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MIGAO GROUP HOLDINGS LIMITED

米高集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9879)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

FINANCIAL HIGHLIGHTS

- Total revenue for 6MFY2025 of approximately RMB2,128.2 million (6MFY2024: approximately RMB1,255.7 million), period-on-period increase of approximately 69.5%
- Profit for 6MFY2025 of approximately RMB75.3 million (6MFY2024: approximately RMB61.3 million), period-on-period increase of approximately 23.0%
- Basic earnings per Share for 6MFY2025 of approximately RMB0.089 (6MFY2024: approximately RMB0.094), period-on-period decrease of approximately 5.3%

The Board is pleased to announce the interim results and the interim condensed consolidated financial statements of the Group for 6MFY2025, together with the comparative figures for 6MFY2024, as follows:

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

		Six months ended 30 September	
	<i>NOTES</i>	2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Revenue	4	2,128,223	1,255,747
Cost of goods sold		(1,943,656)	(1,079,323)
Gross profit		184,567	176,424
Other income	5	12,103	3,469
Other gains and losses		3,490	3,022
Impairment losses, net of reversal		(580)	414
Distribution and selling expenses		(13,522)	(13,803)
General and administrative expenses		(63,069)	(48,474)
Research and development expenses		(16,789)	(16,890)
Listing expenses		–	(10,982)
Share of result of a joint venture		(3,468)	(6,933)
Finance costs	6	(10,814)	(9,638)
Profit before tax		91,918	76,609
Income tax expense	7	(16,575)	(15,351)
Profit for the period	8	75,343	61,258
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange difference arising on translation of a foreign operation		2,056	(6,456)
Total comprehensive income for the period		77,399	54,802
Profit (loss) for the period attributable to:			
– Owners of the Company		80,690	63,321
– Non-controlling interests		(5,347)	(2,063)
		75,343	61,258

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME – continued**
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

		Six months ended 30	
		September	
	<i>NOTE</i>	2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Total comprehensive income (expense)			
for the period attributable to:			
– Owners of the Company		82,746	56,865
– Non-controlling interests		(5,347)	(2,063)
		<u>77,399</u>	<u>54,802</u>
Earnings per share	<i>10</i>		
– Basic (RMB)		<u>0.089</u>	<u>0.094</u>
– Diluted (RMB)		<u>0.089</u>	<u>N/A</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024

	<i>NOTES</i>	30 September 2024 RMB'000 (unaudited)	31 March 2024 RMB'000 (audited)
Non-current assets			
Plant and equipment		467,058	455,092
Right-of-use assets		139,655	144,004
Prepayments and deposits	<i>11</i>	72,106	9,851
Goodwill		12,069	12,069
Intangible asset		3,170	3,962
Interest in a joint venture		112,839	116,307
Deferred tax assets		7,684	3,699
		814,581	744,984
Current assets			
Inventories		327,255	449,326
Trade and other receivables and prepayments	<i>11</i>	2,533,329	2,428,151
Amounts due from joint ventures		20,382	18,520
Financial assets at fair value through profit or loss ("FVTPL")	<i>12</i>	300,552	–
Restricted cash		147,854	152,205
Bank balances and cash		158,394	812,343
		3,487,766	3,860,545
Current liabilities			
Trade and other payables	<i>13</i>	531,104	519,515
Contract liabilities		520,254	745,120
Amount due to a shareholder		1,065	–
Amount due to non-controlling interests		13,391	–
Tax liabilities		189,625	171,881
Borrowings		236,654	380,736
Lease liabilities		2,433	4,841
		1,494,526	1,822,093
Net current assets		1,993,240	2,038,452
Total assets less current liabilities		2,807,821	2,783,436

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION – continued**
AS AT 30 SEPTEMBER 2024

	30 September 2024 <i>RMB'000</i> (unaudited)	31 March 2024 <i>RMB'000</i> (audited)
Capital and reserves		
Share capital	64,496	63,861
Reserves	2,443,313	2,384,415
Equity attributable to owners of the Company	2,507,809	2,448,276
Non-controlling interests	148,678	167,416
Total equity	2,656,487	2,615,692
Non-current liabilities		
Deferred tax liabilities	2,588	2,783
Borrowings	148,746	164,427
Lease liabilities	–	534
	151,334	167,744
	2,807,821	2,783,436

