Pizu Group Holdings Limited

比優集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8053

ANNUAL REPORT 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Ding Baoshan *(Chairman)*
Mr. Xiong Zeke *(Chief Executive Officer)*
Ms. Qin Chunhong
Mr. Liu Fali (appointed with effect from 20 October 2015)

NON-EXECUTIVE DIRECTOR
Mr. Ma Qiang

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Zhang Lin
Ms. Liu Talin
Mr. Enhe Bayaer

AUDIT COMMITTEE
Ms. Zhang Lin *(Chairperson)*
Ms. Liu Talin
Mr. Enhe Bayaer

REMUNERATION COMMITTEE
Ms. Zhang Lin *(Chairperson)*
Ms. Qin Chunhong
Ms. Liu Talin

NOMINATION COMMITTEE
Mr. Enhe Bayaer *(Chairperson)*
Ms. Zhang Lin
Ms. Liu Talin

COMPANY SECRETARY
Ms. Shen Tianwei (MAPAIS, HKICPA, CICPA)
Flat A, 11/F, Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

COMPLIANCE OFFICER
Ms. Qin Chunhong

AUTHORISED REPRESENTATIVES
Mr. Xiong Zeke
Flat A, 11/F, Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

Ms. Shen Tianwei (MAPAIS, HKICPA, CICPA)
Flat A, 11/F, Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

REGISTERED OFFICE
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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68 Connaught Road Central
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COMPANY WEBSITE ADDRESS
www.pizugroup.com

INDEPENDENT AUDITOR
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25th Floor
Wing On Centre
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
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George Town
Grand Cayman
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F., Hopewell Centre
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Wanchai
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PRINCIPAL BANKER
In Hong Kong
China Construction Bank (Asia) Corporation Limited
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Kowloon Bay
Kowloon
Hong Kong

In the PRC
Industrial and Commercial Bank of China
Shenzhen Branch
North Block Financial Centre
No. 55 Shennan Road East
Shenzhen
PRC

STOCK CODE
8053

CHAIRMAN'S STATEMENT

Pizu Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") is grateful to our shareholders and the community for their trust, understanding and support during the past financial year 2015/2016. On behalf of the Board and all our staff, I would like to take this opportunity to express our sincere gratitude to our shareholders and the community for their care and support throughout the year.

For the year ended 31 March 2016 (the "Year"), the profit of the Group mainly generated from manufacturing and sales of explosives and provision of blasting services conducted by Ample Ocean Holdings Limited ("Ample Ocean") and its subsidiaries acquired by the Company pursuant to a sale and purchase (the "Ample Ocean SP Agreement") dated 19 January 2015 entered into between, among others, the Company as purchaser and 26 individuals and Shiny Ocean Holdings Limited ("Shiny Ocean") as vendors (the "Vendors"). The consideration for such acquisition was satisfied by the Company by issuing to each of the Vendors or (in respect of Mr. Ma Qiang and Mr. Xiong Zeke) to Shiny Ocean and Fabulous Seeker Holdings Limited, at their respective directions, the zero coupon convertible bonds of the Company with principal amount of HK$837 million due in 2018 executed by the Company by way of deed poll on 28 July 2015 (the "Convertible Bonds"). Please refer to the Company's announcement dated 11 May 2015 and 28 July 2015 and the circular of the Company dated 28 June 2015 for further information.

The Group will continue to develop sales of commodity goods, manufacturing and sales of explosives and provision of blasting services business. As disclosed in the announcement "Business update in relation to potential formation of joint venture in Tajikistan for production of civil explosives" dated 19 October 2015, and the circular "major transaction in relation to the acquisition of mining assets" dated 20 June 2016, the Group is still actively exploring business opportunities to develop the blasting operation business and maintain the development of the bulk mineral trading business with an aim to bring better returns to the shareholders of the Company (the "Shareholders").

The Group will continue to cautiously monitor the changes in the economic environment, and adjust business development strategies and directions should appropriate opportunities arise in order to adapt to changes in the business environment. The Group will also continue to develop all the businesses, and create value for the Shareholders.

Ding Baoshan
Chairman

24 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS 2015-2016

Business Review

During the Year, the profit of the Group was mainly generated from manufacturing and sales of explosives and provision of blasting services conducted by Ample Ocean and its subsidiaries acquired by the Company pursuant to the Ample Ocean SP Agreement. Please refer to the Company's announcement dated 11 May 2015 and 28 July 2015 and the circular of the Company dated 28 June 2015 for further information.

Prospect and Outlook

The Group will continue to develop sales of commodity goods, manufacturing and sales of explosives and provision of blasting services business. As disclosed in the announcement "Business update in relation to potential formation of joint venture in Tajikistan for production of civil explosives" dated 19 October 2015, and the circular "major transaction in relation to the acquisition of mining assets" dated 20 June 2016, the Group is still actively exploring business opportunities to develop the blasting operation business and maintain the development of the bulk mineral trading business with an aim to bring better returns to the Shareholders.

FINANCIAL REVIEW

Turnover

The Group achieved a consolidated turnover from the continuing operations of approximately RMB5,158.97 million, representing an increase of approximately 2.35 times in comparison with year ended 31 March 2015. The following table is the breakdowns of turnover for the Year:

	RMB'000	Approximately % attributable to the turnover of the Group
Sales of commodity goods	4,858,771	94.18%
Sales of explosives	291,918	5.66%
Provision of blasting operations	8,283	0.16%
	5,158,972	100%

Cost of goods sold and services provided

The consolidated cost of goods sold and services provided of the continuing operations for the Year was approximately RMB4,985.52 million, representing an increase of approximately 2.76 times as compared to last year. The main reason is that the Group's major turnover derives from the bulk mineral trade business, which is an industry of low gross margin.

Loss/earnings per share

The loss/earnings per share of the Group is covered in note 15 to the consolidated financial statements.

The decrease in the loss/earnings per share is mainly due to the imputed interest on the Convertible Bonds amounted to RMB31.77 million incurred during the Year. Such expenses had no effect on the cashflow of the Group.

Segment Information

The segment information of the Group is covered in note 16 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

Movements in capital structure of the Group during the Year are set out in notes 31, 32, 33 and 35 to the consolidated financial statements. The capital of the Group comprises equity plus debts raised by the Group.

SIGNIFICANT INVESTMENTS

As at 31 March 2016, the Group did not have any significant investments (2015: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The material acquisitions and disposals of subsidiaries for the Year are set out in notes 2, 14 and 40 to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The details of future plans for material investments or capital assets are set out in note 47 to the consolidated financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the equity of the Group amounted to approximately RMB141.49 million. Current assets amounted to approximately RMB135.17 million of which approximately RMB38.23 million were cash and cash equivalents and approximately RMB17.05 million were inventories, other receivables, prepayments and deposits and other financial assets. The Group's current liabilities amounted to approximately RMB65.46 million.

GEARING RATIO

As at 31 March 2016, the Group's gearing ratio, calculated as total debts of approximately RMB78.86 million (31 March 2015: RMB51.31 million) divided by total assets of approximately RMB285.81 million (31 March 2015: RMB314.19 million) was 27.59% (31 March 2015: 16.33%). The increase in gearing ratio was due to the issue of the Convertible Bonds as consideration for the acquisition of Ample Ocean during the Year.

CHARGE OF ASSETS

As at 31 March 2016, none of the Group's assets were charged or subject to any encumbrance (2015: nil).

CAPITAL COMMITMENT

As at 31 March 2016 and 2015, the Group's capital commitments are set out in note 38 to the consolidated financial statements.

FOREIGN CURRENCY RISK AND ANY RELEVANT ELIMINATION

As the Group's operations are mainly conducted in the PRC and Hong Kong and the sales and purchases were denominated in the functional currencies of the respective subsidiaries, there is no significant foreign currency risk that would affect the Group's results of operations.

During the Year, the Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 31 March 2016, the Group did not have any material contingent liabilities (2015: nil).

DIVIDEND

The Board did not recommend any payment of final dividend for the Year (2015: nil).

HUMAN RESOURCES

As at 31 March 2016, the Group employed a total of 293 full time employees in the PRC and Hong Kong. Staff remuneration packages are determined by reference to prevailing market rates. Staff benefits include Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong, and welfare schemes as required by the applicable laws and regulations in the PRC for PRC employees, personal insurance and discretionary bonus which are based on their performance and contribution to the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance by establishing formal and transparent procedure to protect the interests of the shareholders of the Company. The Company had throughout the Year complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs. It also explains the applications of the Code and deviations, if any.

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company (the "Directors") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry with all the Directors and all of them confirmed that they had fully complied with the required standards set out in the Company's code of conduct regarding directors' securities transactions during the Year.

BOARD OF DIRECTORS

The Board collectively oversees the management and operation of the Group and held meetings regularly during the Year to discuss the operation strategy and financial performance of the Group, while the senior management of the Group are responsible for the supervision and day-to-day management of operation of the Group and the execution of the plans of the Group as approved by the Board.

During the Year, the Board comprised eight members, comprising four executive Directors, Mr. Ding Baoshan (Chairman), Mr. Xiong Zeke (Chief executive officer), Ms. Qin Chunhong and Mr. Liu Fali (appointed with effect from 20 October 2015), one non-executive Director, Mr Ma. Qiang, and three independent non-executive Directors (more than one-third of the Board), Ms. Zhang Lin, Ms. Liu Talin and Mr. Enhe Bayaer.

Save that Mr. Liu Fali is the cousin of Mr. Ma. Qiang, there are no relationships, including financial, business, family or other material relationships, between members of the Board and between the Chairman and the chief executive officer.

The biographical details of the Directors and other senior management are set out on pages 15 to 17 of this report.

According to article 86(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, as an addition to the existing Board provided that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in any general meeting. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

Also according to article 87(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed from a specific term) shall be subject to retirement by rotation at least once every three years. Article 87(2) further provides that a retiring Director shall be eligible for re-election and any Directors so to retire shall be subject to retirement by rotation who have been longest in office since their last re-election or appointment.

The main responsibilities of the Board includes:

- to implement the resolutions of the general meetings;
- to formulate the Company's business plans and investment plans;
- to formulate the Company's annual budgets and financial policies;
- to report its work in general meetings, to submit reports to regulatory authorities, and to disclose information in accordance with statutory requirements;
- the daily operation and management of the Company are performed by executive Directors and the senior management. The Board formulates the Company's overall policies and plans, and regularly monitors and supervises their implementation by the executive Directors and the senior management; and
- there are clearly defined authorities and duties for the management, including periodic reporting to the Board, and specified matters that require prior approval by the Board before their implementation, including matters such as the establishment of internal management structure and the appointment and re-designation of the senior managements, while the management is entrusted with appropriate delegation to ensure normal functioning of the Company.

The Board shall convene meetings at least four times every year (basically once every quarter). Extraordinary general meetings shall be convened under special circumstances or to decide on important issues. If the Directors are not able to attend a meeting to be held at the designated place, the meeting may be held by means of a telephone conference, and thereby facilitates and enhances the attendance of Directors at the Board meeting. If an independent non-executive Director is not able to attend a meeting for some reason, the Company will seek their opinion on the issues to be discussed in the meeting.

The Board is responsible for the performance of the following corporate governance duties set out below:

(a) to develop and review Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the Year, the Company held 11 Board meetings (excluding Board committee meetings), 2 independent Board committee meetings and 2 general meetings with an average attendance rate of 91.67%, 100% and 28.57% respectively. Details of the attendance of the Board of Directors for the Year are as follows:

	Board meeting	**General meeting**
Total number of Board meetings held	13	2
Name of the Directors	**Attended/Eligible to attend**	
Executive Directors		
Mr. Ding Baoshan *(Chairman)*	10/11	2/2
Mr. Xiong Zeke	11/11	2/2
Ms. Qin Chunhong	11/11	0/2
Mr. Liu Fali (appointed with effect from 20 October 2015)	6/6	0/0
Non-executive Director		
Mr. Ma Qiang	10/11	0/2
Independent non-executive Directors		
Ms. Zhang Lin	11/13	0/2
Ms. Liu Talin	11/13	0/2
Mr. Enhe Bayaer	11/13	0/2

Independence of the Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their respective independence pursuant to Rule 5.09 of the GEM Listing Rules and accordingly, the Company considers that all of the independent non-executive Directors remain independent. As at the date of this report, the Company is not aware of the occurrence of any event which would cause it to believe that the Directors' independence has been impaired.

Directors' training is an ongoing process. During the Year, directors received regular updates on changes and developments of the Group's business and to the legislative and regulatory environments in which the Group operates. All directors are also encouraged to attend relevant training courses at the Group's expense.

