches of shipments expected to be arrived in 2021, but the actual transfers and delivery were delayed and only completed in early 2022 or cancelled due to the impact of the global supply uncertainty of KCL during the relevant time (the "**Adjustment Items**"); whereas Sichuan Migao adjusted its profits for RMB17.3 million in its EIT annual settlement returns for 2019 due to the accounting treatment on one of the Adjustment Items, namely, the timing difference in recognising rebates from suppliers.

We became aware of the possible historical shortfall relating to the accounting treatment on the Adjustment Items during the preparation for the [**REDACTED**]. We then sought to gain a better understanding of the relevant tax regulations and practices, with an aim to rectify and discharge any possible tax obligations. As a result, we engaged a tax consultant, which is an international accounting firm, to review our tax filings and took the appropriate rectification actions.

Although Guangdong Migao had already known the circumstances leading to the over-provision of transportation and operating expenses at the time of the filing of its original EIT annual settlement return for 2021, the quantum of the resulting adjustments was yet to be finalised. To ensure the accuracy and consistency of the financial figures presented in the tax accounts of Guangdong Migao and the accountants' report of our Group for FY2020, FY2021 and FY2022 included in the application proof of the document of our Company (the "**Draft Accountants' Report**") for our [**REDACTED**], Guangdong Migao had intended to made the relevant adjustments through making subsequent tax re-filing after the finalisation of the Draft Accountants' Report, instead of making such adjustments directly in the original EIT annual settlement return for 2021 by May 2022. The tax accounts of Guangdong Migao for 2021 and the Draft Accountants' Report were only finalised in mid-2022. As such, Guangdong Migao made the relevant adjustments in its tax re-filing for 2021 in July 2022.

To rectify the EIT positions of Guangdong Migao due to the accounting treatment on the Adjustment Items for the relevant years, Guangdong Migao submitted revised EIT annual settlement returns for 2019, 2020 and 2021 (as well as the relevant prior years) to the competent PRC tax authority on a voluntarily and proactive basis, and the competent PRC tax authority had duly accepted the EIT re-filings by means of issuing the tax demand notes to

Guangdong Migao. As a result, Guangdong Migao paid additional EIT for the relevant prior years, as well as RMB3.8 million, RMB14.9 million and RMB27.1 million for 2019, 2020 and 2021, respectively, to the competent PRC tax authority. In compliance with the Detailed Rules for the Implementation of Law on Administration of Taxation of the People's Republic of China (《中華人民共和國稅收徵收管理法實施細則》) (the "**Collection Rules**"), Guangdong Migao settled late payment surcharges of RMB1.3 million, RMB2.3 million and RMB0.5 million for the late payments of additional EIT for 2019, 2020 and 2021, respectively.

Guangdong Migao had included an additional net profit of RMB30.0 million in its tax re-filing for 2020 in March 2022, which consisted of (i) RMB23.3 million of additional net profit for the timing difference in recognising profits generated from consignment sales; and (ii) RMB7.0 million of additional net profit for the timing difference in recognising rebates from suppliers, but (iii) partially offset by relevant provision of VAT surcharges amounted RMB0.3 million, to avoid risk of underpayment of EIT as a result of possible accounting adjustment(s) that were subsequently identified during the preparation of the Draft Accountants' Report for our [**REDACTED**]. According to HKFRSs, such amount shall be recognised as the net profit of Guangdong Migao for 2021. As Guangdong Migao had further reported net profit in the tax re-filing for 2021 in July 2022, such net profit was partially offset by the over-adjustment amount for 2020.

To rectify the EIT positions of Sichuan Migao due to the accounting treatment on one of the Adjustment Item, namely, the timing difference in recognising rebates from suppliers, in 2019, Sichuan Migao submitted revised EIT annual settlement returns for 2019 and 2020 to the competent PRC tax authority on a voluntarily and proactive basis, and the competent PRC tax authority had duly accepted the EIT re-filings by means of issuing tax demand notes to Sichuan Migao. As a result, Sichuan Migao paid additional EIT amounted to nil and RMB5.4 million, for 2019 and 2020, respectively. As Sichuan Migao had been in loss position prior to 2019, it did not incur any additional taxes due to the accounting treatment on the relevant Adjustment Item. Similarly, in compliance with the Collection Rules, Sichuan Migao settled late payment surcharges of RMB0.8 million for 2020.

As at the Latest Practicable Date, Guangdong Migao and Sichuan Migao had already paid the above additional EIT and the late payment surcharge in full to the competent PRC tax authorities. Our Directors confirm that the competent authority only imposed late payment surcharge in accordance with Article 32 the Collection Rules, without imposing any penalty. Our Directors are of the view that the chance for the competent PRC tax authority to institute penalty action against Guangdong Migao and Sichuan Migao for the Track Record Period is remote based on their discussions with our tax consultant and on the ground that:

(i) Guangdong Migao and Sichuan Migao had re-prepared and re-submitted its respective EIT annual settlement returns to the competent PRC tax authorities, and such EIT annual settlement returns had all been duly accepted by the competent PRC tax authorities. The competent PRC tax authorities did not challenge the accounting treatment on the Adjustment Items as well as the basis for re-calculating the additional EIT;

(ii) all additional EIT payables derived from the tax re-filings had been accepted and settled by the competent PRC tax authorities, and Guangdong Migao and Sichuan Migao have obtained valid tax payment certificates from the competent PRC tax authorities with respect to the additional EIT after the settlement of such additional EIT payables;

(iii) the competent PRC tax authorities had only imposed late payment surcharges in accordance with the Collection Rules on Guangdong Migao and Sichuan Migao with respect to the additional EIT payables for the relevant period. As if the competent PRC tax authorities had intended to impose penalty on Guangdong Migao and Sichuan Migao, it would have issued penalty notices before it issued the valid tax payment certificates to these two subsidiaries. Guangdong Migao and Sichuan Migao did not receive any penalty notices up to the Latest Practicable Date; and

(iv) there is no objective evidence of our Group that had engaged in actions of tax evasion.

We have adopted certain internal control measures to prevent recurrence of similar incidents. For example:

- we have designated employees to periodically check and review government's latest tax laws, regulation and policies to ensure our compliance with them. We will also arrange trainings for relevant employees to ensure they are aware of the relevant tax laws, regulations and policies;

- we have established internal procedure whereby the accounting departments of our subsidiaries will prepare tax settlement returns, which shall only be uploaded to the tax system after review by the local financial controllers of our respective subsidiaries;

- we have adopted a tax management policy covering areas such as tax provision, and other tax-related matters;

- we have established internal procedures in relation to the selection and engagement of external tax consultancy service providers to enhance our communications with them to avoid recurrence of similar incidents; and

- we have prepared a compliance checklist and designated one of our Directors to monitor and review our compliance with the items on the checklist, and update such checklist in accordance with the applicable laws and regulations on a quarterly basis. Our chief financial officer shall also review such checklist on a quarterly basis.

We have conducted follow-up internal control reviews from December 2021 to October 2022 and from June 2023 to July 2023, which covered the review of the above internal control measures, and no material internal control deficiencies were identified from these follow-up internal control reviews. Based on the confirmation and interview with the competent PRC tax authorities, our PRC Legal Advisers are of the view that: (a) the competent PRC tax authorities will not impose any administrative penalty on Guangdong Migao and Sichuan Migao for their respective Adjustment Item(s) in their original tax filings, as the tax liabilities in connection with the Adjustment Items had been paid in full; (b) the likelihood for higher level of authorities to challenge the relevant tax payment certificates issued by the competent PRC tax authorities is low; and (c) the competent PRC tax authorities had full knowledge of the details of all Adjustment Items when issuing the relevant tax payment certificates. Further, based on the confirmation of the competent PRC tax authority, our PRC Legal Advisers are of the view that the over-provision of transportation costs and operating expenses by Guangdong Migao in its tax filing in January 2021 would not constitute any tax evasion or refusal to pay tax or fraud in tax payment under applicable PRC tax laws and regulations.

Please refer to the section headed "Risk Factors – Risks Relating to Our Business – Tax authorities could challenge our allocation of taxable income or adoption of different accounting principles which could increase our overall tax liability or penalty" in this document for further details about the risks and uncertainties associated with our PRC tax re-filings.

Other jurisdictions

We have subsidiaries incorporated in Singapore and Malaysia. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. We did not record any assessable profit subject to any income tax in other jurisdictions during the Track Record Period.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year Ended 31 March 2022 Compared to Year Ended 31 March 2021

Revenue

Our total revenue increased by RMB1,759.8 million, or approximately 84.5%, from RMB2,081.6 million for FY2021 to RMB3,841.4 million for FY2022, primarily due to the increase in revenue from the sale of KCL driven by its substantial increase in both (i) sales volume by approximately 52.9% due to the increased demand in China caused by increasing plantation and agricultural activities as the economic and market conditions in China continued to recover from COVID-19, and (ii) our average selling price by approximately 66.3% in the same year as a result of the shortage in supply of KCL in China due to the uncertainty in global potash supply, which was partially offset by a decrease in revenue from the sale of compound fertiliser due to the new business arrangement with Guizhou Tobacco Investment for the tobacco fertiliser products we manufacture for them since the fourth quarter of 2021.

Cost of Goods Sold

Our total cost of goods sold increased by RMB1,377.1 million, or approximately 75.2%, from RMB1,830.8 million for FY2021 to RMB3,208.0 million for FY2022, which was broadly in line with our revenue growth largely attributable to the significant increase in the costs of direct materials as a result of the increase in amount of KCL used to support the substantial increase in our overall sales volume, as well as an increase of approximately 57.8% in the unit cost of goods sold for KCL comparing to FY2021.

Gross Profit and Gross Profit Margins

Our total gross profit increased by RMB382.7 million, or approximately 152.6%, from RMB250.7 million for FY2021 to RMB633.4 million for FY2022, and our gross profit margin increased from approximately 12.0% for FY2021 to approximately 16.5% for FY2022. The increase in gross profit was primarily due to the increase in gross profit from sales of KCL by RMB346.6 million or approximately 268.7% from RMB129.0 million for FY2021 to RMB475.6 million for FY2022. The increase in gross profit margin was mainly due to (i) an increase in gross profit contributed by sales of our SOP from RMB81.6 million for FY2021 to RMB125.6 million for FY2022; (ii) an increase in gross profit margin of SOP from approximately 15.6% for FY2021 to approximately 23.5% for FY2022; and (iii) the said increase in gross profit contributed by our KCL in FY2022 and the corresponding increase in gross profit margin from approximately 10.3% for FY2021 to approximately 15.0% for FY2022.

Other Income

Our other income increased by RMB1.9 million or approximately 12.0% from RMB15.5 million for the FY2021 to RMB17.4 million for FY2022, primarily due to the increase in interest income from joint ventures of RMB5.6 million primarily due to the increase in interest income derived from the loans to Anda Migao and Baoqing Migao in support of their working capital requirements in FY2022, offset by the decrease in bank interest income derived from our bank deposit of RMB1.8 million and the decrease in rental income derived from our renting out a warehouse in our Daxing Production Facility in FY2022 of RMB1.3 million.

Other Gains and Losses

Our other gains and losses decreased by RMB114.9 million, from a net gain of RMB127.0 million for FY2021 to a net gain of RMB12.1 million for FY2022, primarily due to the one-off gain on (i) disposal of plant and equipment of RMB30.3 million as a result of our disposal of buildings owned by Sichuan Migao; and (ii) disposal of right-of-use assets of RMB94.4 million recorded in FY2021 for the sum of RMB96.9 million received from the local PRC government for its resumption of our leasehold land held by Sichuan Migao, in FY2021. The net gain of RMB12.1 million recorded in FY2022 was mainly attributable to the gain on deemed disposal of joint ventures of RMB13.0 million derived from the acquisition of subsidiaries through obtaining control over two former joint ventures of our Group, namely, Anda Migao and Baoqing Migao.

Impairment Losses, Net of Reversal

We recorded net impairment losses of RMB11.2 million for FY2022 as compared to the net reversal of impairment losses of RMB3.0 million for FY2021 mainly due to the net impairment allowance of RMB11.0 million recognised for trade receivables based on collective assessment.