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 November 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its immediate holding company is Migao Holdings Limited, a company incorporated in the British Virgin Islands (the “BVI”) on 17 November 2017. Its ultimate holding company is Migao International Holding Limited, a company incorporated under the laws of the BVI with limited liability on 19 August 2005 and was discontinued as a company under the laws of the BVI and continuing as a company under the laws of Barbados on 25 January 2010. The controlling shareholder of the Company is Mr. Liu Guocai. The shares of the Company had been listed on the Main Board of the Stock Exchange on 21 March 2024.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and trading of specialty potash-based fertilisers in the PRC.

The condensed consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Other than accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 March 2024.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

3. PRINCIPAL ACCOUNTING POLICIES – continued

Borrowings which are subject to meeting certain covenants within 12 months from reporting date

The Group's right to defer settlement for borrowings of approximately RMB89,900,000 and RMB97,650,000 as at 1 April 2024 and 30 September 2024, respectively are subject to compliance with certain financial ratios only after the reporting period. Upon the application of the 2022 Amendments, such borrowings are still classified as non-current as the covenants which the Group is required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting date.

Except as described above, the application of the 2020 and 2022 Amendments has no other material impact on the classification of the Group's other liabilities.

4. REVENUE AND SEGMENT INFORMATION

The Group primarily recognises revenue from sales of specialty potash-based fertilisers in the PRC and recognises at a point of time. The Group purchases KCL from both overseas and domestic suppliers. The Group then processes majority of the purchased KCL for sales to its customers or use as raw materials for its manufacturing activities. After that, part of the KCL are sold directly to customers and most of them are arranged for pick up from the ports or the railway stations; and part of the KCL are transported to the Group's processing facilities for processing into granular form in size as specifically required by customers. Besides, part of the KCL, together with other raw materials, are used to manufacture into SOP and compound fertilisers for sales to customers. In addition, the Group also sources and resells KCL, SOP, NOP and compound fertilisers to customers without further manufacturing or processing.

The Group also provides production services to its customers for processing the principal raw materials provided by customers into compound fertilisers in accordance with their product specifications. Revenue from provision of production services is recognised over time.

(i) Disaggregation of revenue from contracts with customers

Revenue by types of products or service

	Six months ended 30 September	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of products		
KCL	1,911,006	998,593
SOP	192,611	193,622
NOP	7,064	2,232
Compound fertilisers	5,657	4,022
Others	10,570	56,865
	2,126,908	1,255,334
Provision of production services	1,315	413
Total	<u>2,128,223</u>	<u>1,255,747</u>

4. REVENUE AND SEGMENT INFORMATION – continued

(i) Disaggregation of revenue from contracts with customers – continued

Timing of revenue recognition

	Six months ended 30 September	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
At a point in time	2,126,908	1,255,334
Over-time	1,315	413
Total	<u>2,128,223</u>	<u>1,255,747</u>

(ii) Segment information

Information reported to the executive directors of the Company, being the chief operating decision maker (the “CODM”), for the purpose of resources allocation and performance assessment, is the consolidated results of the Group as a whole. No other discrete financial information is provided. Accordingly, the directors of the Company consider there is only one operating segment under the requirements of HKFRS 8 *Operating Segments*. In this regard, only entity-wide disclosures are presented.

No geographic information is presented as the revenue, non-current assets and operations of the Group are primarily derived from its activities located in the PRC.

5. OTHER INCOME

	Six months ended 30 September	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Extra deduction of input value-added tax	9,692	–
Bank interest income	1,327	2,640
Rental income	248	596
Government grants	–	147
Others	836	86
	<u>12,103</u>	<u>3,469</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest expenses on borrowings	10,709	6,780
Interest expenses on loan from a related company	–	2,581
Interest expenses on lease liabilities	105	277
	<u>10,814</u>	<u>9,638</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Income tax expense comprised of:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	20,755	18,018
Deferred tax	(4,180)	(2,667)
	<u>16,575</u>	<u>15,351</u>

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

PRC EIT is calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on the existing legislation, interpretations and practices.