During the Year, the Directors participated in the kinds of training in compliance with code provision A.6.5 of the Code as follows:

Name of the Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/or forums	Receiving briefings from Chief Financial Officer, Company Secretary and/or other executives
Mr. Ding Baoshan	✓	✓	✓
Mr. Xiong Zeke	✓	✓	✓
Ms. Qin Chunhong	✓	✓	✓
Mr. Liu Fali (appointed with effect from 20 October 2015)	✓	✓	✓
Mr. Ma Qiang	✓	✓	✓
Ms. Zhang Lin	✓	✓	✓
Ms. Liu Talin	✓	✓	✓
Mr. Enhe Bayaer	✓	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year, the role and duties of the chairman and the chief executive officer are separate and performed by different individuals.

The chairman of the Board, Mr. Ding Baoshan is responsible for the strategic leadership and organization of the Board of Directors, whereas Mr. Xiong Zeke, the chief executive officer is in charge of management of the overall business operation of the Group.

As such, the Company had complied with Code provision A.2.1.

REMUNERATION OF DIRECTORS

A remuneration committee of the Company (the "Remuneration Committee") was formed with specific written terms of reference which deal clearly with its authority and duties with the requirements of the Code in December 2005. The Remuneration Committee is responsible for reviewing and developing the remuneration polices of the Directors and senior management to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management. The Remuneration Committee comprises of two independent non-executive Directors and one executive Director. The Board has adopted a set of the revised terms of reference of the Remuneration Committee which are aligned with the provisions set out in the Code. The terms of reference of the Committee setting out its authority, duties and responsibilities are available on both the websites of the Company and the Growth Enterprise Market ("GEM") of The Stock Exchange Hong Kong (the "Stock Exchange").

During the Year, the Remuneration Committee held two meetings. Details of the attendance of the Remuneration Committee for the Year are as follows:

Total number of meetings held	2
Name of members	**Attended/Eligible to attend**
Ms. Zhang Lin *(Chairwoman of the Remuneration Committee)*	2/2
Ms. Qin Chunhong	2/2
Ms. Liu Talin	2/2

The Remuneration Committee has considered and reviewed the existing terms of employment contracts of the executive Directors, senior management and appointment letters of the non-executive Director and independent non-executive Directors and is of opinion that their respective engagement matters are fair and reasonable.

During the Year, total directors' remuneration amounted to approximately RMB1.60 million (2015: RMB1.52 million). Details of the remuneration of the Directors for the Year are set out in note 10 to the consolidated financial statements.

AUDITOR'S REMUNERATION

During the Year, the remuneration in respect of audit services and other services provided by the auditor, BDO Limited, amounted to approximately RMB768,000 and RMB81,000 respectively (2015 (restated): RMB378,000 and RMB924,000 respectively).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Each of the Directors understand and acknowledge his responsibility for the preparation of the consolidated financial statements, which give a true and fair view of the financial position and the financial performance of the Group in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622). The external auditor of the Company is responsible to form an independent opinion, based on the audit, on the consolidated financial statements prepared by the Directors and report the opinion solely to the Shareholders of the Company.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and Code Provision C.3.1 to C.3.6 of the Code. The primary duties of the Audit Committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The Audit Committee consists of the three independent non-executive Directors of the Company. The Committee is chaired by Ms. Zhang Lin who has appropriate professional qualifications and experience in financial matters.

During the Year, the Audit Committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and results announcements.

Details of the attendance of the Audit Committee for the Year are as follows:

Total number of meetings held	4
Name of members	**Attended/Eligible to attend**
Ms. Zhang Lin *(Chairwoman of the Audit Committee)*	4/4
Ms. Liu Talin	4/4
Mr. Enhe Bayaer	4/4

The Audit Committee has reviewed the annual report of the Group for the Year and is of the opinion that the consolidated financial statements of the Group for the Year comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made in the annual report of the Group for the Year.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") with written terms of reference in compliance with D1.4 of the Code. The primary duties of the Nomination Committee are, among others, reviewing the structure, size and composition and diversity of the Board of Directors on a regular basis (at least once a year) and making recommendations regarding any proposed changes, identifying and recommending individuals suitably qualified to become board members, and assessing the independence of independent non-executive Directors. The Nomination Committee consists of the three independent non-executive Directors of the Company.

Details of the attendance of the Nomination Committee for the Year are as follows:

Total number of meetings held	1
Name of members	**Attended/Eligible to attend**
Mr. Enhe Bayaer *(Chairman of the Nomination Committee)*	1/1
Ms. Zhang Lin	1/1
Ms. Liu Talin	1/1

INTERNAL CONTROL

The Board has overall responsibility for the system of internal control of the Group and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interests of the Shareholders and the Group's assets.

The Board has conducted a review of the effectiveness of the internal control system of the Group for the Year. The senior management reviews and evaluates the internal control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's constitutional documents. Details of such rights to demand a poll and the poll procedures are included in all related circulars to the shareholders and are explained during the proceedings of meetings. There was not any significant change to the Company's constitutional documents during the Year.

Poll results will be posted on the websites of the Company and the Stock Exchange on the same day of the Shareholders' meeting.

The general meeting of the Company provides a forum for communication between the Shareholders and the Board.

Separate resolutions are proposed at Shareholders' meetings on each substantial issue, including election of individual directors.

The Company continues to enhance communication and relations with its investors. Enquires from investors are dealt within an informative and timely manner.

BOARD DIVERSITY POLICY

Pursuant to code provision A.5.6 of the Code, the Company has adopted a board diversity policy and the Nomination Committee is responsible for monitoring the achievement of the measurable objectives set out in the policy.

In designing the Board's composition, factors including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge will be taken into account by the Nomination Committee. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee shall develop measurable objectives for implementing this policy and make recommendations to the Board. The Nomination Committee shall also review the progress of achieving these objectives as may be adopted by the Board from time to time.

During the Year, the Company has achieved the following measurable objectives for the board diversity policy:

(a) To ensure the appropriate proportion of Board members shall be non-executive Directors or independent non-executive Directors. In particular, at least one-third of the number of members of the Board shall be independent non-executive Directors;

(b) To ensure at least one-third of the members of the Board members shall have attained bachelor's degree or above;

(c) To ensure at least two members of the Board shall have obtained accounting or other professional qualifications;

(d) To ensure at least two members of the Board shall have more than five years of experience in the industry he/she is specialized in; and

(e) To ensure at least two members of the Board shall have China-related work experience.

SHAREHOLDER'S RIGHTS

Procedure for the Shareholders to convene an extraordinary general meeting

Pursuant to Article 58 of the articles of association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquiries to be properly directed

The Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of Company in Hong Kong at Flat A, 11/F, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong by post for the attention of the Board.

Procedures and sufficient contact details for putting forward proposals at the Shareholders' meetings

The Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at the Shareholders' meeting. Proposal shall be sent to the Board by written requisition. Pursuant to the articles of association of the Company, the Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures as set out in paragraph headed "Procedure for the Shareholders to convene an extraordinary general meeting" above.

INVESTOR RELATIONS

The Company has established a number of channels for maintaining an on-going dialogue with the Shareholders as follows: (a) corporate communications such as announcements, annual reports, quarterly reports and circulars are published and available on the GEM website at www.hkgem.com and the Company's website at www.pizugroup.com; (b) corporate information is made available on the Company's website; (c) general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management, and the poll results of the general meetings are published on the websites of the Company and the GEM; and (d) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of the Shareholders' particulars and related matters.

The Company's memorandum of association and bye-laws are available on both the Company's website at www.pizugroup.com and the GEM website at www.hkgem.com. The Board is not aware of any significant changes in the Company's constitutional documents during the Year.

CONCLUSION

The Company believes that good corporate governance is significant in maintaining investor confidence and attracting investment. The management will devote considerate effort to strengthen and improve the standards of the corporate governance of the Group.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Ding Baoshan, aged 53, is an executive Director, chairman of the Board since 14 December 2012. He holds a Doctor of Philosophy in economics from China Social Science Institute. He is a senior economist and currently the chairman of the Board of Suzhou Zishi Biotechnology Co., Ltd. (蘇州紫石生物科技有限公司). Mr. Ding is an independent director of Shaixi Guoxin Energy Corporation Limited (山西省國新能源股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 600617). Mr. Ding is an independent director of Qinghai Huading Industrial Co., Ltd. (青海華鼎實業股份有限公司), a company listed on the Shanghai Stock Exchange. Mr. Ding is also an independent non-executive director of Best Pacific International Holdings Limited (Stock Code: 2111). From October 2000 to August 2007, Mr. Ding had been an executive director of Denway Motors Limited, a company listed on the Main Board of the Stock Exchange prior to its withdrawal of listing on the Stock Exchange in August 2010. During the period between July 2000 and October 2007, Mr. Ding also held a senior position in Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司) and several of its group companies.

Mr. Xiong Zeke (**熊澤科**), aged 41, is an executive Director and chief executive officer of the Company. He joined the Group in 14 December 2012 as the chief executive officer and an executive director. Mr. Xiong obtained a bachelor's degree in economics from International Economics of the Peking University in July 1996. From July 1996 to March 2005, Mr. Xiong worked in various departments of the Shenzhen branch of China Construction Bank. Subsequently, he became the deputy general manager of 北京盛世華軒投資有限公司 (Beijing Shengshi Huaxuan Investment Co., Ltd) (a company which was principally engaged in the business of mineral related investment management) ("Shengshi Huaxuan") from September 2008 to November 2012 during which he was responsible for investment, financing and merger and acquisition of Shengshi Huaxuan. Mr. Xiong is (i) an executive Director of the Company; (ii) an independent director of 華東醫藥股份有限公司 (Huadong Medicine Co., Ltd.), a company listed on the Shenzhen Stock Exchange, since August 2009; and was (iii) an independent director of 盛屯礦業集團股份有限公司 (Chengtun Mining Group Co. Ltd.) (formerly known as 廈門雄震礦業集團股份有限公司 (Xiamen Eagle Mining Group Co. Ltd.)), a company listed on the Shanghai Stock Exchange, from August 2008 to March 2011. He is also the sole director and sole shareholder of Fabulous Seeker Holdings Limited and a director of certain subsidiaries of the Group. The interest in the shares of the Company held by Fabulous Seeker Holdings Limited and a director of Shiny Ocean Holdings Limited is disclosed under the paragraph headed "Directors' report – Directors' and chief executive's interest and short positions in shares, underlying shares and debentures of the Company and its associated corporations" and "Directors' report – Substantial shareholders and persons with discloseable interest and short position in shares under SFO" in this annual report.

Ms. Qin Chunhong (**秦春紅**), aged 43, is an executive Director, compliance officer of the Company appointed pursuant to Rule 5.19 of the GEM Listing Rules, a member of Remuneration Committee and a director of certain subsidiaries of the Group. She joined the Group in 14 December 2012 as an executive director. Ms. Qin obtained a bachelor's degree in economics from Henan Institute of Finance and Economics in June 2003. In July 2009, she obtained a master's degree in business administration from the School of Business Administration in Peking University. She has been a member of the China Certified Tax Agents Association since September 2009 and a member of the Chinese Institute of Certified Public Accountants since December 2009. Ms. Qin was the chief financial officer of 內蒙古雙利資源(集團)有限責任公司 (Inner Mongolia Shuangli Resources Group Co., Limited) from 2006 to 2009 and the chief financial officer of Western Mining Group (Hong Kong) Company Limited from 2005 to 2006. Since March 2010, Ms. Qin has been the chief financial officer of Shengshi Huaxuan.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Liu Fali (劉發利), aged 40, is an executive Director of the Company with effect from 20 October 2015 and a director of certain subsidiaries of the Group. He graduated from 內蒙古糧食學校 (Inner Mongolia Foodstuff School). Mr. Liu has more than 17 years of experience in the civil explosives industry. From October 1997 to March 2000, he worked in 內蒙古東升廟化工廠 (Inner Mongolia Dong Sheng Miao Chemical Factory) (the predecessor of Dongyitai Chemical (as defined below) which was principally engaged in the manufacturing and sale of civil explosives). From March 2000 to April 2006, he was the manager of sales and procurement department of 東升廟伊泰化工有限責任公司 (Dong Sheng Miao Yitai Chemical Co., Ltd.) ("**Dongyitai Chemical**") in which he was responsible for the sales of civil explosives and procurement for production of civil explosives. From April 2006 to January 2008, he was promoted as the general manager of Dongyitai Chemical. Since January 2008, he worked in 內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited) ("**Shengan Chemical (Inner Mongolia)**") in which he was responsible for management, business operation and safety operation. Mr. Liu was the assistant general manager and office supervisor of Shengshi Huaxuan from February 2012 to July 2013.