Distribution and Selling Expenses

Our distribution and selling expenses increased by RMB46.5 million, or approximately 164.2%, from RMB28.3 million for FY2021 to RMB74.8 million for FY2022, primarily due to the increase in transportation charge as a result of the increase in the sales volume of our KCL by approximately 52.9% in FY2022. As a percentage of revenue, our distribution and selling expenses increased from approximately 1.4% for FY2021 to approximately 1.9% for FY2022.

General and Administrative Expenses

Our general and administrative expenses increased slightly by RMB0.8 million, or approximately 1.3%, from RMB62.8 million for FY2021 to RMB63.6 million for FY2022, primarily due to (i) the increase in payroll and welfare paid to our employees of RMB3.3 million; (ii) the increase in travelling and entertainment expenses of RMB1.4 million due to the increase in numbers of business trips attended by our management team; and (iii) the increase in others of RMB4.0 million due to the increase in miscellaneous office expense, employees' training, insurance, maintenance and other expenses in FY2022, partially offset by (iv) the decrease in professional expenses of RMB8.1 million in FY2022 mainly due to the aggregated additional accounting and consulting fees of RMB7.4 million incurred for application of preferential tax treatment and other financing matters in FY2021, which were one-off in nature. As a percentage of revenue, our general and administrative expenses decreased from approximately 3.0% for FY2021 to approximately 1.7% for FY2022.

Research and Development Expenses

Our research and development expenses increased by RMB14.3 million, or approximately 58.5%, from RMB24.5 million for FY2021 to RMB38.9 million for FY2022, primarily due to the increase in expenses in relation to testing material consumption from RMB15.4 million for FY2021 to RMB30.4 million for FY2022 as a result of increase in costs of potash fertilisers for testing purposes. As a percentage of revenue, our research and development expenses decreased from approximately 1.2% for FY2021 to approximately 1.0% to FY2022.

[**REDACTED**] *Expenses*

Our [**REDACTED**] expenses increased from RMB[**REDACTED**] million for FY2021 to RMB[**REDACTED**] million for FY2022 mainly due to the increase in professional fees paid to professional parties in connection with the application for the [**REDACTED**] of our Shares on the Main Board.

Share of Results of Joint Ventures

Our share of results of joint ventures increased from a loss of RMB2.0 million for FY2021 to a gain of RMB28.3 million for FY2022, primarily as a result of the profit and total comprehensive income recognised by EuroChem Migao of RMB6.1 million in FY2022, as compared to the loss and total comprehensive expense of RMB11.8 million in FY2021, due to the increase in profitability of the sales of NOP attributable to the increase in selling price.

Finance Costs

Our finance costs decreased by RMB0.8 million, or approximately 7.7%, from RMB10.5 million for FY2021 to RMB9.7 million for FY2022, primarily due to a decrease of RMB0.8 million in interest expense incurred on bank borrowings for FY2022 as the decrease in effective interest rate from 5.4% in FY2021 to 4.9% in FY2022 as a result of the lower interest rate of several new loans obtained by our Group in late FY2022 ranging from 3.3% to 4.1%.

Income Tax Expense

Our income tax expense increased by RMB16.1 million, or approximately 27.5%, from RMB58.4 million for FY2021 to RMB74.5 million for FY2022, primarily as a result of an increase in EIT from RMB50.3 million for FY2021 to RMB77.8 million for FY2022 due to the increase in profit before tax from RMB264.9 million for FY2021 to RMB471.0 million for FY2022, partially offset by the decrease in deferred tax assets charged to profit or loss in FY2022 as most of the tax losses previously recognised had been utilised in FY2021.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB190.1 million, or approximately 92.0%, from RMB206.5 million for FY2021 to RMB396.6 million for FY2022.

Year Ended 31 March 2023 Compared to Year Ended 31 March 2022

Revenue

Our total revenue increased by RMB881.3 million, or approximately 22.9%, from RMB3,841.4 million for FY2022 to RMB4,722.7 million for FY2023, primarily due to the substantial increase in the average selling price of our KCL by approximately 31.5% in FY2023, partially offset by the decrease in overall sales volume of our products by approximately 3.1%.

Cost of Goods Sold

Our total cost of goods sold increased by RMB747.2 million, or approximately 23.3%, from RMB3,208.0 million for FY2022 to RMB3,955.2 million for FY2023, primarily due to the increase in costs of direct materials in FY2023 due to the increase in our average purchase price of KCL as a result of the increase in the Sea Import Master Contract Price from US$247 per tonne as applied to FY2022 to US$590 per tonne as applied to FY2023, partially offset by the decrease in overall sales volume of our products by approximately 3.1%.

Gross Profit and Gross Profit Margins

Our total gross profit increased by RMB134.1 million, or approximately 21.2%, from RMB633.4 million for FY2022 to RMB767.5 million for FY2023, primarily due to the increase in gross profit from sales of KCL by RMB212.9 million from RMB475.6 million for FY2022 to RMB688.5 million for FY2023, partially offset by the decrease in gross profit from sales of SOP by RMB75.7 million from RMB125.6 million for FY2022 to RMB49.8 million for FY2023. Our gross profit margin remained stable at approximately 16.5% and 16.3% for FY2022 and FY2023, respectively.

Other Income

Our other income decreased by RMB10.6 million or approximately 60.7% from RMB17.4 million for FY2022 to RMB6.8 million for FY2023, primarily due to the decrease in interest income derived from our loans to our then joint ventures, namely, Baoqing Migao and Anda Migao from RMB12.7 million for FY2022 to nil for FY2023, as Baoqing Migao and Anda Migao have become our subsidiaries since 31 March 2022.

Other Gains and Losses

Our other gains and losses decreased by RMB29.0 million from a net gain of RMB12.1 million for FY2022 to a loss of RMB16.9 million for FY2023, primarily due to (i) the increase in net foreign exchange losses from net foreign exchange losses of RMB0.5 million for FY2022 to net foreign exchange losses of RMB16.4 million for FY2023 as a result of the foreign exchange losses derived from our settlements of monetary liabilities denominated in US dollar in FY2023, and (ii) the decrease in gain on deemed disposal of joint ventures from a gain of RMB13.0 million for FY2022 to nil for FY2023 as a result of the acquisition of subsidiaries of Anda Migao and Baoqing Migao in FY2022 which was one-off in nature.

Impairment Losses, Net of reversal

We recorded a net reversal of impairment losses of RMB1.7 million for FY2023 as compared to the impairment losses of RMB11.2 million for FY2022 as a result of the improvement in our trade receivables turnover for FY2023.

Distribution and Selling Expenses

Our distribution and selling expenses decreased by RMB13.1 million or approximately 17.5% from RMB74.8 million for FY2022 to RMB61.7 million for FY2023, primarily due to the decrease in sales volume of our products in FY2023. As a percentage of revenue, our distribution and selling expenses decreased from approximately 1.9% for FY2022 to approximately 1.3% for FY2023.

General and Administrative Expenses

Our general and administrative expenses increased by RMB42.1 million or approximately 66.2% from RMB63.6 million for FY2022 to RMB105.7 million for FY2023, primarily due to (i) the inclusion of the general and administrative expenses of Baoqing Migao and Anda Migao in our total general and administrative expenses for FY2023 as they have become our subsidiaries since 31 March 2022 following the amendments to their respective articles of association; and (ii) the increase in travelling and entertainment expense in late FY2023 as the PRC government substantially lifted its COVID-19 prevention and control policies. As a percentage of revenue, our general and administrative expenses increased from approximately 1.7% for FY2022 to approximately 2.2% for FY2023.

Research and Development Expenses

Our research and development expenses decreased by RMB7.8 million or approximately 20.1% from RMB38.9 million for FY2022 to RMB31.0 million for FY2023, primarily due to the decrease in expenses in relation to testing material consumption from RMB30.4 million for FY2022 to RMB22.7 million for FY2023, as a result of a decrease in the number of research and development projects, partially offset by the inclusion of research and development expenses incurred by Baoqing Migao for FY2023 as it has become our subsidiary since 31 March 2022 following the amendments to its articles of association. As a percentage of revenue, our research and development expenses decreased from approximately 1.0% for FY2022 to approximately 0.7% for FY2023.

[**REDACTED**] ***Expenses***

Our [**REDACTED**] expenses remained stable at RMB[**REDACTED**] million for FY2023 compared to RMB[**REDACTED**] million for FY2022.

Share of Results of Joint Ventures

Our share of results of joint ventures decreased by RMB17.0 million from a gain of RMB28.3 million for FY2022 to a gain of RMB11.3 million for FY2023, primarily due to the recognition of Baoqing Migao and Anda Migao as our subsidiaries since 31 March 2022, which ceased to share their results as our joint ventures on the same date.

Finance Costs

Our finance costs increased by RMB8.0 million or approximately 82.7% from RMB9.7 million for FY2022 to RMB17.7 million for FY2023, primarily due to (i) the increase in interest expenses on bank borrowings from RMB9.4 million for FY2022 to RMB11.2 million for FY2023, as a result of the additional interest expenses in FY2023 derived from the outstanding advance from banks on discounted bills receivables with full recourse of RMB153.2 million as at 31 March 2022 as compared to the outstanding advance of RMB12.0 million as at 31 March 2021; and (ii) the increase in interest expenses on loans from related companies from nil for FY2022 to RMB5.8 million for FY2023, as a result of Anda Migao becoming our subsidiary since 31 March 2022 and its interest expenses on loans from a related company of Heilongjiang Beidahuang and the immediate holding company of Heilongjiang Beidahuang became our interest expenses on loans from related companies for FY2023.

Income Tax Expense

Our income tax expense increased by RMB37.4 million or approximately 50.3% from RMB74.5 million for FY2022 to RMB111.9 million for FY2023, primarily as a result of an increase in EIT from RMB77.8 million for FY2022 to RMB111.8 million for FY2023 due to the increase in profit before tax from RMB471.0 million for FY2022 to RMB533.4 million for FY2023.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB24.9 million or approximately 6.3% from RMB396.6 million for FY2022 to RMB421.5 million for FY2023.

8MFY2024 Compared to 8MFY2023

Revenue

Our total revenue decreased by RMB443.5 million, or approximately 16.3%, from RMB2,727.2 million for 8MFY2023 to RMB2,283.7 million for 8MFY2024, primarily due to (i) the decrease in average selling price of our KCL and SOP by approximately 36.8% and 23.9%, respectively, partially offset by (ii) the increase in overall sales volume of our products by approximately 30.0%.

Cost of Goods Sold

Our total cost of goods sold decreased by RMB312.4 million, or approximately 13.8%, from RMB2,266.5 million for 8MFY2023 to RMB1,954.2 million for 8MFY2024, primarily due to (i) the decrease in costs of direct material in 8MFY2024 due to the decrease in our average purchase price of KCL as a result of the decrease in the Sea Import Master Contract Price to US$307 per tonne in June 2023, partially offset by (ii) the increase in overall sales volume by approximately 30.0%.

Gross Profit and Gross Profit Margins

Our total gross profit decreased by RMB131.1 million, or approximately 28.5%, from RMB460.7 million for 8MFY2023 to RMB329.6 million for 8MFY2024, primarily due to the decrease in gross profit from sales of our KCL from RMB415.5 million for 8MFY2023 to RMB262.3 million for 8MFY2024. Our gross profit margin decreased from approximately 16.9% for 8MFY2023 to approximately 14.4% for 8MFY2024, primarily due to the decrease in gross profit margin of our KCL from approximately 17.5% for 8MFY2023 to approximately 13.4% for 8MFY2024.

Other Income

Our other income increased by RMB2.0 million, or approximately 46.6%, from RMB4.3 million for 8MFY2023 to RMB6.3 million for 8MFY2024, primarily due to (i) the increase in bank interest income as a result of the general increase in bank interest rate and the increase in average bank balances and cash in 8MFY2024; and (ii) the increase in government grants in 8MFY2024 as a result of an one-off government grant of RMB2.0 million received by Baoqing Migao during the same period.

Other Gains and Losses

Our other gains and losses increased by RMB17.0 million from a net loss of RMB12.9 million for 8MFY2023 to a net gain of RMB4.1 million for 8MFY2024, primarily due to the significant foreign exchange losses of RMB12.2 million mainly derived from our settlements of monetary liabilities denominated in US dollar in 8MFY2023, as compared to the foreign exchange gain of RMB4.9 million in 8MFY2024 mainly derived from the prepayment made to our suppliers denominated in US dollar during the same period.