Pursuant to the PRC EIT law and its detailed implementation rules, the standard income tax rate is 25%. Besides, if the subsidiaries are qualified as high and new-technology enterprises (under the PRC EIT law), the subsidiaries would be entitled to a reduced income tax rate of 15% and such qualification is subject to renewal every three years. Certain of group entities in the PRC are entitled to the reduced income tax rate of 15% for both periods.

8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging		
Cost of inventories recognised as an expense	1,942,601	1,079,094
Amortisation of intangible asset	792	792
Depreciation of plant and equipment	22,473	22,141
Depreciation of right-of-use assets	4,404	4,759
	<u>27,669</u>	<u>27,692</u>
Total depreciation and amortisation		
Less: capitalised as cost of inventories	(17,424)	(19,398)
	<u>10,245</u>	<u>8,294</u>
Listing expenses	–	10,982
Staff costs (including directors' emoluments)		
– Directors' emoluments	3,883	2,917
– Salaries and other benefits	25,552	22,816
– Retirement benefit scheme contributions (excluding directors)	1,801	1,408
	<u>31,236</u>	<u>27,141</u>
Less: capitalised as cost of inventories	(6,293)	(7,770)
	<u>24,943</u>	<u>19,371</u>

9. DIVIDENDS

During the current interim period, a final dividend of RMB0.061 per share in respect of the year ended 31 March 2024 (six months ended 30 September 2023: nil) was declared to owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted to RMB55,445,000 (six months ended 30 September 2023: nil) and paid to the shareholders of the Company in October 2024.

The directors of the Company have determined that no dividend will be declared in respect of the interim period.

10. EARNINGS PER SHARE

	Six months ended 30 September	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share for the period attributable to the owners of the Company	80,690	63,321
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	908,158,361	675,000,000
Effect of dilutive potential ordinary shares: Over-allotment options	1,967,213	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	910,125,574	675,000,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined based on the assumption that the share subdivision and capitalization issue had been effective on 1 April 2023.

No diluted earnings per share for the period ended 30 September 2023 was presented as there was no potential ordinary shares in issue.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 September 2024 <i>RMB'000</i> (unaudited)	As at 31 March 2024 <i>RMB'000</i> (audited)
Trade receivables	57,206	32,878
Unbilled receivables (<i>Note a</i>)	130,763	140,999
Less: allowance for credit losses	(15,383)	(14,803)
	<u>172,586</u>	<u>159,074</u>
Bills receivables	96,222	422,086
	<u>268,808</u>	<u>581,160</u>
Inventories prepayment	2,194,897	1,758,736
Value-added tax receivables	23,147	50,169
Other receivables, deposits and prepayments	118,583	47,937
	<u>2,336,627</u>	<u>1,856,842</u>
	<u>2,605,435</u>	<u>2,438,002</u>
Analysed as:		
Current	2,533,329	2,428,151
Non-current (<i>Note b</i>)	72,106	9,851
	<u>2,605,435</u>	<u>2,438,002</u>

Notes:

- (a) Unbilled receivables represents accrued sales for goods delivered by the Group but yet to bill. The Group has unconditional right to the payment of the unbilled receivables which is expected to be billed within 180 days and received within 12 months from the end of the reporting period.
- (b) Included in the balance as at 30 September 2024, there were prepayments and deposits of approximately RMB59,856,000 (31 March 2024: RMB57,000) for the acquisition of plant and equipment and right-of-use assets.

The Group generally allows credit period ranging from 0 to 180 days. The Group will assess the credit quality of each potential customer and define rating and credit limit for each customer.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period:

	As at 30 September 2024 <i>RMB'000</i> (unaudited)	As at 31 March 2024 <i>RMB'000</i> (audited)
Trade receivables		
Within 90 days	26,451	17,784
91-180 days	11,258	291
181-365 days	4,311	759
Over 1 year	2,208	1,784
	<u>44,228</u>	<u>20,618</u>

As at 30 September 2024, total bills received amounting to approximately RMB96,203,000 (31 March 2024: RMB412,307,000), was further discounted or endorsed by the Group. The Group continues to recognize their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year (31 March 2024: one year).