Mr. Liu Fali is the cousin of Mr. Ma Qiang, a non-executive Director of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Ma Qiang (馬强), aged 48, was appointed as an non-executive Director of the Company with effect from 2 July 2013. Mr. Ma graduated from Inner Mongolia Radio and Television University in July 1989 with a speciality in education. Mr. Ma was the chairman of the board of directors of Dongyitai Chemical from August 1993 to February 2006 and Shengshi Huaxuan from April 2008 to May 2013. He is a director and sole shareholder of Shiny Ocean, whose interest in the shares of the Company is disclosed under the paragraph headed "Directors' report – Directors' and chief executive's interest and short positions in shares, underlying shares and debentures of the Company and its associated corporations" and "Directors' report – Substantial shareholders and persons with discloseable interest and short position in shares under SFO" in this annual report.

Mr. Ma Qiang is the cousin of Mr. Liu Fali, an executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Ms. ZHANG Lin (張琳), aged 43, was appointed as an independent non-executive Director with effect from 14 December 2012. She is the chairperson of Audit Committee and Remuneration Committee of the Company and a member of Nomination Committee of the Company. She was licensed as a certified public accountant in the the state of California, the United States from June 2002 and the state of Georgia, the United States from October 2006.

Ms. LIU Talin (劉塔林), aged 48, was appointed as an independent non-executive Director with effect from 14 December 2012. She is a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company. She obtained a bachelor's degree from the Department of Chemistry of 內蒙古大學 (Inner Mongolia University) in July 1991. She worked in 內蒙古物資集團有限責任公司 (Inner Mongolia Resources Group Co., Ltd.*) from 1994 to 2003.

Mr. ENHE Bayaer (恩和巴雅爾), aged 63, was appointed as an independent non-executive Director with effect from 14 December 2012. He is a member of Audit Committee and the chairman of Nomination Committee. He obtained a bachelor's degree from the Department of Chinese of 內蒙古大學 (Inner Mongolia University) majoring in Mongolian translation in August 1976.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. Ma Gangling（馬綱領）, aged 52, has been the chairman of Shengan Chemical (Inner Mongolia) from June 2013 up to now. Mr. Ma obtained a college degree in inorganic chemical engineering from 內蒙古廣播電視大學 (Inner Mongolia Radio & TV University). From January 2011 to June 2013, he held the position of general manager of Shengan Chemical (Inner Mongolia). Mr. Ma Gangling's interest in the shares of the Company is disclosed under the paragraph headed "Directors' report – Substantial shareholders and persons with discloseable interest and short position in shares under SFO" in this annual report.

Mr. Yan Zhihe (閆志賀), aged 49, is the chief engineer of Shengan Chemical (Inner Mongolia) and is responsible for the overall quality control, safety and technical support of Shengan Chemical (Inner Mongolia). Mr. Yan obtained a bachelor's degree majoring in explosives and related technology in 淮南礦業學院 (Huainan Mining Institute) (currently known as 安徽理工大學 (Anhui University of Science & Technology)) in July 1990. He was qualified as a 國家質量工程師 (national quality engineer*) and 國家註冊安全工程師 (national safety engineer*) in December 2002 and January 2006 respectively. From July 1990 and February 2005, he held various positions such as engineer, senior engineer, technical supervisor and quality control supervisor in 開灤礦務局 (Kailung Coal Mining Bureau), a production base of cleaned coal in the PRC. From February 2005 to April 2007, he worked as an assistant general manager in 承德興湘化工有限公司(Chengde Xing Xiang Chemical Co., Limited) (currently known as 河北興安民爆有限公司 (Hebei Xingan Civil Explosives Co., Limited), which was then principally engaged in the production of civil explosives. Before he joined the Group in August 2009, he was an assistant general manager of 內蒙古日盛民爆集團有限公司 (Inner Mongolia Ri Sheng Civil Explosives Co., Limited) (which was principally engaged in the production of civil explosives) from April 2007 to July 2009 during which he was responsible for technical support and safety management.

Mr. Lv Wenhua (呂聞華), aged 43, is a director, vice chairman of the board of directors and chief financial officer of Shengan Chemical (Inner Mongolia). Mr. Lv graduated from 內蒙古巴盟財貿職工（幹部）中等專業學校 (Inner Mongolia Bayannur Finance and Commerce Staff and Workers (Cadre) Specialized Secondary School) with a speciality in business accounting. Mr. Lv was the chief financial officer of 內蒙古東升廟化工廠 (Inner Mongolia Dong Sheng Miao Chemical Factory) since 1998. Mr. LV Wenhua's interest in the shares of the Company is disclosed under the paragraph headed "Directors' report – Substantial shareholders and persons with discloseable interest and short position in shares under SFO" in this annual report.

COMPANY SECRETARY

Ms. Shen Tianwei (MAPAIS, HKICPA, CICPA) (沈天蔚), aged 43, is the Chief Financial Officer, Company Secretary and one of the authorized representative of the Group. Prior to joining the Group in August 2006, she has over 13 years of auditing, accounting and financial management experience in Big 4 and other sizable corporations. She has a Master degree in Professional accounting and information system from City University of Hong Kong and is an associate member of both the Hong Kong Institute of Certified Public Accountants and Chinese Institute of Certified Public Accountants.

DIRECTORS' REPORT

The directors present herewith their annual report and the audited consolidated financial statements of the Group for the Year.

BUSINESS REVIEW

Please refer to the section headed "Management Discussion and Analysis" of this annual report for a business review of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company continued to be investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 46 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year except the common control combination set out in note 2 to the consolidated financial statements.

An analysis of the Group's revenue contributed by its principal activities for the Year are set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The financial performance of the Group for the Year are set out in the consolidated statement of comprehensive income on pages 36 to 37.

The financial position of the Group as at 31 March 2016 are set out in the consolidated statement of financial position on pages 38 to 39.

The Board does not recommend the payment of any final dividend in respect of the Year (2015: nil).

FINANCIAL SUMMARY

A summary of the financial performance and the assets and liabilities of the Group for the last five financial years is set out on page 138 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group for the Year.

RESERVES

Movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on pages 42 to 43.

DISTRIBUTABLE RESERVES

As at 31 March 2016 and 2015, the Company has no reserve available for distribution to the Shareholders.

DIRECTORS' REPORT

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in share capital and the Convertible Bonds of the Company during the Year are set out in notes 33 and 32 to the consolidated financial statements, respectively.

CHARITABLE DONATIONS

During the Year, the Group made charitable contributions totalling RMB0.72 million (2015 (restated): RMB0.15 million).

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

MATERIAL EVENTS AFTER THE YEAR ENDED 31 MARCH 2016

On 11 May 2016, 內蒙聚力工程爆破有限公司西藏分公司 (Inner Mongolia Juli Engineering Blasting Tibet Branch Co., Ltd) ("Juli Engineering Tibet"), an indirect non-wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with 中十冶（北京）國際礦業有限公司(China Tenth Metallurgy (Beijing) International Mining Co., Ltd.) as the seller (the "Seller") pursuant to which Juli Engineering Tibet has conditionally agreed to acquire and, Seller has conditionally agreed to sell the fixed assets including but not limited to mining equipment and machinery, vehicles, buildings, mining facilities, inventories and accessories (including their respective books and records, trading records and other relevant records) used and to be used in the copper strip mining projects at the mines located at Jiama, Maizhokungga County, Lhasa City, Tibet Autonomous Region, the PRC at a cash consideration of RMB175 million (the "Acquisition"). For further details of the Acquisition, please refer to the announcement of the Company dated 11 May 2016 and the circular of the Company dated 20 June 2016.

DIRECTORS

The Directors who held office during the Year and up to the date of this report were:

Executive directors

Mr. Ding Baoshan *(Chairman)*
Mr. Xiong Zeke *(Chief Executive Officer)*
Ms. Qin Chunhong
Mr. Liu Fali (appointed with effect from 20 October 2015)

Non-executive director

Mr. Ma Qiang

Independent non-executive directors

Ms. Zhang Lin
Ms. Liu Talin
Mr. Enhe Bayaer

In accordance with articles 86(3) and 87(1) of the Company's Articles of Association, Mr. Xiong Zeke, Ms. Qin Chunhong and Mr. Liu Fali will retire as Directors by rotation at the forthcoming annual general meeting, and being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

The Company has received from each of the independent non-executive Directors an annual confirmation of their respective independence pursuant to Rule 5.09 of the GEM Listing Rules. As at the date of this report, the Company considers that all of the independent non-executive Directors remain independent.

DIRECTORS' AND SENIOR MANAGEMENTS' REMUNERATION

The remuneration of the senior management (excluding the Directors) of the Group by band for the Year is set out below:

Remuneration band	Number of senior management
Nil to HK$1,000,000	3

Further details of the Directors' remuneration and the five highest paid individuals for the Year are set out in notes 10 and 11 to the consolidated financial statements respectively.

No emoluments have been paid to any of the Directors or any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the current and prior years.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the Year.

No contract of significance had been entered into between the Company, or any of its subsidiaries and the controlling shareholder (as defined in the GEM Listing Rules) of the Company, or any of its subsidiaries.

No contract of significance for the provision of services to the Group by any of the controlling shareholder of the Company or any of its subsidiaries was entered into.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Group within one year without payment of a compensation, other than the statutory compensation.

The appointment of each of the independent non-executive Directors commenced from 14 December 2012 for a continuous term unless terminated by either party serving not less than 2 month's written notice to the other.

Based on the appointment letter entered into between the Company and Mr. Ma Qiang, a non-executive Director, the appointment of Mr. Ma as a non-executive Director of the Company commenced from 2 July 2013 for a continuous term unless terminated by either party serving not less than 2 month's written notice to the other. His appointment is subject to the rotational retirement and re-election requirements at the annual general meetings of the Company pursuant to the articles of association of the Company.

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Year, except as disclosed in the section headed "Connected Transactions" in the directors' report and note 39 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company's holding company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

DIRECTORS' INTERESTS IN CONTRACTS

During the Year, except as disclosed in the section headed "Connected Transactions" in the directors' report and note 39 to the consolidated financial statements, none of the Directors is or was materially interested, directly or indirectly, in any contract or arrangement subsisting during the year or as at 31 March 2016 which was significant in relation to the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2016, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which is taken or deemed to have under such provisions of the SFO), or which were required, to be entered in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

The Company – interests in Shares and underlying Shares

Name of Director	Capacity/nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Ma Qiang	Interest of a controlled corporation (Note 3)	1,209,329,665 ordinary shares (L)	38.32%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	888,053,557 ordinary shares (L) (Note 4)	28.14%

Name of Director	Capacity/nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Xiong Zeke	Interest of a controlled corporation (Note 5)	80,811,927 ordinary shares (L)	2.56%
	Beneficial owner	8,333,333 ordinary shares (L)	0.26%
Ms. Qin Chunhong	Beneficial owner	34,024,908 ordinary shares (L)	1.08%
Mr. Liu Fali	Beneficial owner	240,215,854 ordinary shares (L)	7.61%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,857,167,368 ordinary shares (L) (Note 4)	58.84%

Notes:

1. The letter "L" denotes a long position in the shares or underlying shares of the Company or any of its associated corporations.

2. The approximate percentage of shareholding is calculated based on the number of issued shares of the Company as at 31 March 2016, taking no accounts of any shares to be issued upon the exercise in full of the conversion rights (the "Conversion Shares") attached to the Convertible Bonds due on 28 July 2018.

3. These shares were held by Shiny Ocean, the entire issued share capital of which was owned by Mr. Ma Qiang. Accordingly, Mr. Ma Qiang was deemed to be interested in all the shares in which Shiny Ocean was interested by virtue of the SFO.

4. These shares represented the interest of Ms. Ma Ye in 324,005,000 Conversion Shares to be issued by the Company upon her exercise in full of the conversion rights attached to the Convertible Bonds held by her at the initial conversion price of HK$0.36 (subject to adjustment) per Conversion Share and the interests of Ms. Ma Xia, Mr. Liu Fali and Mr. Ma Suocheng in 172,166,037, 240,215,854 and 151,666,666 shares of the Company respectively.

   Pursuant to an irrevocable undertaking (the "Irrevocable Undertaking") dated 22 June 2015 given by Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Liu Fali in favour of Mr. Ma Qiang. Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Liu Fali had undertaken, among others, (i) to exercise the conversion rights attached to the respective Convertible Bonds held by them in accordance with the direction of Mr. Ma Qiang; (ii) to exercise their voting rights as shareholders of the Conversion Shares (upon the exercise of the conversion rights attached to the respective Convertible Bonds held by them) in the shareholders' meeting of the Company in accordance with the direction of Mr. Ma Qiang; and (iii) not to transfer the conversion rights nor Conversion Shares they obtained upon the exercise of the conversion rights to any third party without prior written consent from Mr. Ma Qiang.