Impairment Losses, Net of reversal

We recorded a net reversal of impairment losses of RMB2.9 million for 8MFY2024 as compared to the impairment losses of RMB4.4 million for 8MFY2023 mainly due to the improvement in the recoverability of our trade receivables in 8MFY2024, as evidenced by the decrease in trade and bills receivables turnover days from approximately 35.4 days for FY2023 to approximately 25.0 days for 8MFY2024.

Distribution and Selling Expenses

Our distribution and selling expenses decreased by RMB17.6 million, or approximately 50.4%, from RMB34.9 million for 8MFY2023 to RMB17.3 million for 8MFY2024, primarily due to the decrease in transportation charge in 8MFY2024 as a result of the decrease in inventory management activities between the subsidiaries of our Group during the same period. As a percentage of revenue, our distribution and selling expenses decreased from approximately 1.3% for 8MFY2023 to approximately 0.8% for 8MFY2024.

General and Administrative Expenses

Our general and administrative expenses increased by RMB3.3 million, or approximately 5.5%, from RMB60.2 million for 8MFY2023 to RMB63.5 million for 8MFY2024, primarily due to (i) the increase in payroll and welfare of certain subsidiaries in 8MFY2024; and (ii) the increase in travelling and entertainment expense in 8MFY2024 due to the increase in business trips and meetings for the same period as the PRC Government had substantially lifted its COVID-19 prevention and control policies. As a percentage of revenue, our general and administrative expenses increased from approximately 2.2% for 8MFY2023 to approximately 2.8% for 8MFY2024.

Research and Development Expenses

Our research and development expenses increased by RMB4.6 million, or approximately 21.3%, from RMB21.7 million for 8MFY2023 to RMB26.3 million for 8MFY2024, primarily due to (i) the increase in expenses in relation to testing material consumption for 8MFY2024 as a result of the increase in testing material consumption for our research and development activities during the same period; and (ii) the additional research and development expenses incurred by Migao Century (Chengdu), our subsidiary newly established in August 2022, in 8MFY2024. As a percentage of revenue, our research and development expenses increased from approximately 0.8% to approximately 1.2%.

[**REDACTED**] *Expenses*

Our [**REDACTED**] expenses increased by RMB[**REDACTED**] million, or approximately [**REDACTED**]% from RMB[**REDACTED**] million for 8MFY2023 to RMB[**REDACTED**] million for 8MFY2024, primarily due to the increase in professional fees incurred in connection with the application for [**REDACTED**] of our Shares on the Main Board.

Share of Results of Joint Ventures

Our share results of joint ventures increased by RMB10.8 million from a loss of RMB0.3 million for 8MFY2023 to a loss of RMB11.1 million for 8MFY2024, primarily due to the decrease in sales volume and gross profit margin of NOP of EuroChem Migao for 8MFY2024.

Finance Costs

Our finance costs increased by RMB0.5 million, or approximately 4.0%, from RMB12.2 million for 8MFY2023 to RMB12.7 million for 8MFY2024, primarily due to (i) the increase in interest expenses on bank borrowings from RMB8.0 million for 8MFY2023 to RMB8.9 million for 8MFY2024 as a result of the increase in bank borrowings during the same period, partially offset by the decrease in interest expenses on loans from related companies from RMB3.8 million for 8MFY2023 to RMB3.4 million for 8MFY2024 as a result the decrease in the interest rate applicable to the relevant loans from related companies from 6.0% for 8MFY2023 to 5.0% for 8MFY2024.

Income Tax Expense

Our income tax expenses decreased by RMB34.2 million, or approximately 49.8%, from RMB68.6 million for 8MFY2023 to RMB34.5 million for 8MFY2024, primarily due to the decrease in EIT of our Group from RMB70.6 million for 8MFY2023 to RMB34.4 million for 8MFY2024, as a result of the decrease in profit before tax of our Group from RMB305.5 million for 8MFY2023 to RMB196.6 million for 8MFY2024.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by RMB74.7 million, or approximately 31.5%, from RMB236.8 million for 8MFY2023 to RMB162.1 million for 8MFY2024.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operating activities and, to a lesser extent, we raised bank borrowings to support our general working capital needs.

Cash Flow

The following table is a condensed summary of our consolidated statements of cash flows and analysis of balances of cash and cash equivalents for the years/periods indicated:

	For the year ended 31 March			For the eight months ended 30 November	
	2021	**2022**	**2023**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating cash flows before movements in working capital	152,030	448,978	552,370	332,573	228,445
Decrease (increase) in trade and other receivables and prepayments	68,187	(535,338)	(154,662)	30,004	(495,278)
(Increase) decrease in inventories	(68,750)	(522,668)	625,271	211,443	(268,222)

	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)	
(Decrease) increase in trade and other payables	(246,513)	256,630	(504,437)	(431,288)	(52,088)
Increase (decrease) in contract liabilities	271,656	189,658	(275,995)	85,583	493,038
(Increase) decrease in amount due from a related company	(21,575)	21,575	–	(27,000)	–
Increase (decrease) in amounts due to related companies	1,790	(14,575)	(421)	(421)	–
Increase (decrease) in amounts due to joint ventures	101,852	227,262	(33,061)	(25,071)	–
Decrease (increase) in amounts due from joint ventures	25,665	(15,187)	929	(26,945)	292
Decrease in amount due to a non-controlling interest	(23,409)	(22,951)	(6,168)	–	–
Cash generated from (used in) operations	260,933	33,384	203,826	148,878	(93,813)
Income taxes refunded (paid)	303	(33,716)	(69,771)	(38,585)	(31,307)

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

Net cash from/(used in) operating activities

Our primary source of cash generated from operating activities consists of revenue from our sales of fertiliser products. Our net cash used in operating activities are mainly used to fund the costs directly incurred for our principal operating activities, such as the purchase of raw materials, labour costs and manufacturing costs. Our net cash generated from (used in) operating activities primarily reflects (i) our profit before tax, as adjusted for depreciation of plant and equipment, amortisation of intangible asset, depreciation of right-of-use assets, share of results of joint ventures, gain on deemed disposal of joint ventures, impairment losses net of reversal, finance costs, interest income, gain (loss) on disposal of plant and equipment, and gain on disposal of right-of-use assets; (ii) the effects of changes in working capital; and (iii) income tax paid (refunded).

For FY2021, our net cash generated from operating activities was RMB261.2 million. This amount was primarily attributable to RMB264.9 million in profit before tax, adjusted for certain non-cash items, principally (i) gain on disposal of right-of-use assets of RMB94.4 million and (ii) gain on disposal of plant and equipment of RMB30.3 million, and further adjusted by changes in certain working capital accounts that affected operating cash flow, primarily (i) the increase in contract liabilities of RMB271.7 million due to increase in deposit received from customers as a result of the increase in sales of KCL because of increasing plantation and agricultural activities as the economic and market conditions in China; (ii) the increase in amounts due to joint ventures of RMB101.9 million due to the increased purchases of raw materials and finished goods from Baoqing Migao and Anda Migao; (iii) the decrease in trade and other receivables and prepayments of RMB68.2 million mainly due to the combined effect of (a) the decrease in trade and bills receivables by RMB557.4 million as a result of the faster payment made by our customers as the general economic conditions improved after COVID-19 restrictions have been lifted in FY2021 and our more stringent requirement on customers' deposit/prepayment before we sold the products to them; and (b) the increase in inventories prepayment by RMB415.7 million due to the increase in prepayment made by us for the purchases of raw materials to satisfy the upcoming seasonal demand of our products, offset by (iv) the decrease in trade and other payables of RMB246.5 million due to the decrease in bills payables of RMB217.7 million due to our less use of bills for settlement of account payables to suppliers and the increase in amount of inventories prepayment made by us to the suppliers for the purchase of raw materials in FY2021; and (v) the increase in inventories of RMB68.8 million as a result of the increased purchasing of raw materials in FY2021 in anticipation of the expected increase in seasonal demand of our products in the second half of FY2022.

For FY2022, our net cash used in operating activities was RMB0.3 million. This amount was primarily attributable to RMB471.0 million profit before tax, adjusted for certain non-cash items, principally share of profit of joint ventures of RMB28.3 million, further adjusted by changes in certain working capital accounts that affected operating cash flow, principally (i) the increase in trade and other receivables and prepayments of RMB535.3 million due to the increase in trade and bills receivables of RMB160.3 million and inventories prepayment of RMB453.2 million, which is in line with our sales growth and our strategy to maintain higher inventory reserve; (ii) the increase in inventories of RMB522.7 million due to the higher inventory reserve maintained by our Group as at 31 March 2022 in view of the potential risk of adverse import price fluctuation of KCL as a result of the global supply uncertainty; (iii) the decrease in outstanding amount payable to Guizhou Tobacco Investment for our purchases of raw materials, partially offset by (iv) the increase in trade and other payables of RMB256.6 million mainly due to the increase in trade payable of RMB250.8 million derived from the increase in domestic raw material purchases to satisfy additional demands of our products in FY2022 and to maintain higher inventory reserve; (v) the increase in amounts due to joint ventures of RMB227.3 million; and (vi) the increase in contract liabilities of RMB189.7 million due to the increase in deposits made by our customers for sales orders in late FY2022, as well as the income tax paid of RMB33.7 million which included the payment for additional EIT and surcharges in the total amount of RMB28.5 million resulted from the re-filings of revised EIT annual settlement returns for 2019 and 2020 by Guangdong Migao and Sichuan Migao. For details, please refer to the paragraph headed "Key Components of Our Consolidated Statements of Comprehensive Income – Income Tax Expense – PRC Tax Re-filings" in this section.

For FY2023, our net cash generated from operating activities was RMB134.1 million. This amount was primarily attributable to RMB533.4 million profit before tax, adjusted for changes in certain working capital accounts that affected operating cash flow, principally (i) the decrease in inventories of RMB625.3 million due to our Group's plan to reduce our KCL reserve during late FY2023 in view of the stabilised import price of KCL in the PRC during the same period, partially offset by (ii) the decrease in trade and other payables of RMB504.4 million, primarily due to the decrease in trade and bills payables by RMB462.6 million as a result of the increase in the proportion of prepayments made to our suppliers and our settlements of outstanding trade payables and the settlement of bills payables at maturity in FY2023. During FY2023, certain amount of trade payables of our Group were settled by way of setting off against equivalent amounts of our supplier rebate receivables and inventories prepayment. For details, please refer to the paragraph headed "Selected Balance Sheet Items – Trade and Other Payables – Trade and Bills Payables" in this section; (iii) the decrease in contract liabilities of RMB276.0 million, primarily due to the decrease in deposits made by our customers for purchases of our potash fertiliser products during late FY2023 in view of the stabilised market selling price of KCL in the PRC during the same period; (iv) the increase in trade and other receivables and prepayments of RMB154.7 million, primarily due to (x) the increase in inventory prepayments of RMB266.1 million as a result of the prepayments made to our suppliers in late FY2023 to secure sources of KCL for our production and sales in FY2024, partially offset by (y) the decrease in trade and bills receivables of RMB100.3 million because of our effort to collect such receivables in FY2023 and to a lesser extent, the decrease in sales in March 2023; and (v) the decrease in amounts due to joint ventures of RMB33.1 million, primarily due to the decrease in amount due to Yunnan EuroChem from RMB34.7 million as at 31 March 2022 to nil as at 31 March 2023 as a result of the decrease in our purchases of raw materials and finished goods from Yunnan EuroChem during FY2023, as well as the income tax paid of RMB69.8 million which included the payment for additional EIT and surcharges in total amount of RMB27.5 million in July 2022 resulted from the re-filing of revised EIT annual settlement returns for 2021 by Guangdong Migao. For details, please refer to the paragraph headed "Key Components of Our Consolidated Statements of Comprehensive Income – Income Tax Expense – PRC Tax Re-filings" in this section.

For 8MFY2024, our net cash used in operating activities was RMB125.1 million. This amount was mainly attributable to RMB196.6 million profit before tax, adjusted by changes in certain working capital accounts that affected operating cash flow, principally (i) the increase in trade and other receivables and prepayments of RMB495.3 million, primarily due to the increase in inventories prepayment of RMB590.1 million in 8MFY2024 made by our Group to secure sources of KCL for our production and sales in the remaining period of the peak season in FY2024 partially offset by the decrease in trade and bills receivable of RMB64.0 million as a result of our stringent requirement on customers' deposit in 8MFY2024 in view of the increase in demand and sales volume in the same period; (ii) the increase in inventories of RMB268.2 million, primarily due to the increase in raw material reserve maintained by our Group as at 30 November 2023 to satisfy customers' demands in the remaining period of the peak season in FY2024; (iii) the decrease in trade and other payables of RMB52.1 million, as a result of the increase in inventories prepayment made by our Group for purchases for the same period, partially offset by (iv) the increase in contract liabilities of RMB493.0 million, primarily due to the increase in deposits made by our customers in 8MFY2024 to secure the supply of our potash fertiliser products for the remaining period of the peak season in FY2024, and deducting the income tax paid of RMB31.3 million.