12. FINANCIAL ASSETS AT FVTPL

	As at 30 September 2024 <i>RMB'000</i> (unaudited)	As at 31 March 2024 <i>RMB'000</i> (audited)
Unlisted investment funds (<i>Note</i>)	<u>300,552</u>	<u>–</u>

Note: During the period ended 30 September 2024, the Group invested US\$42,000,000 (equivalent to approximately RMB298,330,000) in three unlisted investment funds for short-term investment purpose. During the six months ended 30 September 2024, a fair value gain of approximately RMB6,334,000 was recognized in profit or loss. The return of investment funds is determined by reference to the return of their underlying investments.

Since the contractual cash flows of these financial assets do not represent solely the payments of principal and interest on the principal amount outstanding, the financial assets are measured at FVTPL.

In November 2024, the Group subsequently redeemed investment funds with an aggregate principal amount of US\$10,660,000 (equivalent to approximately RMB76,444,000), at a fair value of approximately US\$10,928,000 (equivalent to approximately RMB78,366,000).

13. TRADE AND OTHER PAYABLES

	As at 30 September 2024 <i>RMB'000</i> (unaudited)	As at 31 March 2024 <i>RMB'000</i> (audited)
Trade payables	117,069	129,991
Bills payables	237,880	219,940
Other tax payables	102,091	128,794
Dividend payable	55,445	–
Accrued issue costs and listing expenses	–	18,480
Others	18,619	22,310
	531,104	519,515

The Group normally receives credit terms of 90 to 180 days from its suppliers. The following is an analysis of the trade and bills payables by age, presented based on the invoice date at the end of the reporting period:

	As at 30 September 2024 <i>RMB'000</i> (unaudited)	As at 31 March 2024 <i>RMB'000</i> (audited)
Trade payables		
0 – 90 days	59,387	104,530
91 – 180 days	46,550	20,924
181 – 360 days	7,607	1,621
Over 1 year	3,525	2,916
	117,069	129,991
Bills payables		
0 – 90 days	151,600	171,600
91 – 180 days	86,280	48,340
	237,880	219,940

Included in the trade payables, are RMB42,927,000 (31 March 2024: RMB22,882,000) which had been settled by endorsed bills for which the maturity dates of the bills receivables have not yet fallen due as at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 6MFY2025, the Group strengthened its position as a leading potash fertiliser company in China, achieving an increase of approximately 87.9% in overall sales volume of the products of the Group and the provision of production services, from approximately 552,000 tonnes in 6MFY2024 to approximately 1,037,000 tonnes in 6MFY2025. This growth is primarily attributable to the Group's unwavering commitment to product quality and a profound understanding of its customers' needs.

Having been in China's potash fertiliser business for more than 20 years, the Group has established comprehensive KCL procurement channels, enabling it to secure a stable supply of KCL from major overseas potash fertiliser producers at competitive costs and the Group is continuously expanding its market share to enhance its leadership in potash market. The listing of the Shares in March 2024 marked a significant milestone in the Group's history. This achievement is expected to open access to various capital markets, thereby diversifying financing options for business expansion and supporting the Group's efforts to expand its customer base.

Future Prospects

Looking ahead, the Group aims to navigate market fluctuations by promoting growth through innovation and broadening its product offerings. The Group will continue exploring new markets to meet the rising global demand for high-efficiency fertilisers, focusing on operational efficiency and customer satisfaction. Strategic investments in new facilities and technologies are expected to enhance supply capacity for demand arising from overseas emerging markets and strengthen the Group's position as a reliable partner in the agricultural industry. In line with these goals, the Group will continue to explore different investment opportunities, improve production capacity and bring values to the Group's customers in the PRC as well as in Asia.

The Group is planning to establish a subsidiary in Vietnam, which will operate a production facility (the “**Vietnam Facility**”) in Phu My Town, Ba Ria – Vung Tau Province. The Vietnam Facility is expected to cover the aforesaid emerging markets. The Group has signed a memorandum of understanding with Phu My II Expansion Industrial Park's management company to sublease the site and the Group is currently securing necessary local approvals, having submitted an in-principle investment application in August 2024 and is addressing feedback from local authorities.