   Accordingly, Mr. Ma Qiang was deemed to be interested in all the shares in which Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Liu Fali were interested by virtue of the SFO and Mr. Liu Fali was deemed to be interested in all the Shares in which Ms. Ma Xia, Ms. Ma Ye, Mr. Ma Suocheng and Mr. Ma Qiang were interested by virtue of the SFO.

5. These shares represented the interests of Fabulous Seeker Holdings Limited in 78,552,222 Conversion Shares to be issued by the Company upon the exercise in full of the conversion rights attached to the Convertible Bonds held by Fabulous Seeker Holdings Limited at the initial conversion price of HK$0.36 (subject to adjustment) per Conversion Share and interest in 2,259,705 shares of the Company respectively. As the entire issued share capital of Fabulous Seeker Holdings Limited was owned by Mr. Xiong Zeke, he was deemed to be interested in all the shares in which Fabulous Seeker Holdings Limited was interested by virtue of the SFO.

Save as disclosed above, as at 31 March 2016, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES UNDER SFO

So far as is known to any Director or chief executive of the Company, as at 31 March 2016, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares

Name of shareholder	Capacity/nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding (Note 2)
Shiny Ocean	Beneficial owner	1,209,329,665 ordinary shares (L)	38.32%
Mr. Ma Suocheng	Beneficial owner	151,666,666 ordinary shares (L) (Note 3)	4.81%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,945,716,556 ordinary shares (L) (Note 4)	61.65%
Ms. Ma Xia	Beneficial owner	172,166,037 ordinary shares (L) (Note 3)	5.45%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,925,217,185 ordinary shares (L) (Note 4)	61.00%

Name of shareholder	Capacity/nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding (Note 2)
Ms. Ma Ye	Beneficial owner	324,005,000 ordinary shares (L) (Note 3)	10.27%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,773,378,222 ordinary shares (L) (Note 4)	56.19%
Mr. Yang Tao	Beneficial owner	272,199,268 ordinary shares (L)	8.62%
Mr. Li Man	Beneficial owner	272,199,268 ordinary shares (L)	8.62%
Mr. Lv Wenhua	Beneficial owner	240,215,854 ordinary shares (L)	7.61%
Mr. Ma Gangling (Note 5)	Beneficial owner	34,024,909 ordinary shares (L)	7.61%
Mr. Lv Wenhua (Note 6)	Beneficial owner	240,215,854 ordinary shares (L)	1.08%

Notes:

1. The letter "L" denotes a long position in the shares or underlying shares of the Company or any of its associated corporations.

2. The approximate percentage of shareholding is calculated based on the number of issued shares of the Company as at 31 March 2016, taking no accounts of any Conversion Shares to be issued upon the exercise in full of the conversion rights attached to the Convertible Bonds due on 28 July 2018.

3. These shares represented the interest of Ms. Ma Ye in 324,005,000 Conversion Shares to be issued by the Company upon her exercise in full of the conversion rights attached to the Convertible Bonds held by her at the initial conversion price of HK$0.36 (subject to adjustment) per Conversion Share and the interests of Ms. Ma Xia, Mr. Liu Fali and Mr. Ma Suocheng in 172,166,037, 240,215,854 and 151,666,666 shares of the Company.

4. By virtue of the SFO and the Irrevocable Undertaking given by Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Liu Fali in favour of Mr. Ma Qiang, (1) Mr. Ma Suocheng was deemed to be interested in all the Shares in which Ms. Ma Xia, Ms. Ma Ye, Mr. Liu Fali and Mr. Ma Qiang were interested; (2) Ms. Ma Xia was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Ye, Mr. Liu Fali and Mr. Ma Qiang were interested; and (3) Ms. Ma Ye was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Mr. Liu Fali and Mr. Ma Qiang were interested.

5. Mr. Ma Gangling is a senior management of the Group.

6. Mr. Lv Wenhua is a senior management of the Group.

Save as disclosed herein, as at 31 March 2016, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares for the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Save as disclosed herein, as at 31 March 2016, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had a discloseable interest or short position in the Shares as recorded in the register which was required to be kept under section 336 of the SFO concerning persons carrying rights to vote in all circumstances at general meetings of any other members of the Group.

ISSUE OF SECURITIES

The Company has issued the following convertible securities during the Year and the same were subsisted during the Year:

The Convertible Bonds were issued at an aggregate principal amount of HK$837 million, with an initial conversion price of HK$0.36 per Share, which is subject to adjustment, on 28 July 2015 as the consideration for the Company's acquisition of the entire issued share capital in, and all the debts and liabilities owed by, Ample Ocean to Shiny Ocean, a substantial shareholder of the Company (the "Sale Loan") at the respective considerations of HK$774 million and HK$63 million, respectively, pursuant to the Ample Ocean SP Agreement.

As at 31 March 2016, the total outstanding principal amount under the Convertible Bonds amounted to HK$144,920,600. Accordingly, as at 31 March 2016, 402,557,222 Shares may be issued upon exercise of conversion rights attached to the Convertible Bonds based on the conversion price of HK$0.36 per Share.

In addition to the above, during the Year, the Company had issued certain Shares pursuant to the exercise of the conversion rights attached to the Convertible Bonds with details as follows:

Date of issue	Number of ordinary Shares issued	Reason for the issue	Issue price per Share
24 September 2015	91,667,218	The Shares were issued and allotted upon exercise of conversion rights attached to the Convertible Bonds in the principal amount of HK$837 million by 12 public shareholders of the Company (details of which were disclosed in the Company's announcements dated 11 May 2015 and 28 July 2015 and the circular of the Company dated 28 June 2015)	HK$0.36
30 September 2015	19,444,444	The Shares were issued and allotted upon exercise of conversion rights attached to the Convertible Bonds in the principal amount of HK$837 million by Shiny Ocean (details of which were disclosed in the Company's announcements dated 11 May 2015 and 28 July 2015 and the circular of the Company dated 28 June 2015)	HK$0.36
19 November 2015	471,691,110	The Shares were issued and allotted upon exercise of conversion rights attached to the Convertible Bonds in the principal amount of HK$837 million by each of Shiny Ocean, Ma Xia, the sister of Ma Qiang, the non-executive Director and Liu Fali, the executive Director (details of which were disclosed in the Company's announcements dated 11 May 2015 and 28 July 2015 and the circular of the Company dated 28 June 2015)	HK$0.36
4 December 2015	690,662,222	The Shares were issued and allotted upon exercise of conversion rights attached to the Convertible Bonds in the principal amount of HK$837 million by each of Shiny Ocean, Xiong Zeke (executive Director), Qin Chunhong (executive Director), Lv Wenhua (senior management), Ma Gangling (senior management), Zhang Yong (the legal representative of a subsidiary of the Company) and Sun Qiaolian (the legal representative of a subsidiary of the Company) respectively (details of which were disclosed in the Company's announcements dated 11 May 2015 and 28 July 2015 and the circular of the Company dated 28 June 2015)	HK$0.36
18 December 2015	463,444,444	The Shares were issued and allotted upon exercise of conversion rights attached to the Convertible Bonds in the principal amount of HK$837 million by each of Yang Tao and Li Man, the public shareholders of the Company (details of which were disclosed in the Company's announcements dated 11 May 2015 and 28 July 2015 and the circular of the Company dated 28 June 2015)	HK$0.36

Date of issue	Number of ordinary Shares issued	Reason for the issue	Issue price per Share
24 December 2015	25,533,333	The Shares were issued and allotted upon exercise of conversion rights attached to the Convertible Bonds in the principal amount of HK$837 million by each of Xiong Zeke, (executive Director) Qin Chunhong (executive Director), Lv Wenhua (senior management), Ma Gangling (senior management), Zhang Yong (legal representative of a subsidiary of the Company,) Yang Tao, Li Man (public shareholder) and Yang Hongling (public shareholder) (details of which were disclosed in the Company's announcements dated 11 May 2015 and 28 July 2015 and the circular of the Company dated 28 June 2015)	HK$0.36
7 March 2016	151,666,666	The Shares were issued and allotted upon exercise of conversion rights attached to the Convertible Bonds in the principal amount of HK$837 million by Ma Suocheng, the father of Ma Qiang (details of which were disclosed in the Company's announcements dated 11 May 2015 and 28 July 2015 and the circular of the Company dated 28 June 2015)	HK$0.36
30 March 2016	8,333,333	The Shares were issued and allotted upon exercise of conversion rights attached to the Convertible Bonds in the principal amount of HK$837 million by Xiong Zeke, an executive Director (details of which were disclosed in the Company's announcements dated 11 May 2015 and 28 July 2015 and the circular of the Company dated 28 June 2015)	HK$0.36

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws in Cayman Islands.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or its subsidiaries during the Year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Details of the remuneration of the Directors and the five highest paid individuals in the Group are set out in notes 10 and 11 respectively to the consolidated financial statements.

RETIREMENT BENEFIT COST

Particulars of retirement benefit cost of the Group are set out in note 9 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

During the Year and up to the date of this report, there was or is permitted indemnity provision (within the meaning in Section 469 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in the articles of association of the Company being in force.

CHANGES IN DIRECTORS' INFORMATION

Changes in the Directors' information in respect of the period between the publication date of the 2015/2016 annual report and this report, which are required to be disclosed pursuant to the requirement of Rule 17.50A(1) of the GEM Listing Rules are set out below:

With effect from 20 October 2015, Mr. Liu Fali has been appointed as an executive Director of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Year, save as the Convertible Bonds issued to Shiny Ocean (a company wholly owned by Mr. Ma Qiang, a non-executive Director), Fabulous Seekers Holding Limited (a company wholly owned by Mr, Xiong Zeke, an executive Director), Ms. Qin Chunhong and Mr. Liu Fali, both being executive Directors, none of the Directors had rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor (natural or adopted), or if such rights exercised by them; none of the Company or any of the subsidiaries of the Company was a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS

The following sets out a summary of the connected transactions of the Company subject to the reporting requirements under Chapter 20 of the GEM Listing Rules for the Year:

(1) pursuant to a transportation services framework agreement dated 22 June 2015 ("Transportation Framework Agreement") and entered into between 巴彥淖爾盛安運輸有限責任公司 (Bayannur Shengan Transportation Limited) ("Shengan Transport") as services provider and 鄂托克旗盛安九二九化工有限責任公司 (Otog Banner Shengan 929 Chemical Limited) ("Shengan Chemical (Otog Banner)"), 巴彥淖爾盛安化工有限責任公司 (Bayannur Shengan Chemical Limited) ("Shengan Chemical (Bayannur)"), 巴彥淖爾盛安化工有限責任公司烏拉特中旗分公司 (Bayannur Shengan Chemical Limited Urad Middle Banner Branch) ("Shengan Chemical (Urad Middle Banner)"), all being subsidiaries of the Company, as customers, Shengan Transport agreed to provide transportation services to Shengan Chemical (Otog Banner), Shengan Chemical (Bayannur) and Shengan Chemical (Urad Middle Banner) in respect of the transportation of civil explosives, blasting equipment and/or other production materials for a term of three years commencing from 22 June 2015, subject to the terms and conditions of the Transportation Framework Agreement and on such other terms (such as the time of service, types and weight of the goods to be transported, and the service fees) to be further agreed by the parties by entering into separate service contracts from time to time, provided that the terms of such separate service contracts shall be on normal commercial terms or better, and shall not contravene the terms of and conditions of the Transportation Framework Agreement.

As the pricing of the transportation fee of civil explosives is not subject to any laws or government regulations in the PRC, and there are no published reference price by any authority in the PRC, pursuant to the Transportation Framework Agreement, the service fees for each service shall be from time to time agreed by the parties after arm's length negotiation and shall be determined with reference to the prevailing market price for comparable services, the types of goods to be transported, weight, transportation distance and time to be involved, fuel price and such other special circumstances, provided that the unit services fee per tonne and per kilometer offered to the Group shall not be less favourable than that offered by Shengan Transport to its independent third party customers for transportation of comparable products and distance.

As Shengan Transport was owned as to approximately 90.91% by Mr. Dong Haibin, who is the brother-in-law of Mr. Ma Qiang, being the Company's non-executive Director and controlling shareholder, Shengan Transport was a connected person of the Company and the transaction contemplated under the Transportation Framework Agreement constituted continuing connected transactions under the GEM Listing Rules for the Year.

The services fees payable by the Group to Shengan Transport for the provision of transportation services for the Year was approximately RMB13.17 million, which did not exceed the annual cap of RMB18.0 million for the Year.

Please refer to the circular of the Company dated 28 June 2015 for further details of the continuing connected transaction contemplated under the Transportation Framework Agreement.

As at the date of this report, as a result of the change in shareholding of Shengan Transport in April 2016, the shareholding percentage of Mr. Dong Haibin in Shengan Transport was reduced to 5%. As such, Shengan Transport is no longer a connected person of the Company as at the date of this report.