Although net cash used in operating activities of RMB125.1 million was recorded during 8MFY2024 mainly due to the increase in inventories prepayment and inventories during the same period as discussed above, it is expected that such operating cash outflow position will subsequently be improved in accordance with our historical trend, mainly due to the relatively significant net operating cash inflows to be generated from the sales of products during the four months ending 31 March 2024, which is expected to be higher than the amount for purchases during the relevant period, as evidenced by the general decreasing trend of our inventories balance and inventories prepayment at the end of peak season. In fact, the sales volume of KCL and SOP for the two months ended 31 January 2024 amounted to approximately 257,000 tonnes and 38,000 tonnes, respectively, representing approximately 24.1% and 31.0% of the total sales volume of KCL and SOP for FY2023.

Net cash from/(used in) investing activities

Net cash used in investing activities mainly consists of (i) placement of restricted cash pledged for our credit facilities, namely, bills payables and deposits for letter of credits mostly in relation to our purchase of KCL from suppliers; (ii) purchase of plant and equipment in support of our business operation; (iii) upfront payments for right-of-use assets mainly representing our leasehold land; (iv) loans to joint ventures, namely, Anda Migao and Baoqing Migao, in support of their working capital requirements; and (v) capital injection to joint ventures. Net cash from investing activities mainly consists of (i) withdrawal of restricted cash when the pledge for our credit facilities is released; and (ii) repayment of aforementioned loans from joint ventures.

For FY2021, our net cash used in investing activities was RMB79.7 million, which primarily consisted of RMB1,007.7 million of placement of restricted cash, RMB342.7 million of loans to joint ventures, RMB52.0 million of capital injection to a joint venture, namely, Anda Migao, partially offset by RMB1,036.8 million of withdrawal of restricted cash, RMB121.1 million of repayment of loans from joint ventures, RMB96.9 million of proceeds from disposal of right-of-use assets representing the sum received from the PRC government for the resumption of the leasehold land held by Sichuan Migao and RMB81.8 million of proceeds from disposal of plant and equipment which is a building owned by Sichuan Migao.

For FY2022, our net cash used in investing activities was RMB6.2 million, which primarily consisted of RMB1,384.3 million of placement of restricted cash, RMB256.3 million of loans to joint ventures, and RMB39.0 million of capital injection to a joint venture, namely, Anda Migao, partially offset by RMB1,439.6 million of withdrawal of restricted cash, RMB197.5 million of repayment of loans from joint ventures, and RMB28.4 million of net cash inflow on acquisition of subsidiaries.

For FY2023, our net cash used in investing activities was RMB91.3 million, which primarily consisted of RMB436.4 million of placement of restricted cash, RMB83.3 million of upfront payments for right-of-use assets, RMB46.8 million of purchase of plant and equipment, RMB24.4 million of advances to joint ventures, and RMB20.5 million of advance to a third party, namely, Liaoning Migao, for its possible ad hoc short-term working capital needs with a view to facilitating the smooth transition of its business operation after its disposal by APPH in June 2022, which was subsequently fully repaid in August 2022, partially offset by RMB456.2 million of withdrawal of restricted cash and RMB26.4 million of repayments from joint ventures.

For 8MFY2024, our net cash from investing activities was RMB71.8 million, which primarily consisted of RMB330.4 million of withdrawal of restricted cash, partially offset by RMB268.2 million of placement of restricted cash.

Net cash from/(used in) financing activities

Net cash generated from financing activities mainly consists of (i) new bank borrowings raised; and (ii) advance from related companies. Net cash used in financing activities mainly consists of (i) repayment of bank borrowings; and (ii) repayments to related companies.

For FY2021, our net cash used in financing activities was RMB132.1 million, primarily as a result of repayments of bank borrowings of RMB306.3 million and repayments to related companies of RMB174.2 million, partially offset by new bank borrowings raised of RMB273.1 million and advances from related companies of RMB93.4 million.

For FY2022, our net cash from financing activities was RMB232.4 million, which primarily consisted of new borrowing raised of RMB509.2 million and advances from related companies of RMB87.0 million, partially offset by repayments of bank borrowings of RMB343.8 million.

For FY2023, our net cash from financing activities was RMB37.5 million, which primarily consisted of RMB298.7 million of new bank borrowings raised, RMB243.1 million of advances from related companies and RMB105.0 million of new loan from a related company, representing the loan from the immediate holding company of Heilongjiang Beidahuang to Anda Migao, partially offset by RMB240.4 million of repayments to related companies, RMB233.9 million of repayments of bank borrowings and RMB95.0 million of repayment of loan from a related party, representing the loan from a related company of Heilongjiang Beidahuang to Anda Migao.

For 8MFY2024, our net cash used in financing activities was RMB99.4 million, which primarily consisted of RMB194.8 million of repayments of bank borrowings and RMB180.2 million of repayments to related parties, partially offset by RMB278.9 million of new bank borrowings raised.

SELECTED BALANCE SHEET ITEMS

The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 March			As at 30 November	As at 31 January
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current Assets					
Inventories	164,392	740,470	151,589	444,079	436,390
Trade and other receivables and prepayments	1,090,922	1,737,514	1,730,694	2,149,405	2,255,380
Amount due from a related company	21,575	–	–	–	–
Amounts due from joint ventures	29,801	30,417	27,490	18,627	16,855
Loans to joint ventures	237,249	–	–	–	–
Amount due from a shareholder	2,234	1,838	3,535	900	833
Tax recoverable	–	–	1,029	–	–
Restricted cash	245,570	190,298	170,484	108,206	208,829
Bank balances and cash	54,707	283,456	365,731	213,505	158,878
	1,846,450	2,983,993	2,450,552	2,934,722	3,077,165

	As at 31 March			As at 30 November	As at 31 January
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current Liabilities					
Trade and other payables	860,120	1,152,972	630,630	494,930	596,237
Contract liabilities	408,775	611,973	335,978	829,016	774,317
Amounts due to joint ventures	111,794	34,709	–	–	–
Amounts due to related companies	89,836	178,901	175,716	16,848	11,470
Amount due to a non-controlling interest	29,119	6,168	–	–	–
Loans from related companies	–	95,020	105,817	109,259	120,992
Tax liabilities	62,504	112,770	155,813	157,892	164,410
Bank borrowings	129,018	292,427	164,738	208,920	208,920
Lease liabilities	4,406	3,770	5,681	5,855	5,460
	1,695,572	2,488,710	1,574,373	1,822,720	1,881,806
Net Current Assets	150,878	495,283	876,179	1,112,002	1,195,359

Inventories

Our Group's inventories comprise raw materials, finished goods, packing and other materials and goods in transit. The following table sets out our inventories as at the dates indicated:

	As at 31 March			As at 30 November
	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	55,936	668,355	121,553	349,341
Finished goods	17,304	40,605	19,773	88,696
Packing and other materials	6,228	7,608	4,698	5,952
Goods in transit	84,924	23,902	5,565	90
	164,392	740,470	151,589	444,079

Raw materials represent KCL, SOP, NOP, sulphuric acid, ammonium nitrate and other raw materials we purchased from suppliers. Finished goods represent the granulated KCL, the finished SOP, compound fertilisers, by-products and other products after manufacturing in our production facilities. Packing and other materials represent woven bags for packaging of our finished goods. Goods in transit mainly represent raw materials in transit from our suppliers. Our goods in transit are delivered through shipment on a cost and freight (CFR) basis whereby risk is transferred to us as the buyer once the goods are on board the vessel.

The increasing trend of our inventories from RMB164.4 million as at 31 March 2021 to RMB740.5 million as at 31 March 2022 was primarily due to the increase in our inventory reserve in view of the growth in sales volume as well as the increase in inventory costs in FY2022 due to the global supply uncertainty of KCL. The decrease in our inventories from RMB740.5 million as at 31 March 2022 to RMB151.6 million as at 31 March 2023 was primarily due to our Group's plan to reduce our KCL reserve in late FY2023 in view of the stabilised import price of KCL in the PRC during the same period. During the Track Record Period, we did not have any inventory write down due to the nature of the high turnover of our raw materials, and the expected realisable value of our inventories remained higher than the price of raw materials during the Track Record Period. The increase in our inventories from RMB151.6 million as at 31 March 2023 to RMB444.1 million as at 30 November 2023 was primarily due to the increase in raw material reserve maintained by our Group as at 30 November 2023 to satisfy our customers' demands for the remaining period of the peak season in FY2024.

The following table sets forth the aging analysis of our inventories as at the dates indicated:

	As at 31 March			As at 30 November
	2021	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Inventories				
Within 90 days	148,779	717,815	138,262	428,973
91-180 days	4,614	10,183	5,719	3,682
181-365 days	7,355	7,823	5,235	9,516
Over 1 year	3,644	4,649	2,373	1,908
	164,392	740,470	151,589	444,079

The following table sets out a summary of our Group's average inventory turnover days for the years/period indicated:

	For the year ended 31 March			For the eight months ended 30 November
	2021	2022	2023	2023
Inventory turnover days[(1)] . . .	24.5	51.5	41.2	37.1

Note:

(1) The calculation of inventory turnover days is based on the average of the opening balance and closing balance of inventories divided by cost of goods sold for the relevant year/period and multiplied by 365 days for a full-year period or 365*(8/12) for a eight-month period.

Our Group recorded an increase in average inventory turnover days from approximately 24.5 days for FY2021 to approximately 51.5 days for FY2022. The higher average inventory turnover days for FY2022 was primarily due to higher inventories balance maintained by our Group as at 31 March 2022 in view of the potential risk for adverse fluctuation in import price of KCL as a result of the global supply uncertainly, so as to maintain our market leading position and to satisfy the expected demand of our products in the year ending 31 March 2023. As at 31 March 2022, we had inventories of approximately 4,416,847 tonnes, as compared to approximately 3,619,541 tonnes as at 31 March 2021. In addition, Anda Migao and Baoqing Migao became our subsidiaries on 31 March 2022, and, therefore, the inventories held by them have been taken into account for the calculation of inventory turnover days for FY2022, which, to a lesser extent, led to the increase in inventory turnover days for FY2022. As at 31 March 2022, inventories held by Anda Migao and Baoqing Migao aggregated RMB39.2 million.

Our Group recorded a decrease in average inventory turnover days from approximately 51.5 days for FY2022 to approximately 41.2 days for FY2023, mainly due to the significant decrease in purchase of KCL through shipment by sea in FY2023.

Our Group recorded a decrease in average inventory turnover days from approximately 41.2 days for FY2023 to approximately 37.1 days for 8MFY2024, as the inventories maintained by our Group as at 31 March 2022, being one of the numerators of the inventory turnover days for FY2023, was higher in view of the potential risk for adverse changes in purchase price of KCL under the global supply uncertainty.

As at the Latest Practicable Date, RMB429.6 million, or approximately 96.7%, of our inventories as at 30 November 2023, were subsequently utilised or sold. Given our level of inventories, we are subject to inventory risks. For further details, please refer to the section headed "Risk Factors – Risks Relating to Our Business – We are exposed to inventory risks" in this document.

Trade and Other Receivables and Prepayments

Our trade and other receivables and prepayments primarily consist of trade receivables, bills receivables, supplier rebate receivables, inventories prepayment, deferred issue costs representing the accrued expenses for professional services in connection with the preparation for the [**REDACTED**], and other receivables, deposits and prepayments.