Financial Review

Revenue

The Group's revenue for 6MFY2025 consisted of sales of products and provision of production services. The following table sets forth a breakdown of the Group's revenue by sales of each type of products and the provision of production services, for each period indicated:

	For the six months ended 30 September		Period- on-period change
	2024 RMB'000	2023 RMB'000	
Sales of products			
KCL	1,911,006	998,593	91.4%
SOP	192,611	193,622	(0.5)%
NOP	7,064	2,232	216.5%
Compound fertiliser	5,657	4,022	40.7%
Others ⁽¹⁾	10,570	56,865	(81.4)%
	2,126,908	1,255,334	69.4%
Provision of production services	1,315	413	218.4%
Total	2,128,223	1,255,747	69.5%

Note:

(1) Others mainly consist of HCL and fertiliser additive.

During 6MFY2025, the sales of KCL and SOP contributed the top two portions of the revenue of the Group, accounting for approximately 89.8% and 9.1% respectively of the total revenue of the Group. The Group's revenue for 6MFY2025 was approximately RMB2,128.2 million, representing an increase of approximately 69.5% from approximately RMB1,255.7 million for 6MFY2024. The increase in revenue was primarily attributable to an increase in overall sales volume of approximately 87.9% in 6MFY2025.

Cost of Goods Sold

For 6MFY2025, the cost of goods sold was approximately RMB1,943.7 million, representing an increase of approximately 80.1% from approximately RMB1,079.3 million for 6MFY2024. This increase was consistent with the growth in the Group's revenue for 6MFY2025.

Gross Profit and Gross Profit Margin

The Group's gross profit slightly increased to approximately RMB184.6 million in 6MFY2025, compared to RMB176.4 million in 6MFY2024. However, the overall gross profit margin decreased from approximately 14.0% in 6MFY2024 to approximately 8.7% in 6MFY2025, primarily due to a reduced gross profit margin in KCL. The gross profit margin for KCL decreased from approximately 13.3% in 6MFY2024 to approximately 8.1% in 6MFY2025, primarily due to lower potash market prices during 6MFY2025 and the Group's expansion strategy to aim at promoting higher sales volume during the slack season.

Other Income

The Group's other income increased from approximately RMB3.5 million in 6MFY2024 to approximately RMB12.1 million in 6MFY2025. This increase was primarily due to an extra deduction of input value-added tax, which increased by approximately RMB9.7 million in 6MFY2025.

Other Gains and Losses

The Group's other gains and losses remained stable, with a gain of approximately RMB3.0 million in 6MFY2024 and a slight increase to approximately RMB3.5 million in 6MFY2025. This increase was primarily due to higher fair value gains on financial assets at FVTPL in 6MFY2025.

Impairment Losses, Net of Reversal

The Group's impairment losses, net of reversal increased from a reversal of approximately RMB0.4 million in 6MFY2024 to a loss of approximately RMB0.6 million in 6MFY2025. This was primarily attributable to the increase in trade and unbilled receivables balances resulting from increased revenue during 6MFY2025.

Distribution and Selling Expenses

The Group's distribution and selling expenses remained stable at approximately RMB13.5 million in 6MFY2025, compared to approximately RMB13.8 million in 6MFY2024.

General and Administrative Expenses

The Group's general and administrative expenses increased by approximately 30.1% from approximately RMB48.5 million in 6MFY2024 to approximately RMB63.1 million in 6MFY2025, primarily due to the increase in travelling and entertainment expense, payroll and welfare and professional fees.

Research and Development Expenses

The Group's research and development expenses remained stable at approximately RMB16.8 million in 6MFY2025, compared to approximately RMB16.9 million in 6MFY2024.

Listing Expenses

The Group incurred no listing expenses for 6MFY2025 compared to approximately RMB11.0 million in 6MFY2024 upon the Group's listing in March 2024.