(2) pursuant to the framework agreement ("Ordos Beian Framework Agreement") dated 28 July 2015 entered into between Shengan Chemical (Otog Banner) as vendor and 鄂爾多斯市北安民爆器材有限責任公司鄂托克旗分公司 (Ordos City Beian Civil Explosive Products Limited Ordos Branch) ("Ordos Beian") as purchaser for the purchase of powder emulsion explosives and ANFO explosives for a term of three years commencing from the date thereof, subject to the terms and conditions of the Ordos Beian Framework Agreement and on such other terms (such as the category, volume, unit price of purchase, quality requirements, time and location of delivery of finished goods) to be further agreed by the parties by entering into separate purchase orders from time to time, provided that the terms of such purchase orders shall be on normal commercial terms or better, and shall not contravene the terms of and conditions of the Ordos Beian Framework Agreement.

As the pricing of sales of civil explosives is no longer subject to any laws or government regulations in the PRC, and there are no published reference price by any authority in the PRC, pursuant to the Ordos Beian Framework Agreement, the unit price for sale and purchase shall be from time to time agreed by the parties after arm's length negotiation and shall be determined with reference to the prevailing market price for comparable products, volume of purchase, transportation and delivery arrangement and such other special circumstances, provided that the unit price offered by the Group shall not be more favourable than that offered by the Group to its independent third party purchasers for purchase of comparable products and volume.

Ordos Beian was owned as to 55% by 內蒙古生力資源（集團）有限責任公司 (Inner Mongolia Shengli Resources Group Co., Limited), which was the holding company of 準格爾旗力達投資有限責任公司 (Jungar Banner Lida Investment Limited), which held 40% of equity interest in 內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited), an indirect non-wholly owned subsidiary of the Company and was therefore a connected person of the Company and the transaction contemplated under the Ordos Beian Framework Agreement constituted continuing connected transactions under the GEM Listing Rules for the Year.

The revenue from the sale of civil explosives by the Group to Ordos Beian for the Year was approximately RMB42.69 million, which did not exceed the annual cap of RMB104.77 million for the Year.

Please refer to the circular of the Company dated 28 June 2015 for further details of the continuing connected transaction contemplated under the Ordos Beian Framework Agreement.

Save as disclosed above, none of the related party transactions referred to in note 39 to the consolidated financial statements constituted a "connected transaction" or a "continuing connected transaction" subject to reporting requirements under Chapter 20 of the GEM Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the connected transactions or continuing connected transactions.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 20.54 of the GEM Listing Rules, the Board has engaged the auditor of the Company to perform certain agreed upon procedures in respect of the above continuing connected transactions. The auditor of the Company has confirmed that nothing has come to its attention that causes them to believe: (a) the continuing connected transactions have not been approved by the Company's Board of Directors; (b) the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group; (c) the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (d) the continuing connected transactions have exceeded their respective annual caps.

The independent non-executive Directors have, for the purpose of Rule 20.53 of the GEM Listing Rules, reviewed the above continuing connected transactions and the auditor's report on the continuing connected transactions. The independent non-executive Directors have confirmed that all of the above continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms, and (iii) in accordance with the agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

COMPETING INTERESTS

During the Year, none of the Directors or substantial shareholders or any of their respective associates (as defined in the GEM Listing Rules) had an interest in any business that compte or may compete with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and each of the Directors has confirmed that he/she has complied with the required standard of dealings and the Company's code of conduct regarding securities transactions by directors during the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this annual report.

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the Year is set out in note 16 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases during the Year attributable by the Group's five largest customers and suppliers are as follows:

Sales	**Percentage to total sales of the Group (%)**
– The largest customer of the Group	43%
– Five largest customers in aggregate	95%

Purchases	**Percentage to total purchases of the Group (%)**
– The largest supplier of the Group	72%
– Five largest suppliers in aggregate	96%

None of the Directors, their close associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the Group's five largest customers or suppliers noted above.

ENVIRONMENTAL PROTECTION

The Group has established an environmental management department and management system and has strictly complied with the relevant laws and regulations of environmental protection promulgated by the PRC government; "Environmental Impact Assessment" and "Designed, Constructed and Put into use or operation simultaneously" systems are stringently implemented during the course of project construction, reconstruction and extension, which are examined and accepted by environmental authority of the PRC. The Group exhausts no waste emissions, except for a very small amount of boiler waste emission which is supervised and approved within the standard set by the local governmental environmental protection supervision department.

DIRECTORS' REPORT

ENVIRONMENTAL MANAGEMENT

In order to reinforce environmental protection, the Group has established environmental protection management system and environmental emergency rescue plan. For example, the boiler with a very small amount of waste emission is equipped with desulphurization and dust removal installation with 95% of dust removal rate; wind-shield wall is built up surrounding the coal yard and the stoker laborer regularly splashes water to reduce dust. The available land within the manufacturing factory will be afforested.

ENERGY USE

The Group uses a large amount of ammonium nitrate as its major raw material, therefore staff are required to shake the packaging bag clean and use the raw material strictly in compliance with the technical formula. Municipal water and industrial water shall be used economically with the approved amount by Water Supplies Bureau. Industrial water shall be recycled and used in the greening of the Group after sedimentation.

EMPLOYEE TRAINING, PROMOTION AND WORKING HOURS

The Group has formulated a human resources management system. For example, the Group will hold occupational safety training for employees from time to time and safety publicity slogans are displayed in the factory in order to raise employees' safety awareness. New employees are also given safety orientation training in order to raise their safety awareness. Furthermore, the Group has maintained personal injury insurance and accident insurance for the staff. The Group regularly sends production frontline technical personnel and management level staff to other civil explosive enterprises for training, and delegate appropriate duties to staff to improve professional techniques in order to enhance their technical knowledge.

SOCIAL RESPONSIBILITY OF PRODUCTS AND COMMUNITY INVESTMENT

The products of the Group strictly comply with national standards in the PRC and operates in compliance with the relevant laws in the PRC and assumes certain philanthropic responsibilities. The Group regularly communicates with the local government of Tibet and devotes human resources in tree planting and greening, improving community sanitation and hardware facilities.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's business is mainly operated by its subsidiaries in the British Virgin Islands, Hong Kong and the PRC and the Company is incorporated in the Cayman Islands and is a listed company on the GEM of the Stock Exchange. Therefore, the Group should comply with relevant laws and regulations of Cayman Islands, British Virgin Islands, PRC and Hong Kong. The Group will seek for professional legal opinions from its external legal advisors when necessary to ensure that the Group's transactions and business are in conformity with all applicable laws and regulations.

AUDITOR

There had been no change in the auditor of the Company, BDO Limited during the preceding three financial years.

The consolidated financial statements for the Year was audited by BDO Limited who will retire as the Company's auditor at the end of the forthcoming annual general meeting of the Company and being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ding Baoshan
Chairman

China, 24 June 2016

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To the shareholders of Pizu Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Pizu Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 36 to 137, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

BDO Limited
香港立信德豪會計師事務所有限公司

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lee Ming Wai
Practising Certificate Number P05682

Hong Kong, 24 June 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Continuing operations			
Revenue	6	**5,158,972**	1,539,224
Cost of goods sold and services provided		**(4,985,525)**	(1,326,480)
Gross profit		**173,447**	212,744
Other income	7	**1,196**	613
Share of (losses)/profits of associates		**(241)**	291
Selling and distribution expenses		**(20,948)**	(22,049)
Administrative and other operating expenses		**(60,969)**	(49,549)
Other gains/(losses)			
Change in fair value of derivative financial instruments		**410**	(3,550)
Gain on disposal of subsidiaries	40	**14**	7,658
Profit from operations	8	**92,909**	146,158
Finance costs	12	**(32,766)**	(2,301)
Profit before income tax		**60,143**	143,857
Income tax expense	13	**(17,864)**	(21,800)
Profit for the year from continuing operations		**42,279**	122,057
Discontinued operation			
Profit for the year from discontinued operation	14	**–**	2,931
Profit for the year		**42,279**	124,988
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from			
– translation to presentation currency		**(8,277)**	87
– reclassification relating to disposal of subsidiaries		**3**	(4,004)
Other comprehensive income for the year		**(8,274)**	(3,917)
Total comprehensive income for the year		**34,005**	121,071
(Loss)/Profit attributable to:			
Owners of the Company		**(6,171)**	28,645
Non-controlling interests		**48,450**	96,343
		42,279	124,988

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Total comprehensive income attributable to:			
Owners of the Company		**(14,445)**	24,728
Non-controlling interests		**48,450**	96,343
		34,005	121,071
		RMB	RMB (Restated)
Basic and diluted (loss)/earnings per share	15		
– From continuing and discontinued operations		**(0.003)**	0.023
– From continuing operations		**(0.003)**	0.021
– From discontinued operation		**–**	0.002

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)	2014 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	17	**96,424**	83,297	81,703
Prepaid lease payments for land	18	**6,076**	6,279	6,509
Prepayment for purchase of property, plant and equipment	24	**44,432**	10,983	2,350
Intangible assets	19	**183**	213	245
Interests in associates	21	**3,527**	3,768	3,477
		150,642	104,540	94,284
Current assets				
Inventories	22	**8,823**	14,468	12,983
Trade and bills receivables	23	**78,546**	124,523	211,154
Other receivables, prepayments and deposits	24	**8,223**	8,971	31,723
Prepaid lease payments for land	18	**203**	203	203
Amounts due from associates	21(c)	**388**	2,499	2,817
Amounts due from related companies	25	**432**	1,728	10,600
Amounts due from shareholders	25	**324**	348	3,355
Derivative financial assets		**–**	–	2,168
Other financial assets	27	**–**	1,780	–
Cash and cash equivalents	28	**38,226**	55,130	43,081
		135,165	209,650	318,084
Current liabilities				
Trade payables	29	**27,084**	52,900	61,966
Other payables and accruals	30	**14,522**	16,580	37,935
Borrowings		**–**	–	84,322
Dividend payable	41(a)	**14,150**	53,650	94,355
Amount due to an associate	21(c)	**–**	1,785	–
Amount due to a director	25	**1,726**	73	–
Amounts due to related companies	25	**4,998**	–	2,950
Consideration payable for restructuring	41(b)	**–**	–	53,500
Income tax payable		**2,979**	9,275	8,708
Derivative financial liabilities	26	**–**	2,519	2,016
		65,459	136,782	345,752
Net current assets/(liabilities)		**69,706**	72,868	(27,668)
Total assets less current liabilities		**220,348**	177,408	66,616
Non-current liabilities				
Amount due to a shareholder	31	**–**	51,308	–
Convertible bonds – liability component	32	**78,859**	–	–
		78,859	51,308	–
Net assets		**141,489**	126,100	66,616

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Notes	**2016** **RMB'000**	2015 RMB'000 (Restated)	2014 RMB'000 (Restated)
Capital and reserves				
Share capital	33	**36,757**	21,186	21,186
Reserves	35	**13,125**	(3,363)	(10,679)
		49,882	17,823	10,507
Non-controlling interests	36	**91,607**	108,277	56,109
Total equity		**141,489**	126,100	66,616

On behalf of the Board

Ding Baoshan	**Xiong Zeke**
Director	*Director*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	2016 RMB'000	2015 RMB'000 (Restated)
Cash flows from operating activities		
Profit before income tax		
Continuing operations	**60,143**	143,857
Discontinued operation	**–**	2,931
	60,143	146,788
Adjustments for:		
Amortisation of intangible assets	**30**	32
Amortisation of prepaid lease payments for land	**203**	230
Bad debts written off	**–**	109
Depreciation for property, plant and equipment	**12,217**	12,836
Change in fair value of derivative financial instruments	**(410)**	3,550
Finance costs	**32,766**	2,374
Gain on disposal of subsidiaries	**(14)**	(11,015)
Loss on disposal of property, plant and equipment	**416**	57
Interest income	**(207)**	(276)
Gain on disposal of other financial assets	**(40)**	(13)
Reversal of impairment for trade receivables	**–**	(56)
Share of losses/(profits) of associates	**241**	(291)
Net exchange differences	**(782)**	86
Operating profit before working capital changes	**104,563**	154,411
Decrease/(Increase) in inventories	**5,645**	(1,488)
Decrease in trade and bills receivables	**45,977**	85,588
Decrease in other receivables, prepayments and deposits	**748**	21,007
Change in derivative financial instruments	**(2,109)**	(879)
Decrease in trade payables	**(25,816)**	(8,212)
Decrease in other payables and accruals	**(2,058)**	(12,788)
Net change in amounts due from/to associates	**326**	2,103
Cash generated from operations	**127,276**	239,742
Income tax paid	**(24,160)**	(20,885)
Net cash generated from operating activities	**103,116**	218,857