The following table sets forth our trade and other receivables and prepayments as at the dates indicated:

	As at 31 March			As at 30 November
	2021	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables and prepayments				
Trade receivables[1]	230,910	308,305	200,370	146,875
Less: Allowance for credit losses	(7,877)	(19,058)	(17,403)	(14,472)
	223,033	289,247	182,967	132,403
Bills receivables	208,601	302,713	140,886	12,994
	431,634	591,960	323,853	145,397
Other receivables and prepayments				
Supplier rebate receivables	9,607	39,216	–	–
Inventories prepayment	589,332	1,042,565	1,308,636	1,898,754
Deferred issue costs	1,424	8,496	14,739	19,524
Other receivables, deposits and prepayments	58,925	55,277	83,466	85,730
	659,288	1,145,554	1,406,841	2,004,008
	1,090,922	1,737,514	1,730,694	2,149,405

Note:

(1) As at 31 March 2021, 2022, 2023 and 30 November 2023, our trade receivables included unbilled receivables of RMB190.7 million, RMB203.6 million, RMB90.9 million and RMB105.6 million, respectively, which represent accrued sales for goods delivered by our Group but yet to bill. For such amount of unbilled receivables, nil, nil, RMB20.4 million and RMB77.2 million remained unbilled as at the Latest Practicable Date. The following table sets out an analysis of our unbilled receivables by age, presented based on the date of delivery, as at the dates indicated:

	As at 31 March			As at 30 November
	2021	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled receivables				
Within 90 days	138,579	67,415	76,028	81,188
91-180 days	16,967	10,824	14,640	44
181-365 days	14,667	68,861	133	24,410
Over 1 year	20,530	56,464	57	–
	190,743	203,564	90,858	105,641
Less:				
Allowance for credit losses	(1,057)	(7,916)	(2,418)	(2,056)
	189,686	195,648	88,440	103,585

In general, we will communicate with our customers with unbilled sales orders from time to time after the delivery of our fertiliser products to confirm and agree the amount of unbilled sales before issuing sales invoices. As such, the length of our billing process will be subject to our customers' responses, and our customers with wider geographical coverage of sales network will generally require more time to confirm the amount of unbilled sales with us. Some of them may take more time to confirm and agree the amount of unbilled sales with us for the preceding peak season, and the confirmation of unbilled sales and billing arrangement with these customers will generally have to take place from April to September of the following financial year. Our Group has relatively long term and stable business relationships with these customers, and was generally able to receive payments from them within the credit period after issuing invoices during the Track Record Period.

Our unbilled receivables as at 31 March 2021 and 2022 included unbilled receivables from Supplier B of RMB55.6 million and RMB97.8 million which were derived from our appointment of Supplier B as our domestic designated agent to purchase raw materials from oversea suppliers and sell them to domestic customers of our Group under the instructions of our Group during the Track Record Period. Under such arrangement, Supplier B shall collect the sales proceeds and settle the purchase costs on behalf of our Group, and our Group has unconditional right to the payment. Such arrangement has been terminated since October 2021, and the related outstanding receivables from Supplier B have been fully settled as at 31 January 2023. For details in relation to the appointment of Supplier B as our domestic designated agent, please refer to the section headed "Business – Raw Materials Procurement – KCL – Purchases through Designated Agent" in this document. RMB52.2 million and RMB136.1 million of our unbilled receivables as at 31 March 2021 and 2022 had been aged for more than 90 days, mainly due to (i) the unbilled receivables from Supplier B under the arrangement as discussed above; and (ii) the delays in billing arrangements for the sales to certain customers with operational difficulties and financial illiquidities as a result of the impact of COVID-19, and the relevant unbilled receivables from these customers had been billed and fully settled as at the Latest Practicable Date.

Trade receivables, net of loss allowance, and bills receivables

Our trade receivables and bills receivable represent amounts in connection with the sales of our products due from our customers. More specifically, our trade receivables primarily represent receivables from our customers; whereas bills receivables represent outstanding amounts due from certain customers who settle our payment with bank's acceptance bills. Allowance for credit losses represent the impairment on trade receivables for overdue payments by our customers. For details, please refer to the paragraph headed "Material Accounting Policy Information, Estimates and Judgements – Impairment of Financial Assets" in this section for our Group's policy on impairment of trade receivables.

Based on our assessment and reassessment process for trade receivables impairment, we made allowance for credit losses of approximately 3.4%, 6.2%, 8.7% and 9.9% of our ending balance of trade receivables as at 31 March 2021, 2022, 2023 and 30 November 2023.

During the Track Record Period, our Group generally required advanced payments of 30% to 100% of the total contracted amount from most of our major customers, and a credit period up to 180 days from the invoice date will be granted for any remaining amount of trade and bills receivables recognised upon the delivery of fertiliser products. In determining the credit period to be granted to our customers, we would assess their credibility and our business relationships with them. Credit period granted to our customers are reviewed regularly and we seek to maintain strict control over our outstanding receivables to help monitor our credit risk. Our credit control personnel regularly review overdue balances.

The following table sets forth an analysis of our trade receivables by age, net of allowance for credit losses, as at the dates indicated:

	As at 31 March			As at 30 November
	2021	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
Within 90 days	7,866	43,594	26,129	18,557
91-180 days	1,998	38,412	56,203	4,629
181-365 days	827	5,281	8,893	3,930
Over 1 year	22,656	6,312	3,302	1,702
	33,347	93,599	94,527	28,818

	As at 31 March			As at 30 November
	2021	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled Receivables				
Within 90 days	137,810	64,794	74,005	79,608
91-180 days	16,873	10,403	14,251	43
181-365 days	14,586	66,183	129	23,935
Over 1 year	20,417	54,268	55	–
	189,686	195,648	88,440	103,585
	223,033	289,247	182,967	132,403

RMB22.7 million of our trade receivables as at 31 March 2021 had been aged for more than 1 year, which was mainly due to the delays in settlements by certain customers as a result of their short term liquidity issues, which were further exacerbated by the outbreak of COVID-19 in late 2019. As at the Latest Practicable Date, the relevant outstanding amounts had been fully settled.

The following table sets forth our trade and bills receivables turnover days for the years/period indicated:

	For the year ended 31 March			For the eight months ended 30 November
	2021	**2022**	**2023**	**2023**
Trade and bills receivables turnover days[1]	104.4	48.6	35.4	25.0

Note:

(1) We calculate the trade and bills receivables turnover days using the average of the opening balance and closing balance of the sum of trade receivables, net of loss allowance, and bills receivables for the relevant year/period, divided by revenue for the relevant year, multiplied by 365 days for a full-year period or 365*(8/12) for a eight-month period.

For FY2021, FY2022, FY2023 and 8MFY2024,, our trade and bills receivables turnover days were approximately 104.4 days, 48.6 days, 35.4 days and 25.0 days, respectively. The decreasing trend of our trade and bills receivables turnover days was primarily due to (i) our stringent requirement on customers' deposit in FY2022 in view of the significant increase in the demand of our KCL during the same year; (ii) the decrease in our trade and bills receivables as at 31 March 2023 as a result of our efforts to collect our receivables in FY2023; and (iii) to a lesser extent, the decrease in sales in March 2023. The decrease in our trade and bills receivables turnover days from approximately 35.4 days for FY2023 to approximately 25.0 days for 8MFY2024 was primarily due to our stringent requirement on customers' deposit in 8MFY2024 in view of the increase in demand and sales volume in the same period.

As at the Latest Practicable Date, RMB90.3 million, or approximately 68.2%, of our trade receivables as at 30 November 2023 were subsequently settled.

Supplier rebate receivables

Our supplier rebate receivables primarily represents rebate on our inventory purchase which our Group is entitled to when our inventory purchase achieved the specified level of purchase volume. Our supplier rebate receivables as at 31 March 2021, 2022, 2023 and 30 November 2023 were RMB9.6 million, RMB39.2 million, nil and nil, respectively.

Inventories prepayment

Our inventories prepayment primarily represents the prepayment made by us to the suppliers for the purchase of raw materials. Our inventories prepayment as at 31 March 2021, 2022 and 2023 and 30 November 2023 were RMB589.3 million, RMB1,042.6 million, RMB1,308.6 million and RMB1,898.8 million, respectively.

Our inventories prepayment increased from RMB589.3 million as at 31 March 2021 to RMB1,042.6 million as at 31 March 2022, which is generally in line with our sales growth and our strategy to maintain higher inventory reserve for the same years. The increase in our inventories prepayment from RMB1,042.6 million as at 31 March 2022 to RMB1,308.6 million as at 31 March 2023 was as a result of the prepayments made to our suppliers in late FY2023 to secure sources of KCL for our production and sales in FY2024. The increase in our inventories prepayment from RMB1,308.6 million as at 31 March 2023 to RMB1,898.8 million as at 30 November 2023 was primarily due to the prepayment made to our suppliers in 8MFY2024 to secure sources of KCL for our production and sales for the remaining period of the peak season in FY2024.

The following table sets forth the aging analysis of our inventories prepayment as at the dates indicated:

	As at 31 March			As at 30 November
	2021	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Inventories Prepayment				
Within 90 days	560,059	659,891	1,089,087	1,202,984
91-180 days	22,925	176,181	123,636	380,098
181-365 days	626	190,420	5,422	281,206
Over 1 year	5,722	16,073	90,491	34,466
	589,332	1,042,565	1,308,636	1,898,754

As at the Latest Practicable Date, RMB936.0 million, or approximately 49.3%, of our inventories prepayment as at 30 November 2023 were subsequently utilised.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments primarily represents value-added tax receivables, and prepayments for transportation costs and other miscellaneous expenses. Our other receivables, deposits and prepayments as at 31 March 2021, 2022 and 2023 and 30 November 2023 were RMB58.9 million, RMB55.3 million, RMB83.5 million and RMB85.7 million, respectively.

Restricted Cash

Our restricted cash primarily represents (i) restricted cash pledged for our bills payables. According to the bills payables agreement with the bank, a sum representing certain percentage of the amount of bills payables is required to be deposited at the bank as securities for bills payables; and (ii) cash deposited to the banks for applying letter of credits for our overseas purchases. Our restricted cash as at 31 March 2021, 2022 and 2023 and 30 November 2023 were RMB245.6 million, RMB190.3 million, RMB170.5 million and RMB108.2 million, respectively. The changes in our restricted cash as at 31 March 2021, 2022 and 2023 and 30 November 2023 is generally in line with the changes in our outstanding bills payables and letter of credits as at the relevant dates.

Trade and Other Payables

Our trade and other payables primarily consist of trade payables, bills payables, other tax payables, accrued employee expense (including social insurance and housing fund contributions), accrued issue costs and [**REDACTED**] expenses, payables for transportation costs, payables for construction in progress and plant and equipment, which mainly represents the amount payable for plant and equipment and construction in progress for our production facilities, and others.

The following table sets forth our trade and other payables based as at the dates indicated:

	As at 31 March			As at 30 November
	2021	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables				
Trade payables	358,433	609,255	215,153	165,969
Bills payables	338,801	350,209	281,722	158,640
Other tax payables	107,306	87,710	97,455	131,698
Accrued employee expense	2,824	5,211	4,561	5,018
Accrued issue costs and [**REDACTED**] expenses	1,963	16,449	8,043	9,372
Payables for transportation costs	13,568	24,263	2,798	3,987
Payables for construction in progress and plant and equipment	3,680	34,488	–	339
Others	33,545	25,387	20,898	19,907
	860,120	1,152,972	630,630	494,930

Trade and bills payables

Our trade and bills payables primarily represent the amounts payable to our raw material suppliers. In particular, our trade payable primarily represent payment to our suppliers for our credit purchase; whereas bills payables represent outstanding amounts due to certain suppliers with whom we settle through banks' acceptance bills.

Our trade and bills payables increased by RMB262.2 million, or approximately 37.6% from RMB697.3 million as at 31 March 2021 to RMB959.5 million as at 31 March 2022, primarily due to the increase in trade payables of RMB250.8 million derived from the increase in our domestic raw material purchases in support of the revenue growth in FY2022. Our trade and bills payables decreased by RMB462.6 million, or approximately 48.2%, from RMB959.5 million as at 31 March 2022 to RMB496.9 million as at 31 March 2023, primarily due to (i) our settlement of outstanding trade payables as at 31 March 2022 during FY2023 when we received payments from our customers for sales; (ii) our settlement of outstanding trade payables as at 31 March 2022 to Supplier D by (x) setting off against the outstanding rebate receivables to which we are entitled pursuant to our purchase contracts with Supplier D, and (y) tripartite settlements with Supplier A and two fertiliser trading companies respectively. For further information on such tripartite settlement arrangement, please refer to the section headed "Business – Business Dealings with Third Parties subject to International Sanctions – International Sanctions Applicable to Belarus – Relates from Supplier D and related set off arrangement" in this document; and (iii) increase in the proportion of prepayments to our suppliers for our purchase of raw materials. Our payment term with our suppliers generally ranges from zero to 180 days and in some cases, we are required to make prepayment to suppliers for our inventory purchase. Our trade and bills payables decreased by RMB172.3 million, or approximately 34.7%, from RMB496.9 million as at 31 March 2023 to RMB324.6 million as at 30 November 2023 as a result of the increase in inventories prepayment made by our Group for purchases during 8MFY2024.