Share of Result of A Joint Venture

The Group's share of results of a joint venture decreased by approximately 50.0%, reducing the loss from approximately RMB6.9 million in 6MFY2024 to approximately RMB3.5 million in 6MFY2025, primarily due to enhanced cost control measures by the joint venture.

Finance Costs

The Group's finance costs increased by approximately 12.2% from approximately RMB9.6 million in 6MFY2024 to approximately RMB10.8 million in 6MFY2025, primarily due to an increase in borrowings of the Group compared to 6MFY2024.

Income Tax Expense

The Group's income tax expenses increased by approximately 8.0% from approximately RMB15.4 million in 6MFY2024 to approximately RMB16.6 million in 6MFY2025, mainly attributable to the increase in profit before tax.

Profit for 6MFY2025

The Group's net profit for 6MFY2025 was approximately RMB75.3 million, representing an increase of approximately 23.0% compared to approximately RMB61.3 million in 6MFY2024. This increase was mainly attributable to (i) an increase in the Group's gross profit due to the increase in revenue; (ii) an increase in other income due to the increase in extra deduction of input value-added tax; (iii) a decrease in listing expenses after the Group's listing in March 2024; and partially offset by (iv) an increase in general and administrative expenses related to business development.

Liquidity and Capital Resources

The Group's total bank balances and cash decreased from approximately RMB812.3 million as at 31 March 2024 to approximately RMB158.4 million as at 30 September 2024. This decrease was primarily due to the repayment of borrowings and the utilisation of idle funds for the investment in unlisted investment funds to strengthen the Group's working capital management.

As at 30 September 2024, the Group's current assets amounted to approximately RMB3,487.8 million, mainly consisting of trade and other receivables and prepayments of approximately RMB2,533.3 million, and inventories of approximately RMB327.3 million. The Group's current liabilities were approximately RMB1,494.5 million, mainly consisting of trade and other payables of approximately RMB531.1 million and contract liabilities of approximately RMB520.3 million. As at 30 September 2024, the current ratio (the current assets to current liabilities ratio) of the Group was 2.3 (31 March 2024: 2.1).

As at 30 September 2024, the Group's borrowings amounted to approximately RMB385.4 million (31 March 2024: RMB545.2 million). The decrease was mainly due to the Group's repayment of borrowings.

As at 30 September 2024, the Group's gearing ratio, which was calculated on the basis of the amount of total debt as a percentage of the total equity attributable to the Company's owners, was approximately 15.4% (31 March 2024: 22.3%). The decrease in the gearing ratio was mainly attributable to the Group's repayment of borrowings and an increase in total equity attributable to the Company's owners, supported by continued profit-making performance.

Capital Expenditures

For 6MFY2025, the Group's capital expenditures amounted to approximately RMB97.3 million, primarily used for construction and development of a warehousing and production centre of the Group in Heilongjiang Province, the PRC.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 September 2024.

Future Plan for Material Investments and Capital Assets

Save as disclosed in the Prospectus and this announcement, the Group did not have other plans for material investments and capital assets.

The Group continues to explore different investment opportunities that will add value, with future plans focused on enhancing production capacity and operational efficiency. The Group will make additional announcements as and when appropriate and necessary for future material investments.

Significant Investments, Acquisitions and Disposals

Save as disclosed in this announcement, there were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorised by the Board for other material investments or additions of capital assets during 6MFY2025.

Foreign Exchange Risk Management

The Company's functional currency is RMB, with most revenues and expenses denominated in RMB. The Group also has certain cash and bank balances and financial assets at FVTPL denominated in United State dollars and Hong Kong dollars, which would expose the Group to foreign exchange risk. The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, the Group did not have any significant events after 30 September 2024 and up to the date of this announcement.

USE OF PROCEEDS

On 21 March 2024, the Shares were listed on the Stock Exchange, with 225,000,000 Shares issued at an offer price of HK\$4.08 per Share. On 17 April 2024, an additional 8,940,000 Shares were issued at the same price pursuant to the partial exercise of the over-allotment option. The net proceeds from the listing of the Shares on the Stock Exchange and the net proceeds from the partial exercise of the over-allotment option (after deducting underwriting fees and other related expenses) amounted to approximately HK\$798.6 million (the “**Net Proceeds**”).