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	2016 RMB'000	2015 RMB'000 (Restated)
Cash flows from investing activities		
Interest received	**207**	276
Net proceeds from disposal of subsidiaries (note 40)	**–**	453
Proceeds from disposal of property, plant and equipment	**516**	1,844
Purchase of property, plant and equipment	**(59,724)**	(25,504)
Payment for acquisition of other financial assets	**–**	(1,767)
Proceeds from disposal of other financial assets	**1,820**	–
Decrease in amounts due from related companies	**1,296**	8,534
Net cash used in investing activities	**(55,885)**	(16,164)
Cash flows from financing activities		
Repayment of bank loan	**–**	(83,916)
Insertion of a new intermediate holding company	**–**	284
Consideration paid for restructuring (notes 41(b) and 41(c))	**–**	(103,371)
Dividend paid (note 41(a))	**(39,500)**	(40,705)
Dividend paid to non-controlling interest of a subsidiary	**(31,192)**	(12,000)
Increase in amount due to a director	**1,653**	73
Decrease in amounts due from shareholders	**24**	3,007
Increase in amounts due to related companies	**4,998**	48,358
Interest paid for bank borrowings	**–**	(2,374)
Net cash used in financing activities	**(64,017)**	(190,644)
Net (decrease)/increase in cash and cash equivalents	**(16,786)**	12,049
Cash and cash equivalents at beginning of the year	**55,130**	43,081
Effect of exchange rate changes on cash and cash equivalents	**(118)**	–
Cash and cash equivalents at end of the year	**38,226**	55,130

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Equity attributable to owners of the Company												
	Share capital RMB'000	Share premium* RMB'000	Capital distributable reserve* RMB'000	Contributed surplus* RMB'000	Restructuring reserve* RMB'000	Merger reserve* RMB'000	Convertible bonds – equity reserve* RMB'000	Foreign currency translation reserve* RMB'000	Statutory and other reserves* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 April 2014 (restated) (note 2)	21,186	72,452	25,141	933	27,730	3,500	–	(13,486)	19,053	(146,002)	10,507	56,109	66,616
Profit for the year	–	–	–	–	–	–	–	–	–	28,645	28,645	96,343	124,988
Other comprehensive income:													
Exchange differences arising from													
– translation to presentation currency	–	–	–	–	–	–	–	87	–	–	87	–	87
– reclassification relating to disposal of subsidiaries (note 40)	–	–	–	–	–	–	–	(4,004)	–	–	(4,004)	–	(4,004)
Total comprehensive income for the year	–	–	–	–	–	–	–	(3,917)	–	28,645	24,728	96,343	121,071
Transactions with owners:													
Insertion of a new intermediate holding company (notes 35(d)(ii) & (e))	–	–	–	–	–	306	–	2	–	(24)	284	–	284
Reduction in capital upon restructuring (notes 35(d)(ii) & (e))	–	–	–	–	10,000	(10,000)	–	–	–	–	–	–	–
Distribution in substance to shareholders (note 35(d)(ii))	–	–	–	–	–	–	–	–	–	(49,871)	(49,871)	–	(49,871)
Dividend declared to non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(12,000)	(12,000)
Recognition of non-controlling interests of Ample Ocean from Mr. Ma's perspective before completion of the Acquisition (note 2(iv))	–	–	–	–	(6,500)	6,301	–	(58)	–	32,432	32,175	(32,175)	–
	–	–	–	–	3,500	(3,393)	–	(56)	–	(17,463)	(17,412)	(44,175)	(61,587)
Transfer to statutory and other reserves	–	–	–	–	–	–	–	–	224	(224)	–	–	–
Transfer upon disposal of a subsidiary	–	–	–	–	–	–	–	–	(1,135)	1,135	–	–	–
At 31 March 2015 (restated) (note 2)	21,186	72,452	25,141	933	31,230	107	–	(17,459)	18,142	(133,909)	17,823	108,277	126,100

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Equity attributable to owners of the Company												
	Share capital	Share premium*	Capital distributable reserve*	Contributed surplus*	Restructuring reserve*	Merger reserve*	Convertible bonds – equity reserve*	Foreign currency translation reserve*	Statutory and other reserves*	Accumulated losses*	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2015 (restated) (note 2)	21,186	72,452	25,141	933	31,230	107	–	(17,459)	18,142	(133,909)	17,823	108,277	126,100
Profit for the year	–	–	–	–	–	–	–	–	–	(6,171)	(6,171)	48,450	42,279
Other comprehensive income:													
Exchange differences arising from													
– translation to presentation currency	–	–	–	–	–	–	–	(8,277)	–	–	(8,277)	–	(8,277)
– reclassification relating to disposal of subsidiaries (note 40)	–	–	–	–	–	–	–	3	–	–	3	–	3
Total comprehensive income for the year	–	–	–	–	–	–	–	(8,274)	–	(6,171)	(14,445)	48,450	34,005
Transactions with owners:													
Dividend declared to non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(31,192)	(31,192)
Issue of convertible bonds for common control combination (notes 32 and 35(e))	–	–	–	–	–	(613,910)	280,915	–	–	–	(332,995)	–	(332,995)
Issue of shares upon conversion of convertible bonds (notes 32 and 33)	15,571	562,277	–	–	–	–	(232,277)	–	–	–	345,571	–	345,571
	15,571	562,277	–	–	–	(613,910)	48,638	–	–	–	12,576	(31,192)	(18,616)
De-recognition of non-controlling interests of Ample Ocean previously recognised from Mr. Ma's perspective upon completion of the Acquisition (note 2(iv))	–	–	–	–	57,997	199	–	58	17,918	(42,244)	33,928	(33,928)	–
Transfer to statutory and other reserves	–	–	–	–	–	–	–	–	1,952	(1,952)	–	–	–
At 31 March 2016	36,757	634,729	25,141	933	89,227	(613,604)	48,638	(25,675)	38,012	(184,276)	49,882	91,607	141,489

* The total of these equity accounts as at reporting date represents "reserves" in the consolidated statement of financial position.

1. CORPORATE INFORMATION

Pizu Group Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman, KY1-1110, the Cayman Islands. The address of its principal place of business is Flat A, 11/F., Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 August 2004.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in bulk mineral trade, manufacturing and sale of explosives and provision of blasting operations and related services.

The directors consider its ultimate parent to be Shiny Ocean Holdings Limited ("Shiny Ocean"), a company incorporated in the British Virgin Islands ("BVI").

The consolidated financial statements for the year ended 31 March 2016 were approved for issue by the board of directors on 24 June 2016.

2. COMMON CONTROL COMBINATION DURING THE YEAR

On 28 July 2015, the Company announced that the purchase of (i) the entire issued share capital of Ample Ocean Holdings Limited ("Ample Ocean") (the "Sale Shares"); and (ii) the amount equals to 100% of face value of all debts and liabilities owing by Ample Ocean to Shiny Ocean arising from a loan agreement dated 23 July 2014 and a loan purchase agreement dated 28 September 2014 (the "Sale Loan") at the aggregate nominal consideration of HK$837 million (the "Acquisition") was completed on 28 July 2015. The Acquisition was satisfied by the issuance of convertible bonds by the Company in the aggregate principal amount of HK$837 million. Ample Ocean and its subsidiaries (the "Ample Ocean Group") are principally engaged in manufacturing and sales of explosives and provision of blasting operations and related services. Further details about the Acquisition were disclosed in the circular of the Company dated 28 June 2015. The above mentioned sales and purchase agreement and the loan agreements are collectively referred to as "the Acquisition Agreements" thereafter.

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

As at the date of Acquisition, Ample Ocean had the following subsidiaries:

Name of subsidiary of Ample Ocean	Place of incorporation/ establishment	Principal activities
Ample Ocean Group Limited ("Ample Ocean HK")	Hong Kong	Investment holding
青海福德圓工貿有限公司 (Qianghai Fudeyuan Trading Limited) ("Qianghai Fudeyuan") (note)	The People's Republic of China ("PRC")	Investment holding
內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited) ("Shengan Chemical (Inner Mongolia)") (note)	PRC	Investment holding and sourcing of production materials for group companies
巴彥淖爾盛安化工有限責任公司 (Bayannur Shengan Chemical Limited) (note)	PRC	Manufacturing and sale of civil explosives
內蒙聚力工程爆破服務有限公司 (Inner Mongolia Juli Engineering and Blasting Services Limited) (note)	PRC	Sale of civil explosives and provision of blasting operations and related services
鄂托克旗盛安九二九化工有限責任公司 (Otog Banner Shengan 929 Chemical Limited) (note)	PRC	Manufacturing and sale of civil explosives
內蒙古烏拉特中旗盛安工貿有限責任公司 (Inner Mongolia Urad Middle Banner Shengan Trading Limited) (note)	PRC	Inactive

Note:

The English names are for identification purpose only. The official names of these entities are in Chinese.

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

As the Company and the Ample Ocean Group are ultimately controlled by a substantial and controlling shareholder of the Company, Mr. Ma Qiang ("Mr. Ma"), the Acquisition is a business combination under common control. The Acquisition is accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the Acquisition had occurred on the date when the combining entities, i.e. the Company and Ample Ocean first came under the control of Mr. Ma. By applying merger accounting, the assets and liabilities of the combining entities are combined using their existing book values from Mr. Ma's perspective.

The Ample Ocean Group is founded and controlled by Mr. Ma. Mr. Ma holds less than half of the voting rights of Ample Ocean. However, through influencing the close family members of Mr. Ma who also hold equity interests in Ample Ocean and directing the family votes in the shareholders' meetings of Ample Ocean by virtue of the contractual arrangement existed among Mr. Ma and his close family members, Mr. Ma effectively has majority voting power over Ample Ocean. As to the Company, it was acquired by Shiny Ocean (wholly owned by Mr. Ma) in December 2012 and has since then been under the control of Mr. Ma. Accordingly, the financial statement items of the Company and its then subsidiaries are included in the consolidated financial statements of the combined entity from the date when Mr. Ma obtained control over the Company using the acquisition values recognised at that date.

By applying merger accounting, the fair values of the identifiable assets and liabilities of the Company and its then subsidiaries on the date of acquisition by Shiny Ocean together with the goodwill arising thereon are combined with the carrying values of the assets and liabilities of the Ample Ocean Group since its establishment.

In accordance with AG 5, the comparative consolidated financial statements of the Group have been restated to include the financial statement items of the Ample Ocean Group. The effect of the Acquisition on, and hence the items so restated in, the comparative consolidated financial statements of the Group are summarised in the tables below:

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of financial position as at 1 April 2014

	The Group as previously reported RMB'000	Ample Ocean Group RMB'000	Notes	Adjustments RMB'000	The Group as restated RMB'000
Non-current assets					
Property, plant and equipment	524	81,179		–	81,703
Prepaid lease payments for land	–	6,509		–	6,509
Prepayment for purchase of property, plant and equipment	–	2,350		–	2,350
Intangible assets	–	245		–	245
Interests in associates	–	3,477		–	3,477
	524	93,760		–	94,284
Current assets					
Inventories	–	12,983		–	12,983
Trade and bills receivables	82,219	128,935		–	211,154
Other receivables, prepayments and deposits	9,082	22,641		–	31,723
Prepaid lease payments for land	–	203		–	203
Amounts due from associates	–	2,817		–	2,817
Amounts due from related companies	–	10,600		–	10,600
Amounts due from shareholders	–	3,355		–	3,355
Derivative financial assets	2,168	–		–	2,168
Cash and cash equivalents	14,749	28,332		–	43,081
	108,218	209,866		–	318,084
Current liabilities					
Trade payables	1,150	60,816		–	61,966
Other payables and accruals	12,391	25,544		–	37,935
Borrowings	84,322	–		–	84,322
Dividend payable	–	94,355		–	94,355
Consideration payable for restructuring	–	53,500		–	53,500
Amounts due to related companies	–	2,950		–	2,950
Income tax payable	655	8,053		–	8,708
Derivative financial liabilities	2,016	–		–	2,016
	100,534	245,218		–	345,752
Net current assets/(liabilities)	7,684	(35,352)		–	(27,668)
Total assets less current liabilities/ Net assets	8,208	58,408		–	66,616

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of financial position as at 1 April 2014 (Continued)