The following table sets forth the number of turnover days for our trade and bills payables for the years/period indicated:

	For the year ended 31 March			For the eight months ended 30 November
	2021	**2022**	**2023**	**2023**
Trade and bills payables turnover days(1)	153.2	94.2	67.2	51.1

Note:

(1) We calculate the trade and bills payables turnover days using the average of the opening balance and closing balance of trade payables and bills payable for the relevant year/period, divided by cost of goods sold for the relevant year, multiplied by 365 days for a full-year period or 365*(8/12) for a eight-month period.

For FY2021, FY2022, FY2023 and 8MFY2024, our trade and bills payables turnover days were approximately 153.2 days, 94.2 days, 67.2 days and 51.1 days, respectively. Our Group recorded a decreasing trend in trade and bills payables turnover days in FY2021 and FY2022 as we had settled our outstanding payables with our suppliers in a more promptly manner, so that we could be able to place new purchase orders with them more frequently, to satisfy the increase in market demand of our products. Our trade and bills payables turnover days further decreased in FY2023 primarily due to the decrease in trade and bills payables as a result of our settlements of outstanding trade payables and the settlement of bill payables at maturity in FY2023. Our trade and bills payable turnover days decreased from approximately 67.2 days for FY2023 to approximately 51.1 days for 8MFY2024, primarily due to the decrease in trade and bills payables as at 30 November 2023 as a result of the increase in inventories prepayment made by our Group for purchases during 8MFY2024.

As at the Latest Practicable Date, RMB224.5 million, or approximately 69.2%, of our trade and bills payables as at 30 November 2023 were subsequently settled.

Other tax payables

Our other tax payables primarily represents value-added tax and additional tax payable. Our other tax payables as at 31 March 2021, 2022 and 2023 and 30 November 2023 were RMB107.3 million, RMB87.7 million, RMB97.5 million and RMB131.7 million, respectively.

Contract Liabilities

Our contract liabilities primarily represents deposits received from customers. We typically receives a deposit of 30% to 100% of total consideration of the goods from certain customers when they enter into contracts with us. Our contract liabilities were RMB408.8 million, RMB612.0 million, RMB336.0 million and RMB829.0 million as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively. The increase in our contract liabilities from RMB336.0 million as at 31 March 2023 to RMB829.0 million as at 30 November 2023 was primarily due to the increase in deposits made by our customers in 8MFY2024 to secure the supply of our potash fertiliser products for the remaining period of the peak season in FY2024.

As at the Latest Practicable Date, RMB627.5 million, or approximately 75.7%, of our contract liabilities as at 30 November 2023 were subsequently recognised as revenue.

Related Party Transactions

During the Track Record Period, we had various related party transactions as we conducted transaction with our related companies, joint ventures and a non-controlling interest, in our ordinary course of business (including sales of finished goods and purchases of raw materials). For details on the amount of related party transactions carried out during the Track Record Period, please refer to Note 23 to the Accountants' Report in Appendix I to this document. Our Directors confirm that these transactions were conducted in accordance with terms as agreed between us and the respective related parties.

(a) Amounts Due from (to) Related Companies

Our amount due from a related company of trade nature was derived from the sales of finished goods to Liaoning Migao, a then wholly-owned subsidiary of APPH which was in turn ultimately wholly owned by Mr. Liu, and had been disposed of to an Independent Third Party on 15 June 2022. We had amount due from a related company of trade nature of RMB21.6 million, nil, nil and nil as at 31 March 2021 and 2022 and 2023 and 30 November 2023, respectively.

Our amounts due to related companies of trade nature consist of the amounts payable to Liaoning Migao, Shanghai Migao and Zunyi Migao derived from our purchases of raw materials and finished goods from them. Shanghai Migao and Zunyi Migao are wholly-owned subsidiaries of APPH. We had amounts due to related companies of trade nature of RMB16.9 million, RMB20.4 million, nil and nil as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively.

Our amount due to a related company of non-trade nature consist of the amount due to APPH of non-trade nature. We had amount due to a related company of non-trade nature of RMB72.9 million, RMB158.5 million, RMB175.7 million and RMB16.8 million as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively. Such amount is unsecured and interest-free. In FY2023, as part of a payment arrangement with APPH, our Group had repaid certain amount due to APPH by way of transferring the same amount to a supplier of APPH, which is an Independent Third Party. Such arrangement had been completed in FY2023, and we expect to settle the outstanding amount due to a related company of non-trade nature before the [**REDACTED**].

(b) Amounts Due from (to) Joint Ventures/Loans to Joint Ventures

Our amounts due from joint ventures of trade nature represent the amount receivable from Yunnan EuroChem, a joint venture invested by EuroChem Migao, for the sales of raw materials and/or finished goods. We had amounts due from joint ventures of trade nature of nil, RMB15.2 million, RMB14.3 million and RMB14.0 million as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively. For FY2021, FY2022, FY2023 and 8MFY2024, the sales of raw materials and/or finished goods to our joint ventures amounted to RMB135.2 million, RMB90.6 million, RMB156.5 million and RMB220.1 million, respectively, representing approximately 6.5%, 2.4%, 3.3% and 9.6% of our total revenue for the respective financial year/period.

Our amounts due from joint ventures of non-trade nature represents the general and administrative expenses that our Group paid on behalf of EuroChem Migao. Our amounts due from joint ventures of non-trade nature as at 31 March 2021, 2022 and 2023 and 30 November 2023 were RMB29.8 million, RMB15.2 million, RMB13.2 million and RMB4.7 million, respectively. We expect that the amounts due from joint ventures of non-trade nature will be settled before the [**REDACTED**].

Our amounts due to joint ventures of trade nature represents the amount payable to Yunnan EuroChem, Baoqing Migao and Anda Migao derived from our purchases of raw materials and finished goods from them. We had amounts due to joint ventures of trade nature of RMB111.8 million, RMB34.7 million, nil and nil as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively. For FY2021, FY2022, FY2023 and 8MFY2024, our purchases of raw materials and finished goods from our joint ventures amounted to RMB173.7 million, RMB313.6 million, RMB3.0 million and RMB1.0 million, respectively, representing approximately 8.6%, 8.5%, 0.1% and less than 0.1% of our total purchases for the respective financial year/period.

Loans to joint ventures consist of loans of non-trade nature made by our Group to Baoqing Migao and Anda Migao. These loans are unsecured, carry interest at fixed rate of 6% per annum and repayable within one year from the dates of draw down of respective loans. We had loans to joint ventures of RMB237.2 million, nil, nil and nil as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively.

Since the respective establishment of Baoqing Migao and Anda Migao, we were able to exercise joint control over them as decisions on certain matters would require consent of all of their shareholders under their respective articles of association, and accordingly, Baoqing Migao and Anda Migao were treated as joint ventures of our Group. Following the amendments to the respective articles of association of Baoqing Migao and Anda Migao by removing the specific terms which would require consent of all of their shareholders on certain matters, we have obtained control over Baoqing Migao and Anda Migao and they became our subsidiaries and ceased to be related parties of our Group from 31 March 2022.

The pricing and other material terms of our Group's sales to, and purchases from, Yunnan EuroChem were comparable to that of other independent customers/suppliers. For the pricing and other material terms for our sales, please refer to the section headed "Business – Customers, Sales and Marketing – Customers and Sales Terms" in this document. For materials terms for our purchases, please refer to the section headed "Business – Raw Materials Procurement" in this document. During FY2021, FY2022 and FY2023, the amounts of raw materials and finished goods supplied by us to Yunnan EuroChem for each financial year represented approximately 11.1% to 38.4% of the total purchases of Yunnan EuroChem for the respective financial year. As such, more than a majority of the raw materials and finished goods purchased by Yunnan EuroChem during the same years were sourced from suppliers other than the members of our Group. In addition, more than 85% of the suppliers of Yunnan EuroChem was independent from our Group during FY2021, FY2022 and FY2023. As such, our Directors are of the view that Yunnan EuroChem has no significant reliance on our Group for the supply of its raw materials and finished goods. For 8MFY2024, the raw materials and finished goods supplied by us to Yunnan EuroChem had increased significantly to RMB220.1 million, representing approximately 67.9% of the total purchases of Yunnan EuroChem for the same period, as Yunnan EuroChem, which mainly derived its revenue from the sales of NOP before 8MFY2024, had decided to expand its sales channels to increase business income in FY2024. Under such business plan, Yunnan EuroChem had secured a large order for sales of a granulated compound fertiliser from one of its customers in 8MFY2024, and our Group had supplied approximately 79,083 tonnes of our KCL to Yunnan EuroChem mainly for manufacturing such product for the same period primarily due to our Group's capability to provide stable supply of KCL for large ad-hoc demands during the non-peak season. Such sales of our KCL to Yunnan EuroChem was in arm's length. As at the Latest Practicable Date, our KCL sold to Yunnan EuroChem in 8MFY2024 had subsequently been fully utilised by Yunnan EuroChem for manufacturing its products (including the granulated compound fertiliser sold to such customer). During the Track Record Period, our Group had not sold such granulated compound fertiliser. As at the Latest Practicable Date, such customer of Yunnan EuroChem was an Independent Third Party to our Group, and the gross profit margin recorded by Yunnan EuroChem for the sales of such granulated compound fertiliser in 8MFY2024 was higher than its historical overall gross profit margin during the corresponding eight-month period of FY2021, FY2022 and FY2023. The following table sets forth the breakdown of the revenue from the sales of raw materials and finished goods to Yunnan EuroChem by each type of products and each item as a percentage of the total purchases of Yunnan EuroChem for the years/period indicated:

	For the year ended 31 March						For the eight months ended 30 November	
	2021		2022		2023		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue from sales to Yunnan EuroChem by types of products								
– KCL	19,446	7.1	75,378	29.2	138,360	33.9	219,725	67.8
– SOP	9,098	3.3	14,678	5.7	18,156	4.5	366	0.1
– Compound fertilisers	1,846	0.7	–	–	–	–	–	–
– By-Products and Others	324	0.1	147	0.1	–	–	–	–
Total	30,713	11.1	90,202	35.0	156,515	38.4	220,091	67.9

During the Track Record Period, the amounts of raw materials and finished goods purchased by us from Yunnan EuroChem for each financial year/period represented approximately 0.4% to 14.7% of the total revenue of Yunnan EuroChem for the respective financial year/period. As such, more than a majority of the revenue recorded by Yunnan EuroChem during the Track Record Period was sourced from customers other than the members of our Group. In addition, more than 85% of the customers of Yunnan EuroChem was independent from our Group during the Track Record Period. As such, our Directors are of the view that Yunnan EuroChem has no significant reliance on our Group for the sales of its raw materials and finished goods. The following table sets forth the breakdown of our purchases of raw materials and finished goods from Yunnan EuroChem by each type of products and each item as a percentage of the total revenue of Yunnan EuroChem for the years/period indicated:

	For the year ended 31 March						For the eight months ended 30 November	
	2021		2022		2023		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Purchases from Yunnan EuroChem by types of products								
– KCL	–	–	41,914	11.3	–	–	–	–
– SOP	534	0.1	–	–	–	–	–	–
– NOP	42,447	11.9	8,683	2.3	2,994	0.6	1,028	0.4
– Compound fertilisers	7,767	2.0	3,772	1.0	–	–	–	–
– By-Products and Others	73	0.0	–	–	–	–	–	–
Total	50,821	14.2	54,369	14.7	2,994	0.6	1,028	0.4

(c) Amount Due to a Non-controlling Interest

Our amount due to a non-controlling interest of trade nature were derived from our business transaction with Guizhou Tobacco Investment, a non-controlling interest of our Group by virtue of its being a substantial shareholder of Daxing Migao, namely, sales of finished goods and purchases of raw materials. We had amount due to Guizhou Tobacco Investment of RMB29.1 million, RMB6.2 million, nil and nil as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively.