As disclosed in the Company’s announcement dated 22 October 2024 and the supplemental announcement dated 8 November 2024, to utilise the Net Proceeds more efficiently and facilitate the Group’s development, the Board resolved on 22 October 2024 to change the use of the Net Proceeds, considering the infeasibility of the original plan to establish the New Sichuan Production Facility, the Group’s need and strategy to expand in Asia and the industrialisation of the Group’s research achievements. In particular, the funds originally designated for the “New Sichuan Production Facility” were allocated to the “Vietnam Expansion”, and the scope of the “Upgrading and Replacement of Equipment and Machinery” was broadened to cover upgrades of and for all production facilities of the Group other than the Vietnam Facility.

The following table sets forth a summary of the utilisation of the Net Proceeds as at 30 September 2024:

Intended Use of Net Proceeds	Purpose for Which They Are Used	Revised Allocation of Net Proceeds <i>HK\$'000</i>	Approximate Percentage of Net Proceeds <i>%</i>	Utilised Amount From the Listing Date to 31 March 2024 <i>HK\$'000</i>	Utilised Amount for 6MFY2025 <i>HK\$'000</i>	Unutilised Amount as at 30 September 2024 <i>HK\$'000</i>	Expected Timeline for Utilisation
Heilongjiang Warehousing and Production Centre	Construction of the Heilongjiang Warehousing and Production Centre, including land acquisition, railway connecting lines construction, facilities construction, equipment and machinery acquisition and installation, and miscellaneous costs	360,975	45.2	–	84,397	276,578	By 31 March 2026
Vietnam Expansion	Construction and development of the Vietnam Facility, including land acquisition, facilities construction, and equipment and machinery acquisition and installation	196,459	24.6	–	–	196,459	By 31 March 2027
Research and Development Centre	Funding for establishing the Group’s R&D Centre in Sichuan Province, including land acquisition, construction costs and equipment and machinery acquisition	113,403	14.2	–	–	113,403	By 31 March 2026

Intended Use of Net Proceeds	Purpose for Which They Are Used	Revised Allocation of Net Proceeds <i>HK\$'000</i>	Approximate Percentage of Net Proceeds <i>%</i>	Utilised Amount From the Listing Date to 31 March 2024 <i>HK\$'000</i>	Utilised Amount for 6MFY2025 <i>HK\$'000</i>	Unutilised Amount as at 30 September 2024 <i>HK\$'000</i>	Expected Timeline for Utilisation
Upgrading and Replacement of Equipment and Machinery	Upgrading of and for all production facilities of the Group other than the Vietnam Facility	47,917	6.0	–	16,287	31,630	By 31 March 2026
General Working Capital	Allocation for additional working capital and other general corporate purposes	79,862	10.0	–	79,862	–	Not applicable
Total	–	798,616	100.0	–	180,546	618,070	–

The expected timeline to use the Net Proceeds is based on the Directors' best estimation, barring any unforeseen circumstances, and it may be subject to change based on the future development of market conditions.

EMPLOYEE REMUNERATION AND RELATIONS

As at 30 September 2024, the Group had a total of 440 employees (441 employees as at 31 March 2024). The total staff cost for 6MFY2025 was approximately RMB31.2 million, compared to approximately RMB27.1 million for 6MFY2024. The remuneration packages of the Group's employees are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate. The Group remunerates its employees with basic salaries as well as performance-based bonuses. The Group participates in a variety of social security plans for its employees that are administered by PRC local governments, including housing, pension, medical insurance and unemployment insurance, and the Group made contributions to employee benefit plans for its employees as required by local authorities in accordance with applicable PRC laws and regulations in all material respects.

To ensure equal opportunities for all the Group's employees, the Group has implemented merit-based promotion mechanism. The Group examines its employees' performance regularly and promotes its employees based on their job performance. The Group also provides its employees with a variety of trainings, which are tailored to each job functions and a set of responsibilities to enhance performance. Furthermore, the Group has established a labor union for its employees, and each production facility has a labor union head to collect feedback from local employees.