	The Group as previously reported RMB'000	Ample Ocean Group RMB'000	Notes	Adjustments RMB'000	The Group as restated RMB'000
Equity					
Share capital	21,186	10,000	(iii)	(10,000)	21,186
Accumulated losses	(99,153)	(109,581)	(i)	(53,924)	(146,002)
			(ii)	45,429	
			(iv)	71,227	
Merger reserve	–	–	(iii)	10,000	3,500
			(iv)	(6,500)	
Restructuring reserve	–	79,227	(iv)	(51,497)	27,730
Statutory and other reserves	1,135	26,923	(i)	53,924	19,053
			(ii)	(45,429)	
			(iv)	(17,500)	
Others^	85,040	–		–	85,040
Equity attributable to owners of the Company	8,208	6,569		(4,270)	10,507
Non-controlling interests	–	51,839	(iv)	4,270	56,109
Total equity	8,208	58,408		–	66,616

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of financial position as at 31 March 2015

	The Group as previously reported RMB'000	Ample Ocean Group RMB'000	Notes	Adjustments RMB'000	The Group as restated RMB'000
Non-current assets					
Property, plant and equipment	23	83,274		–	83,297
Prepaid lease payments for land	–	6,279		–	6,279
Prepayment for purchase of property, plant and equipment	–	10,983		–	10,983
Intangible assets	–	213		–	213
Interests in associates	–	3,768		–	3,768
	23	104,517		–	104,540
Current assets					
Inventories	2,614	11,854		–	14,468
Trade and bills receivables	–	124,523		–	124,523
Other receivables, prepayments and deposits	820	8,151		–	8,971
Prepaid lease payments for land	–	203		–	203
Amounts due from associates	–	2,499		–	2,499
Amounts due from related companies	–	1,728		–	1,728
Amounts due from shareholders	–	348		–	348
Other financial assets	1,780	–		–	1,780
Cash and cash equivalents	5,902	49,228		–	55,130
	11,116	198,534		–	209,650
Current liabilities					
Trade payables	–	52,900		–	52,900
Other payables and accruals	720	15,860		–	16,580
Dividend payable	–	53,650		–	53,650
Amount due to a director	–	73		–	73
Amount due to an associate	–	1,785		–	1,785
Income tax payable	315	8,960		–	9,275
Derivative financial liabilities	2,519	–		–	2,519
	3,554	133,228		–	136,782
Net current assets	7,562	65,306		–	72,868
Total assets less current liabilities	7,585	169,823		–	177,408
Non-current liabilities					
Amount due to a shareholder	–	51,308		–	51,308
Net assets	7,585	118,515		–	126,100

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of financial position as at 31 March 2015 (Continued)

	The Group as previously reported RMB'000	Ample Ocean Group RMB'000	Notes	Adjustments RMB'000	The Group as restated RMB'000
Equity					
Share capital	21,186	306	(iii)	(306)	21,186
Accumulated losses	(94,637)	(87,935)	(i)	(53,924)	(133,909)
			(ii)	45,429	
			(iv)	57,158	
Merger reserve	–	–	(iii)	306	107
			(iv)	(199)	
Restructuring reserve	–	89,227	(iv)	(57,997)	31,230
Foreign currency translation reserve	(17,490)	89	(iv)	(58)	(17,459)
Statutory and other reserve	–	27,565	(i)	53,924	18,142
			(ii)	(45,429)	
			(iv)	(17,918)	
Others^	98,526	–		–	98,526
Equity attributable to owners of the Company	7,585	29,252		(19,014)	17,823
Non-controlling interests	–	89,263	(iv)	19,014	108,277
Total equity	7,585	118,515		–	126,100

^ Reserves not subject to restatement

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of comprehensive income for the year ended 31 March 2015

	The Group as previously reported RMB'000	Ample Ocean Group RMB'000	Adjustments RMB'000	The Group as restated RMB'000
Continuing operations				
Revenue	1,190,627	348,597	–	1,539,224
Cost of goods sold and services provided	(1,188,020)	(138,460)	–	(1,326,480)
Gross profit	2,607	210,137	–	212,744
Other income	121	492	–	613
Share of profits of associates	–	291	–	291
Selling and distribution expenses	–	(22,049)	–	(22,049)
Administrative and other operating expenses	(5,628)	(43,921)	–	(49,549)
Other (losses)/gains				
Change in fair value of derivative financial investments	(3,550)	–	–	(3,550)
Gain on disposal of subsidiaries	7,658	–	–	7,658
Profit from operations	1,208	144,950	–	146,158
Finance costs	(755)	(1,546)	–	(2,301)
Profit before income tax	453	143,404	–	143,857
Income tax expense	(3)	(21,797)	–	(21,800)
Profit for the year from continuing operations	450	121,607	–	122,057
Discontinued operation				
Profit for the year from discontinued operation	2,931	–	–	2,931
Profit for the year	3,381	121,607	–	124,988

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Effect of the Acquisition on the consolidated statement of comprehensive income for the year ended 31 March 2015 (Continued)

	The Group as previously reported RMB'000	Ample Ocean Group RMB'000	Notes	Adjustments RMB'000	The Group as restated RMB'000
Profit for the year	3,381	121,607		–	124,988
Other comprehensive income					
Items that may not be reclassified subsequently to profit or loss					
Exchange differences arising from					
– translation to presentation currency	–	87		–	87
– reclassification relating to disposal of subsidiaries	(4,004)	–		–	(4,004)
Other comprehensive income for the year	(4,004)	87		–	(3,917)
Total comprehensive income for the year	(623)	121,694		–	121,071
Profit attributable to:					
Owners of the Company	3,381	72,183	(iv)	(46,919)	28,645
Non-controlling interests	–	49,424	(iv)	46,919	96,343
	3,381	121,607		–	124,988
Total comprehensive income attributable to:					
Owners of the Company	(623)	72,270	(iv)	(46,919)	24,728
Non-controlling interests	–	49,424	(iv)	46,919	96,343
	(623)	121,694		–	121,071

2. COMMON CONTROL COMBINATION DURING THE YEAR (Continued)

Notes:

(i) As mentioned above, Mr. Ma obtained control over the Company through Shiny Ocean in December 2012. Accordingly, the financial statement items of the Company and its then subsidiaries are included in the consolidated financial statements of the combined entity from the date when Mr. Ma obtained control over the Company using the acquisition values recognised at that date. The fair value of the identifiable assets and liabilities of the Company and its then subsidiaries on the date of acquisition by Shiny Ocean together with the goodwill arising thereon are combined with the carrying values of the assets and liabilities of the Ample Ocean Group since its establishment. As at the date of acquisition of the Company by Shiny Ocean, goodwill amounting to RMB90,355,000 arose which was attributable to the cash-generating units ("CGUs") of school network integration services business and money lending business. The amount of goodwill recorded by the Group on that date amounted to RMB36,431,000, resulting in additional goodwill of RMB53,924,000 which has been credited to other reserves within equity.

Due to the changes in the business environment for school network integration services and the existence of prevailing unfavourable factors including tightened PRC government policies affecting funding available for education sector and thus demand for school network integration services and the increasing keen competition in the industry, goodwill attributable to this CGU as recorded by the Group of RMB36,431,000 was impaired as to RMB15,670,000 during the year ended 31 March 2013 and RMB20,761,000 during the year ended 31 March 2014. In addition, the business was subsequently disposed of in August 2014. As to the money lending business, its operation was not up to expectation and did not contribute any revenue to the Group during the year ended 31 March 2014 and subsequent periods. The recoverable amount of the CGU of money lending is estimated by the management to be minimal. Accordingly, the entire amount of additional goodwill arising from the acquisition of the Company by Mr. Ma through Shiny Ocean in December 2012 of RMB53,924,000 has been fully impaired and the corresponding entry was debited to accumulated losses within equity.

(ii) The accumulated losses of the Company and its then subsidiaries as at the date of acquisition by Mr. Ma amounting to RMB45,429,000 is adjusted to other reserves such that only those results of the Group after Mr. Ma has obtained control over the Company is included in the combined financial statements.

(iii) The share capital of the Ample Ocean Group as at 1 April 2014 and 31 March 2015 amounting to RMB10,000,000 and RMB306,000 respectively has been adjusted to the merger reserve.

(iv) By applying merger accounting, the financial statements are prepared using the existing book values from the controlling party's (i.e. Mr. Ma's) perspective. Accordingly, those equity interests in Ample Ocean not held by Mr. Ma before the completion of the Acquisition are recognised as non-controlling interests. Upon completion of the Acquisition, any non-controlling interests recognised which represent the equity interests in Ample Ocean not owned by Mr. Ma are derecognised.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

3.1 Adoption of new/revised HKFRSs – effective on 1 April 2015

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which is relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of these amendments has no material impact on the Group's financial statements.

3.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019

Information on new or amended HKFRSs that are expected to have impact on the Group is explained as follows. Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's financial performance and financial position upon application.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 *Business Combinations* when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue,* HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 – Leases

HKFRS 16 supersedes HKAS 17 *Leases*, HK(IFRIC) – Int 4 *Determining Whether an Arrangement Contain a Lease*, HK(SIC) – Int 15 Operating Lease – Incentives and HK(SIC) – Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 *Leases*. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16 – Leases (Continued)

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Group is not yet in a position to state whether the application of these new pronouncements will result in substantial changes to the Group's accounting policies or financial statements.

3.3 New disclosure requirements of Hong Kong Companies Ordinance relating to the preparation of the consolidated financial statements

The Company has adopted the amendments to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of compliance

The consolidated financial statements on pages 36 to 137 have been prepared in accordance with HKFRSs which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include the applicable disclosures required by the GEM Listing Rules.

It should be noted that accounting estimates and assumptions are used in preparation of these consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 5.

4.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the commodity inventories, derivative financial instruments and other financial assets, which are measured at fair values. The measurement bases are fully described in the accounting policies below.

4.3 Functional and presentation currency

The functional currency of the Company is Hong Kong Dollars ("HK$"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The consolidated financial statements are presented in Renminbi ("RMB") which in the opinion of the directors is appropriate since the Group has been operating in the RMB environment and the Group has planned to continue to invest in the PRC in the long run.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (see note 4.5 below) made up to 31 March each year. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Common control combinations during the year are accounted for as explained in note 2 above.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Goodwill arising on business combination is measured according to the policies in note 4.6.

4.5 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4.6 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets acquired, liabilities assumed including contingent liabilities as at the date of acquisition.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Goodwill (Continued)

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant CGU that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired (note 4.12).

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the CGU first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the CGU. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 4.12). The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	20 years
Leasehold improvements	Over the remaining term of the lease
Plant and machinery	10 years
Furniture and equipment	3-5 years
Motor vehicles	5 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.8 Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

4.9 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Associates (Continued)

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

4.10 Intangible assets (other than goodwill)

Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses (note 4.12).

Amortisation is provided on a straight-line basis over their useful lives as follows:

Acquired computer software	3 years
Patents	10 years

The amortisation expense is recognised in profit or loss and included in administrative and other operating expenses.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.12 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Prepaid lease payments for land;
- Goodwill arising on acquisition of subsidiaries;
- Intangible assets (other than goodwill); and
- Interests in associates

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Impairment of non-financial assets (Continued)

Impairment loss recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of the time value of money and the risk specific to the asset.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

4.13 Inventories

Inventories held for explosives business are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sales.

Minerals ("Commodity Inventories") purchased for the purpose of selling them in the near future. As a commodity trader, the Group measures its Commodity Inventories at fair value less costs to sell. Commodity Inventories are initially recognised at cost and subsequently measured at fair value less costs to sell. Changes in fair value are recognised in profit or loss in the period in which they arise.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at FVTPL are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at FVTPL

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. However, trade receivables subject to provisional pricing are valued as explained in note 4.16.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, financial market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. The carrying amount of loans and receivables is reduced through the use of an allowance account. Loan and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Impairment losses for doubtful receivables, whose recovery is considered doubtful but not remote, are recorded using an allowance account. When the Group considered that recovery of receivables is remote, the amount considered irrecoverable is written off against the receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

<u>Financial liabilities at FVTPL</u>

Financial liabilities at FVTPL include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

<u>Financial liabilities at amortised cost</u>

Financial liabilities at amortised cost including trade payables, other payables and accruals, dividend payable, amounts due to an associate, a director, related companies and a shareholder, and the liability component of convertible bonds issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss (note 4.22).

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Financial instruments (Continued)

(iv) Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the fair value of the convertible bonds as a whole and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the fair value. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

A substantial modification of the terms of convertible bonds shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Financial instruments (Continued)

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.15 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with original maturities of three months or less than that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents which are repayable on demand and form an integral part of the Group's cash management.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of goods and rendering of services. Provided it is probable that economic benefits will flow to the Group and the income and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) *Bulk mineral trade*

Revenue from the sale of minerals (mainly commodity) is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of the significant risks and rewards to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. This is generally when title passes, which for the majority of commodity sales is the date when the shipment or warehouse document is released confirming the title of commodity is transferred from the Group to the customer.

Certain commodities are "provisionally priced", that means the selling price is subject to final adjustment.