(d) Amount Due from a shareholder

Our amount due from a shareholder was RMB2.2 million, RMB1.8 million, RMB3.5 million and RMB0.9 million as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively, which primarily represents the advanced payments of non-trade nature made to Mr. Liu for his travelling expenses and other business disbursements. The amount due from a shareholder will be settled before the [**REDACTED**].

(e) Deemed Distribution to Mr. Liu

As part of Reorganisation, we had disposed of certain subsidiaries, namely, Liaoning Migao, Shanghai Migao, Tianjin Migao and Zunyi Migao (collectively, the "**Disposed Companies**") to APPH, as disclosed in the section headed "History, Reorganisation and

Corporate Structure – The Reorganisation" in this document. During the Track Record Period, certain deemed distributions to Mr. Liu were made in relation to (i) the settlement of consideration in relation to such disposal of Disposed Companies; and (ii) the initial recognition and the settlement of the abovementioned advances to the Disposed Companies.

For the disposal of the Disposed Companies, the initial aggregate consideration was approximately RMB346.8 million, which was determined with reference to the net asset value of the Disposed Companies on the respective disposal dates as per the management accounts of the Disposed Companies prepared in accordance with the PRC GAAP. For details of the disposal of the Disposed Companies, please refer to the section headed "History, Reorganisation and Corporate Structure – The Reorganisation" in this document. On 8 March 2019, our Group entered into four supplemental agreements to re-determine the consideration for the disposal at a total consideration of approximately RMB78.6 million, which was determined on the respective disposal dates as per the management accounts of the Disposed Companies prepared in accordance with HKFRSs. The difference in consideration of approximately RMB268.2 million is accounted for as deemed distribution to Mr. Liu in the year ended 31 March 2019, who was the then ultimate shareholder of both of our Group and the Disposed Companies.

On 26 April 2022, Changchun Migao acquired the entire issued share capital of Tongjiang Migao from Liaoning Migao at a consideration of RMB1. The difference between the consideration for the acquisition of Tongjiang Migao and the net liabilities of Tongjiang Migao at the date of acquisition, namely, RMB1.5 million, was accounted for as the deemed distribution to Mr. Liu in FY2023.

(f) Loans from Related Companies

Loans from related companies represent loans of non-trade nature made by a related company of Heilongjiang Beidahuang and the immediate holding company of Heilongjiang Beidahuang to Anda Migao to support the development of Anda Production Facility. For details, please refer to the paragraph headed "Indebtedness – Loans from Related Companies" below.

(g) Financial Guarantees

As at 31 March 2021, 2022 and 2023 and 30 November 2023, our Group provided financial guarantees in respect of bank facilities granted to a related company and a joint venture, namely, Liaoning Migao and Baoqing Migao amounted to RMB191.0 million, nil, nil and nil, respectively. For details, please refer to the paragraphs headed "Indebtedness – Contingent Liabilities and Guarantees" below.

As at 31 March 2021, 2022 and 2023 and 30 November 2023, certain related parties of our Company provided financial guarantees in respect of bank facilities granted to our Group amounted to RMB547.0 million, RMB374.0 million, RMB280.0 million and RMB130.0 million, respectively.

Our Directors confirm that all guarantees provided to/by the related parties of our Group will be fully released before the [**REDACTED**].

For FY2021, FY2022, FY2023 and 8MFY2024, the sales of finished goods to related parties contributed only approximately 9.9%, 2.4%, 3.9% and 9.6% of our total revenue and the purchases of raw materials from related parties contributed only approximately 14.5%, 11.1%, 0.1% and less than 0.1% of our total purchase. In addition, our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were reasonable and in the interest of our Group as a whole. As such, our Directors confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

During the Track Record Period, except for the transactions disclosed herein and in Note 23 to the Accountants' Report in Appendix I to this document, we had no other related party transactions that had material transaction amounts or balances with us. We are able to obtain alternative financings if and when needed. Our Directors confirm that all non-trade related amounts due from and to related companies will be fully settled before the [**REDACTED**]. In addition, our Directors further confirm that all non-trade related amounts due to or from, and loans or guarantees provided by, our Controlling Shareholders and their respective close associates, will be fully repaid or released before the [**REDACTED**]. As such, there is no financial reliance on our related parties.

INDEBTEDNESS

The following table sets forth our Group's borrowings, other indebtedness, and contingent liabilities and guarantees as at the dates indicated:

	As at 31 March			As at 30 November	As at 31 January
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current:					
Amounts due to related companies	72,896	158,530	175,716	16,848	11,470
Amount due to a non-controlling interest	29,119	6,168	–	–	–
Loan from related companies	–	95,020	105,817	109,259	120,992
Bank borrowings	129,018	292,427	164,738	208,920	208,920
Lease liabilities	4,406	3,770	5,681	5,855	5,460
	235,439	555,915	451,952	340,882	346,842

	As at 31 March			As at 30 November	As at 31 January
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Non-current:					
Bank borrowings	50,000	40,000	80,000	119,950	129,900
Lease liabilities	1,360	4,548	5,376	1,451	885
	51,360	44,548	85,376	121,401	130,875
Total	286,799	600,463	537,328	462,283	477,627
Contingent liabilities and guarantees					
Financial guarantees granted to a related company and a joint venture	191,000	–	–	–	–

Bank Borrowings

As at 31 March 2021, 2022 and 2023 and 30 November 2023, we had total outstanding bank borrowings of RMB179.0 million, RMB332.4 million, RMB244.7 million and RMB328.9 million, respectively, amongst which RMB167.0 million, RMB179.3 million, RMB244.7 million and RMB328.9 million were secured or guaranteed bank loans which were secured by our plant and equipment and right-of-use assets or guaranteed, while the rest were advance from banks on discounted bills receivables with recourse.

During the Track Record Period, our bank loans interest rate ranged from 1.9% to 6.2%. As at 31 January 2024, which is the latest practicable date for determining our indebtedness, the total outstanding amount of our bank borrowings was RMB338.8 million, amongst which RMB220.9 million were secured by our plant and equipment and right of use assets and guarantee, RMB80.0 million were secured by guarantee without assets, while RMB37.9 million were advance from banks on discounted bills receivables with recourses and unguaranteed.

As at 31 January 2024, we had an aggregate committed banking facilities of RMB1,199.2 million, of which RMB564.8 million was utilised and the remaining RMB634.4 million was unutilised.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not breached any financial covenant or defaulted in repayment of trade and other payables and bank borrowings or other loan facilities that were due. Except for the bank borrowing under the credit facility discussed above, we currently do not have any plans for other material external debt financing. Our bank borrowings amount fluctuated during the Track Record Period in accordance with our internal financial resources and the financing needs in that year.

Lease Liabilities

Our lease liabilities primarily represents the lease payments payable by us under the leases in relation to the leasing of office premises and leasehold land for our production facilities. For details of our leased properties and their corresponding lease period, please refer to the section headed "Business – Land and Properties – Properties – Leased Properties" in this document.

The following table sets forth a breakdown of our lease liabilities by current and non-current portions as at the dates indicated:

	As at 31 March			As at 30 November
	2021	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current	1,360	4,548	5,376	1,451
Current	4,406	3,770	5,681	5,855
Lease liabilities	5,766	8,318	11,057	7,306

During the Track Record Period, the weighted average incremental borrowing rates applied by our Group for the lease liabilities ranged from 5.4% to 6.3%.

Loans from Related Companies

During the Track Record Period, a related company of Heilongjiang Beidahuang and the immediate holding company of Heilongjiang Beidahuang provided loans to Anda Migao to support the development of Anda Production Facility, with a fixed interest rate of 6% and 5% per annum, respectively, and repayable within one year from the date of draw down of the respective loan. As Anda Migao and Baoqing Migao became our subsidiaries on 31 March 2022, such loans constitute loans from related companies of our Group under applicable accounting standards. As at 31 March 2021, 2022 and 2023, 30 November 2023 and 31 January 2024, such loans amounted to nil, RMB95.0 million, RMB105.8 million, RMB109.3 million and nil, respectively. The loan from a related company of Heilongjiang Beidahuang was fully repaid in January 2023 and the loan from the immediate holding company of Heilongjiang Beidahuang was fully repaid in December 2023. In January 2024, the immediate holding company of Heilongjiang Beidahuang provided a loan to Anda Migao to support the raw material purchases, production and operation of Anda Migao, with a fixed interest rate of 4%, and repayable by 31 December 2024. As at 31 January 2024, such loan amounted to RMB121.0 million. It is expected that such loan will be fully repaid before [**REDACTED**].

Contingent Liabilities and Guarantees

As at 31 March 2021, 2022 and 2023, 30 November 2023 and 31 January 2024, we had financial guarantee contracts not recognised in the financial statements amounted to RMB191.0 million, nil, nil, nil and nil, respectively, which represented the amount of guarantee given to the banks in connection with the bank facilities granted to a related company and a joint venture, namely, Liaoning Migao and Baoqing Migao. As at 31 March 2021, 2022 and 2023, 30 November 2023 and 31 January 2024, the outstanding amount of the relevant bank facilities amounted to RMB123.6 million, nil, nil, nil and nil, respectively, which were guaranteed by Guangdong Migao and/or Changchun Migao, both of which are subsidiaries of our Group. The relevant bank facilities had been fully repaid by Liaoning Migao and Baoqing Migao during FY2021.

As at 31 January 2024, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

Save as disclosed above, as at 31 January 2024, we did not have any outstanding mortgage, charges, debentures or other loan capital (issued or agreed to issue), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness and hire purchase agreement. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this document.

Working Capital Sufficiency

Taking into account cash from operating activities, borrowings available to our Group and the net [**REDACTED**] from the [**REDACTED**], our Directors are of the opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this document.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

CAPITAL EXPENDITURES AND COMMITMENTS

Our capital expenditures during the Track Record Period primarily consisted of expenditures on (i) plant and equipment in our production facilities in support of our production; (ii) right-of-use assets, which primarily consisted of acquisition of the leasehold rights for our land and office premises.

The following table sets forth our capital expenditures for the years/period indicated:

	For the year ended 31 March			For the eight months ended 30 November
	2021	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Plant and equipment and intangible assets	18,822	13,104	46,788	4,916
Right-of-use assets	5,219	5,328	89,721	4,102
Total	24,041	18,432	136,509	9,018

The following table sets forth our capital expenditure commitment as at the dates indicated:

	As at 31 March			As at 30 November
	2021	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commitments for capital expenditure	1,567	19,449	231	1,703

KEY FINANCIAL RATIOS

The following table sets forth certain key financial ratios for the dates/years/period indicated:

	As at or for the year ended 31 March			As at or for the eight months ended 30 November
	2021	**2022**	**2023**	**2023**
Return on equity(1)	32.3%	38.6%	28.5%	15.0%
Return on total assets(2)	8.4%	10.7%	12.5%	6.4%
Current ratio (times)(3)	1.1	1.2	1.6	1.6
Gearing ratio(4)	22.2%	29.4%	19.8%	21.8%
Interest coverage ratio (times)(5)	26.3	49.8	31.2	16.4
Net profit margin(6)	9.9%	10.3%	8.9%	7.1%

Notes:

(1) For the years ended 31 March 2021, 2022 and 2023, return on equity ratio is calculated by dividing profit for the year attributable to the owners of our Company by total equity attributable to the owners of our Company as at each relevant year end and multiplying 100%. For the eight months ended 30 November 2023, return on equity ratio is calculated by dividing profit for the period attributable to the owners of our Company by total equity attributable to the owners of our Company as at the period end and multiplying 100% and 12/8.

(2) For the years ended 31 March 2021, 2022 and 2023, return on total assets ratio is calculated by dividing profit for the year attributable to the owners of our Company by total assets as at each relevant year end and multiplying 100%. For the eight months ended 30 November 2023, return on total assets ratio is calculated by dividing profit for the period attributable to the owners of our Company by total assets as at the period end and multiplying 100% and 12/8.

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

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

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

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

Return on Equity

Our Group's return on equity increased from 32.3% for FY2021 to 38.6% for FY2022, primarily due to the increase in net profit from RMB206.5 million for FY2021 to RMB396.6 million for FY2022. Our return on equity then decreased to 28.5% for FY2023 subsequently, primarily because the increase in total equity attributable to owners of our Company of approximately 38.3% from RMB1,027.3 million as at 31 March 2022 to RMB1,420.8 million as at 31 March 2023, which was mainly due to the net profit of RMB421.5 million recorded for FY2023, had outpaced the growth rate of our profit for the year attributable to the owners of our Company of approximately 2.2% for the same years. Our Group's return on equity decrease from 28.5% for FY2023 to 15.0% for 8MFY2024, primarily due to the decrease in net profit from RMB236.8 million for 8MFY2023 to RMB162.1 million for 8MFY2024. For detailed analysis on our net profit during the Track Record Period, please refer to the paragraphs headed "Review of Historical Results of Operations" in this section.