INTERIM DIVIDEND

The Board did not resolve to declare any interim dividend for 6MFY2025 (for 6MFY2024: Nil).

At the Board meeting held on 21 June 2024, the Board proposed the payment of a final dividend of RMB0.061 per Share for the year ended 31 March 2024. The aforesaid final dividend was approved by the Shareholders at the annual general meeting of the Company held on 2 September 2024 and was paid on 10 October 2024.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Company has adopted the code provisions as set out in the Corporate Governance Code as its own code of corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Corporate Governance Code during 6MFY2025, save for deviation from code provision C.2.1 of the Corporate Governance Code. The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

Pursuant to Code Provision C.2.1 of the Corporate Governance Code, the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. The Group does not have a separate chairperson and chief executive officer as Mr. Liu Guocai currently performs these two roles. The Board believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively given that (i) decisions to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of six Directors and the Group believes there is sufficient check and balance on the Board; (ii) Mr. Liu Guocai and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he/she acts for the benefit and in the best interests of the Company and will make decisions of the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of the Group. The Board will continue to review and consider splitting the roles of chairperson of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout 6MFY2025.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company established the Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three members, namely, Mr. Chen Guofu, Ms. Huang Shasha and Ms. Qing Meyerson, all of whom are independent non-executive Directors. Ms. Qing Meyerson is the chairperson of the Audit Committee.

The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for 6MFY2025 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

The interim results for 6MFY2025 are unaudited, but have been reviewed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including the sale of treasury shares (as defined under the Listing Rules), if any) for 6MFY2025. As at 30 September 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For 6MFY2025, none of the Directors had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

SHARE SCHEMES

The Company conditionally adopted a Pre-IPO Share Option Scheme on 23 March 2022 and it was subsequently terminated pursuant to the written resolution of the Directors on 18 April 2023. No option had been granted or agreed to be granted by the Company pursuant to the Pre-IPO Share Option Scheme. No other share schemes has been adopted by the Company as at the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.migaogroup.com). The interim report of the Company for 6MFY2025 containing all the information required by the Listing Rules will be available on the same websites in due course, and will be despatched to the Shareholders who have already provided instructions indicating their preference to receive hard copies in due course.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Audit Committee”	the audit committee of the Board
“Board”	the Board of Directors of the Company
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Company”	Migao Group Holdings Limited (米高集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 21 November 2017
“compound fertiliser”	a kind of fertiliser with three-components, providing nitrogen, phosphorus and potassium. Compound fertiliser can be used for balanced fertilization and can increase the utilization rate of fertilisers
“Corporate Governance Code”	corporate governance code contained in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“FVTPL”	the fair value through profit or loss
“Group”	collectively, the Company and its subsidiaries
“HCL”	hydrochloric acid, an aqueous solution of hydrogen chloride, belonging to one-component inorganic strong acid, which is an important part of the chlor-alkali industry and is widely used in industrial fields
“HK\$”, and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

“KCL”	potassium chloride, a compound with the chemical formula KCl containing around 60% potassium oxide equivalent, which can be used as a fertiliser
“Listing Date”	21 March 2024
“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix C3 to the Listing Rules
“NOP”	potassium nitrate, a compound with the chemical formula KNO ₃ containing potassium, oxygen, and nitrogen, which can be used as a fertiliser
“Prospectus”	the prospectus of the Company dated 13 March 2024
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“SOP”	potassium sulphate, a compound with the chemical formula K ₂ SO ₄ containing around 50% potassium oxide equivalent, which can be used as a fertiliser
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“6MFY2024”	six months ended 30 September 2023
“6MFY2025”	six months ended 30 September 2024
“%”	per cent

By Order of the Board
Migao Group Holdings Limited
 米高集團控股有限公司
Mr. Liu Guocai
Chairperson and Executive Director

Hong Kong, 28 November 2024

As at the date of this announcement, the Board comprises Mr. Liu Guocai, Mr. Sun Pingfu and Mr. Dong Benzi as executive Directors; and Mr. Chen Guofu, Ms. Huang Shasha and Ms. Qing Meyerson as independent non-executive Directors.