Return on Total Assets

Our Group's return on total assets was 8.4%, 10.7% and 12.5% for FY2021 and FY2022 and FY2023, respectively, which was generally in line with the increase in net profit during the Track Record Period. The increase in return on total assets in FY2023 can also be attributed to the decrease in inventories of our Group as at 31 March 2023 due to our plan to reduce KCL reserve in view of the stabilised import price of KCL in the PRC in late FY2023. Our Group's return on total assets decreased from 12.5% for FY2023 to 6.4% for 8MFY2024, primarily due to the decrease in net profit from RMB236.8 million for 8MFY2023 to RMB162.1 million for 8MFY2024.

Current Ratio

The current ratio of our Group increased from 1.1 as at 31 March 2021 to 1.2 as at 31 March 2022, primarily due to the increase in current assets which was mainly driven by our Group's net profit recorded during the respective year. The current ratio of our Group increased further to 1.6 as at 31 March 2023, primarily due to the decrease in current liabilities by RMB914.3 million due to the decrease in trade and other payables as a result of our Group's settlements of outstanding trade payables and the settlement of bill payables at maturity during FY2023, partially offset by the decrease in current assets of RMB533.4 million mainly as a result of the significant decrease in inventories as at 31 March 2023. Our current ratio remained stable at 1.6 as at 30 November 2023.

Gearing ratio

The increase in gearing ratio from 22.2% for FY2021 to 29.4% for FY2022 was primarily due to an increase in total debt mainly attributable to (i) the increase in short-term bank borrowings by RMB163.4 million, or approximately 126.7%; and (ii) the new short-term loan raised from a related company, namely, Heilongjiang Beidahuang, of RMB95.0 million, partially offset by (iii) an increase in equity attributable to owners of our Group which was mainly driven by our Group's increase in net profit.

The decrease in gearing ratio from 29.4% for FY2022 to 19.8% for FY2023 was primarily due to (i) the decrease in bank borrowings from RMB332.4 million as at 31 March 2022 to RMB244.7 million as at 31 March 2023; and (ii) the increase in equity attributable to owners of our Group as at 31 March 2023 which was mainly driven by net profit recorded by our Group during FY2023.

The increase in gearing ratio from 19.8% for FY2023 to 21.8% for 8MFY2024 was primarily due to the increase in bank borrowings from RMB244.7 million as at 31 March 2023 to RMB328.9 million as at 30 November 2023.

Interest coverage ratio

For FY2021 and FY2022, our Group's interest coverage ratio was 26.3 and 49.8, respectively. Such increasing trend of interest coverage ratio was primarily due to (i) the increase in net profit before interest and tax for FY2021 and FY2022, which was generally in line with the increase in net profit for the same years. For detailed analysis on our net profit, please refer to the paragraph headed "Review of Historical Results of Operations" in this section; and (ii) the decreasing finance cost mainly due to a decrease in average outstanding bank borrowings for FY2021 and a decrease in effective interest rate from 5.4% for FY2021 to 4.9% for FY2022 as a result of the lower interest rate of several new loans obtained by our

Group in late FY2022 ranging from 3.3% to 4.1%. The decrease in interest coverage ratio from 49.8 for FY2022 to 31.2 for FY2023 was primarily due to the increase in interest expenses on bank borrowings as a result of the increase in our average bank borrowings for FY2023 and the additional interest expenses derived from loans from related companies for FY2023. The decrease in interest coverage ratio from 31.2 for FY2023 to 16.4 for 8MFY2024 was primarily due to the decrease in our profit before finance costs and income tax expense in 8MFY2024 due to a decrease in overall gross profit margin to approximately 14.4% for 8MFY2024.

Net profit margin

The net profit margin increased slightly from 9.9% for FY2021 to 10.3% for FY2022, primarily due to the increase in income tax expense of our Group by RMB16.1 million, or 27.5%, from RMB58.4 million for FY2021 to RMB74.5 million for FY2022, primarily as a result of an increase in EIT from RMB50.3 million for FY2021 to RMB77.8 million for FY2022 due to the increase in profit before tax, partially offset by the decrease in deferred tax assets charged to profit or loss in FY2022 as most of the tax losses previously recognised had been utilised in FY2021. The decrease in net profit margin from 10.3% for FY2022 to 8.9% for FY2023 was primarily due to the decrease in gross profit margin for FY2023 and the increase in our general and administrative expenses in FY2023 mainly as a result of the inclusion of the general and administrative expenses incurred by Baoqing Migao and Anda Migao for the same year. The decrease in net profit margin from 8.9% for FY2023 to 7.1% for 8MFY2024 was primarily due to the decrease in our profit before finance costs and income tax expense in 8MFY2024 discussed above. For detailed analysis on our gross profit margin, please refer to the paragraph headed "Review of Historical Result of Operations" in this section.

Net profit margin compared to Gross profit margin

Our gross profit margin increased from approximately 12.0% for FY2021 to approximately 16.5% for FY2022, but our net profit margin only increased from approximately 9.9% for FY2021 to approximately 10.3% for FY2022, primarily due to the increase in operating expenses as a percentage of revenue in FY2022, mainly attributable to (i) the increase in distribution and selling expenses by RMB46.5 million; (ii) the decrease in gain on disposal of plant and equipment by RMB30.3 million as a result of our one-off disposal of buildings owned by Sichuan Migao in FY2021; (iii) the increase in [**REDACTED**] expenses by RMB20.4 million; and (iv) the increase in research and development expenses by RMB14.3 million, partially offset by (v) the increase in share of result of joint ventures by RMB30.3 million in FY2022.

Our gross profit margin remained stable for FY2022 and FY2023, but our net profit margin decreased from approximately 10.3% for FY2022 to approximately 8.9% for FY2023, primarily due to the increase in our operating expenses and income tax expense as a percentage of revenue in FY2023, mainly attributable to (i) the increase in effective tax rate as more profits were generated from subsidiaries with applicable tax rate for EIT of 25%; (ii) an increase in net foreign exchange loss of RMB15.9 million; (iii) a decrease in share of results from joint venture of RMB28.3 million in FY2022 to RMB11.3 million in FY2023; (iv) a decrease in gain on deemed disposal of joint ventures by RMB13.0 million; and (v) the decrease in interest income from joint ventures by RMB12.7 million, partially offset by (vi) the decrease in distribution and selling expenses by RMB13.1 million in FY2023.

Our gross profit margin decreased from approximately 16.3% for FY2023 to approximately 14.4% for 8MFY2024, which was in line with the decrease in our net profit margin from approximately 8.9% for FY2023 to approximately 7.1% for 8MFY2024.

QUALITATIVE AND QUANTITATIVE DISCLOSURE OF MARKET RISKS

We are exposed to various types of financial and market risks, including foreign currency risk, credit risk and liquidity risk. Our Directors review and agree on financial management policies and practices for managing each of these risks.

Currency Risk

We primarily operate in the PRC and use RMB as our reporting currency. Certain proportion of our raw material KCL was sourced from overseas suppliers, most of which were settled in US$ during the Track Record Period. Therefore, we have foreign-currency denominated bank balances, amount due from a related company, trade and other receivables, bank borrowings and amounts due to related companies, which expose us to foreign currency risk in fluctuation of US$ against RMB.

We had a foreign exchange gain of RMB11.6 million in FY2021, a foreign exchange loss of RMB0.5 million in FY2022, a foreign exchange loss of RMB16.4 million in FY2023 and a foreign exchange gain of RMB4.9 million for 8MFY2024.

We do not believe that we currently have any significant direct foreign exchange risk arising from our operating activities. We currently do not have a foreign exchange hedging policy. However, our Directors monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Interest Rate Risk

Our Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings, loans to joint ventures and loans from related companies. Our Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, restricted cash and bank balances. Our Group's policy is to maintain short-term borrowings at prevailing market rates so as to minimise the fair value interest rate risk. The cash flow interest rate risk is mainly concentrated on the fluctuation in prime rate in China arising from our Group's bank borrowings.

Our Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arises.

Credit Risk

Our credit risk is primarily attributable to trade receivables. The credit risks on bills receivables, restricted cash and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

As part of our credit risk management, we applies internal credit rating for our customers. Our debtors with significant outstanding balances or credit-impaired with gross carrying amounts of RMB114.0 million, RMB137.5 million, RMB82.1 million and RMB96.8 million as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively, were assessed individually. The average loss rates for our debtors with significant outstanding balances are assessed to be ranging from approximately 1% to 3%. The following table sets forth information about the exposure to credit risk for trade receivables which are assessed based on collective assessment as at 31 March 2021, 2022 and 2023 and 30 November 2023 within lifetime ECL (not credit impaired):

Internal credit rating	Trade and unbilled receivables							
	As at 31 March						As at 30 November	
	Average loss rate	2021	Average loss rate	2022	Average loss rate	2023	Average loss rate	2023
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*
Low risk	0.47%	28,482	3.05%	127,454	1.90%	36,792	1.88%	29,490
Watch list	0.68%	88,452	10.13%	43,372	3.85%	81,454	3.16%	20,541
		116,934		170,826		118,246		50,031

The estimated loss rates are estimated based on historical observed default rates over the expected life of our debtors and are adjusted for forward-looking information (for example, the macroeconomic conditions affecting the industry and the impact that may affect debtor ability to make payments) that is available without undue cost or effort. The fluctuation of expected credit loss rate during the Track Record Period was primarily due to (i) the fluctuation of historical observed default rates over the expected life of our debtors; and (ii) the fluctuation of forward-looking rates as affected by the macroeconomic conditions affecting the industries and the impact that may affect debtors' ability to make payments.

During FY2021, FY2022, FY2023 and 8MFY2024, our Group recognised reversed net impairment allowance of RMB2.0 million, recognised net impairment allowance of RMB7.5 million, reversed net impairment allowance of RMB4.0 million and reversed net impairment allowance of RMB3.1 million for trade receivables, based on the collective assessment, respectively; our Group reversed net impairment allowance of RMB7.6 million, recognised net impairment allowance of RMB3.5 million, reversed net impairment allowance of RMB2.7 million and recognised net impairment allowance of RMB0.3 million for debtors with significant balances and not credit-impaired, for the same years/period, respectively; and our Group also recognised net impairment allowance of RMB6.6 million, RMB149,000 and RMB5.0 million and reversed net impairment allowance of RMB75,000 for debtors with significant balances and credit impaired debtors, for the same years/period, respectively.

In addition, our Group is exposed to concentration of credit risk as at 31 March 2021, 2022 and 2023 and 30 November 2023 on the trade and bills receivables from one of our Group's largest customers amounting to RMB4.8 million, RMB15.4 million, RMB26.2 million and RMB27.1 million, respectively and accounted for 1%, 3%, 8% and 19%, respectively, of our Group's trade and bills receivables as at the relevant date. In the opinion of the management of our Group, this customer is reputable organisation in the market. The management of our Group considers that the credit risk is limited in this regard. Please refer to the section headed "Risk Factors – Risk Relating to Our Business – We are exposed to credit risks with respect to the settlement by our customers" in this document for further information.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed "Appendix II – Unaudited Pro Forma Financial Information" for details.

DIVIDEND POLICY

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

After completion of the [**REDACTED**], our Company's Shareholders will be entitled to receive dividends we declare. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. In addition, any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Please refer to a summary of the constitution of our Company set out in Appendix III to this document. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

We currently do not have any pre-determined dividend pay-out ratio. As we are a holding company, our ability to declare and pay dividends will depend on the availability of dividends received from our subsidiaries, particularly those in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-invested enterprises, such as all of our subsidiaries in the PRC, to set aside part of their net profit as statutory reserves, and such statutory reserves are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As at 30 November 2023, we did not have any distributable reserves.

[REDACTED] EXPENSES

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

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial, operational or trading positions or prospects since 30 November 2023, being the latest date of our consolidated financial statements as set forth in the Accountants' Report included in Appendix I to this document.

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