Revenue on provisionally priced sales is recognised at the estimated fair value of the total consideration received or receivable based on relevant forward market prices.

Adjustment to selling price occurs based on movements in quoted market prices during a period as stipulated in the sale contract which commences after the title of commodity is transferred to the customer (the "quotation period").

The fair value of the price adjustment is marked to market continuously based on the forward selling price during the quotation period and changes in fair value are recognised in profit or loss. For this purpose, the selling price can be measured reliably for those goods, such as copper and zinc, for which there exists an active and freely-traded commodity market such as the London Metals Exchange (the "LME") and the value of product sold by the Group is directly linked to the form in which it is traded on that market.

(ii) *Sale of explosives*

Revenue from sales of explosives is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

(iii) *Provision of blasting operations*

Revenue from the provision of services are recognised when the services are rendered.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Revenue recognition (Continued)

(iv) Provision of school network integration services

Revenue from the provision of school network integration services is recognised when the goods are delivered and installation work is completed and the customer has accepted the significant risks and rewards of ownership of the goods and services. Revenue excludes value added tax or other sales taxes and is after deductions of any trade discounts and returns.

When the installation work is incomplete at the reporting date, revenue attributable to the installation work is recognised by reference to the stage of completion of the work. The stage of completion is determined by comparing costs incurred to date with the total estimated costs of the installation work.

(v) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

4.17 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Foreign currency

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign currency translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss to the extent attributable to owners of the Company as part of profit or loss on disposal.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Employee benefits

(i) Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(ii) Defined contribution retirement plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's PRC operations participate in defined contribution retirement plans managed by the local municipal government in the locations in which it operates. The relevant authorities of the local municipal government in the PRC are responsible for the retirement benefit obligations payable to the Group's retired employees. The Group has no obligation for payment of retirement benefits beyond the annual contribution. The contribution payable is charged as an expense to profit or loss as and when incurred.

(iii) Share-based compensation

Details about the accounting policy on share-based compensation to employee are set out in note 4.20.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share-based compensation reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in the share-based compensation reserve in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

Upon exercise of the share options, the amount in the share-based compensation reserve is transferred to the share premium account. In case the share option are lapsed or vested and forfeited, the relevant amount in the share-based compensation reserve is released directly to accumulated losses.

4.21 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognised as income over the periods necessary to match them with the costs for which they intended to compensate, on a systematic basis. Government grants that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction and production of qualifying assets are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are expensed in the period when they are incurred.

4.23 Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete and its ability to use or sell the asset; how the asset will generate future economic benefits; the availability of resources to complete the project; and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

4.24 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.25 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a party, provides key management services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.26 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker, i.e. the board of directors, for the purposes of allocating resources to, and assessing the performance of, the Group's various business operation and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

5.1 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

5.2 Impairment of loans and receivables

Recoverability of loans and receivables are reviewed by management based on the ageing characteristics of the loans or receivables, and the current creditworthiness and past collection history of customers or debtors. Judgment is required in assessing the ultimate realisation of these loans and receivables, and the financial conditions of these customers or debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers or debtors were to deteriorate, resulting in an impairment as to their ability to make payments, additional provision may be required in future accounting periods.

5.3 Current tax and deferred tax

Judgement is required in determining the amount of the provision for taxes and the timing of payment of the related taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

The recognition of sale and purchase transactions relating to the bulk mineral trade business requires the directors to exercise critical judgement. The Group trades commodities such as copper and zinc. Certain commodity are sold and purchased under contracts with provisional pricing arrangements which allow the selling price to be adjusted according to the market price up to the date of final pricing as stipulated in the contract. Revenues and purchases are recognised when title and risk pass to the customer using the fair value of the consideration received or receivable. Changes between the prices recorded upon recognition of sale and purchase and the final price due to fluctuations in the market prices of the underlying commodities result in the existence of a commodity derivative embedded in the relevant sale and purchase contracts. This embedded derivative is recorded at fair value, with changes in fair value recognised in profit or loss.

6. REVENUE

An analysis of the revenue from the Group's principal activities is as follows:

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000	**RMB'000**	RMB'000 (Restated)
Sales of commodity goods	**4,858,771**	1,190,627	**–**	–	**4,858,771**	1,190,627
Sales of explosives	**291,918**	339,007	**–**	–	**291,918**	339,007
Provision of blasting operations	**8,283**	9,590	**–**	–	**8,283**	9,590
Provision of school network integration services	**–**	–	**–**	835	**–**	835
	5,158,972	1,539,224	**–**	835	**5,158,972**	1,540,059

7. OTHER INCOME

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000	**RMB'000**	RMB'000 (Restated)
Bank interest income	**207**	275	**–**	1	**207**	276
Gain on disposal of other financial assets	**40**	13	**–**	–	**40**	13
Net foreign exchange gain	**693**	–	**–**	–	**693**	–
Sundry income	**256**	325	**–**	–	**256**	325
	1,196	613	**–**	1	**1,196**	614

8. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting) the followings:

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000	**RMB'000**	RMB'000 (Restated)
Amortisation of prepaid lease payments for land	**203**	230	**–**	–	**203**	230
Amortisation of intangible assets	**30**	32	**–**	–	**30**	32
Auditor's remuneration:						
– annual audit	**768**	378	**–**	–	**768**	378
– other services	**81**	924	**–**	–	**81**	924
	849	1,302	**–**	–	**849**	1,302
Bad debt written off	**–**	–	**–**	109	**–**	109
Costs of inventories recognised as expenses	**4,976,652**	1,319,860	**–**	–	**4,976,652**	1,319,860
Depreciation for property, plant and equipment	**12,217**	12,809	**–**	27	**12,217**	12,836
Net foreign exchange (gain)/loss	**(693)**	115	**–**	–	**(693)**	115
Lease payments under operating lease	**1,994**	609	**–**	47	**1,994**	656
Loss on disposal of property, plant and equipment	**416**	57	**–**	–	**416**	57
Research and development costs	**14,807**	12,919	**–**	–	**14,807**	12,919
Reversal of impairment for trade receivables	**–**	–	**–**	(56)	**–**	(56)
Staff costs (including directors' emoluments) (note 9)	**34,382**	29,864	**–**	230	**34,382**	30,094

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2016 RMB'000	2015 RMB'000 (Restated)
Continuing operations		
Salaries, wages and other benefits	**30,357**	26,103
Contributions to defined contribution retirement plans (note)	**4,025**	3,761
	34,382	29,864
Discontinued operation		
Salaries, wages and other benefits	**–**	200
Contributions to defined contribution retirement plans (note)	**–**	30
	–	230
	34,382	30,094

Note:

The Group has implemented a provident fund scheme for its staff in Hong Kong in compliance with the requirements of the MPF Ordinance effective from 1 December 2000. The Group contributes to the scheme according to the minimum requirements of the MPF Ordinance and the contributions are charged to profit or loss as they become payable.

As stipulated by the rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The relevant government agencies are responsible for the entire pension obligation payable to all retired employees. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement plan.

As at 31 March 2016, the Group had no forfeited contributions available for reducing contributions to retirement plans in future years (2015: nil).

10. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 March 2016				
Executive directors				
Ding Baoshan	292	–	–	292
Qin Chunhong	194	–	–	194
Xiong Zeke	437	243	–	680
Liu Fali (appointed on 20 October 2015)	43	–	–	43
Non-executive director				
Ma Qiang	97	–	–	97
Independent non-executive directors				
Enhe Bayaer	97	–	–	97
Liu Talin	97	–	–	97
Zhang Lin	97	–	–	97
	1,354	243	–	1,597

10. DIRECTORS' EMOLUMENTS (Continued)

	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 March 2015				
Executive directors				
Ding Baoshan	284	–	–	284
Qin Chunhong	190	–	–	190
Xiong Zeke	427	237	–	664
Non-executive director				
Ma Qiang	95	–	–	95
Independent non-executive directors				
Enhe Bayaer	95	–	–	95
Liu Talin	95	–	–	95
Zhang Lin	95	–	–	95
	1,281	237	–	1,518

No directors waived any emoluments during the year and no incentive payment or compensation for loss of office was paid or payable to any directors during the year ended 31 March 2016 (2015: nil).

11. FIVE HIGHEST PAID INDIVIDUALS

During the year ended 31 March 2016, two (2015 (restated): one) of the directors whose emoluments are disclosed in note 10 were among the five individuals of the Group with the highest emoluments. The emoluments of the remaining three (2015 (restated): four) highest paid non-director individuals for the current year are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Salaries, allowances and other benefits in kind	1,350	1,607
Contributions to defined contribution retirement plans	28	40
	1,378	1,647

The emoluments of each of the three (2015 (restated): four) highest paid non-director individuals are within the following band:

	2016 No. of individuals	2015 No. of individuals (Restated)
Nil to HK$1,000,000	3	4

The emoluments paid or payable to members of senior management (excluding directors) were within the following band:

	2016 No. of individuals	2015 No. of individuals (Restated)
Nil to HK$1,000,000	4	4

12. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Restated)				(Restated)
Imputed interest on convertible bonds (note 32)	**31,767**	–	**–**	–	**31,767**	–
Interest charge on:						
– amount due to a shareholder (note 31)	**999**	1,546	**–**	–	**999**	1,546
– bank borrowings	**–**	–	**–**	73	**–**	73
– discounted bills receivables	**–**	755	**–**	–	**–**	755
Total interest expense for financial liabilities not at FVTPL	**32,766**	2,301	**–**	73	**32,766**	2,374

13. INCOME TAX EXPENSE

Income tax expense comprises:

	Continuing operations		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Restated)				(Restated)
Current tax for the year						
Hong Kong profits tax						
– over-provision in respect of previous years	**(8)**	–	**–**	–	**(8)**	–
PRC Enterprise Income Tax ("EIT")						
– provision for the year	**16,870**	20,550	**–**	–	**16,870**	20,550
– under-provision in respect of previous years	**1,002**	1,250	**–**	–	**1,002**	1,250
	17,864	21,800	**–**	–	**17,864**	21,800

13. INCOME TAX EXPENSE (Continued)

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for a year. EIT is calculated at the applicable PRC enterprise income tax rate of 25%, except that two PRC subsidiaries which have obtained the New and Hi-tech Enterprise recognition are entitled to enjoy preferential EIT rate. One of the subsidiaries is entitled to preferential tax rate of 15% for a period of 3 years from 20 August 2013. Another subsidiary is entitled to preferential tax rate of 15% for a period of 3 years from 29 August 2014.

No provision for Hong Kong profits tax is made for the current year or prior year as the assessable profits arising in Hong Kong have been fully offset by unused tax losses brought forward from previous years.

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	Continuing operations		Discontinued operation		Total	
	2016 RMB'000	2015 RMB'000 (Restated)	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000 (Restated)
Profit before income tax	**60,143**	143,857	**–**	2,931	**60,143**	146,788
Tax calculated at the rates applicable to the tax jurisdictions concerned	**18,542**	36,097	**–**	447	**18,542**	36,544
Tax effect of exemptions granted to PRC subsidiaries	**(11,404)**	(14,638)	**–**	–	**(11,404)**	(14,638)
Tax effect of non-deductible expenses	**7,419**	1,507	**–**	234	**7,419**	1,741
Tax effect of non-taxable income	**(235)**	(2,633)	**–**	(681)	**(235)**	(3,314)
Tax effect of share of results of associates	**60**	(73)	**–**	–	**60**	(73)
Tax loss not recognised	**2,668**	882	**–**	–	**2,668**	882
Utilisations of tax loss previously not recognised	**(180)**	(592)	**–**	–	**(180)**	(592)
Under-provision in respect of previous years	**994**	1,250	**–**	–	**994**	1,250
Income tax expense	**17,864**	21,800	**–**	–	**17,864**	21,800

13. INCOME TAX EXPENSE (Continued)

As at 31 March 2016, the Group had unused tax losses arising in the PRC and Hong Kong of RMB17,077,000 (2015 (restated): RMB12,923,000) and RMB4,427,000 (2015 (restated): RMB5,545,000) respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profits streams. The unused tax losses arising in the PRC will expire in five years from the year in which the losses arose whereas the unused tax losses arising in Hong Kong can be carried forward indefinitely.

No deferred tax liability has been recorded on temporary differences of RMB122,900,000 (2015 (restated): RMB110,439,000) relating to the undistributed earnings of foreign subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

14. DISCONTINUED OPERATION

On 15 August 2014, Dragon Era Investments Limited ("Dragon Era"), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party for the disposal of its entire equity interests in Jumbo Lucky Limited ("Jumbo Lucky") for a total cash consideration of HK$7.8 (equivalent to RMB6.16). Jumbo Lucky holds the entire interest in Superco Development Limited and 北京普華智維科技有限公司 (for identification purpose, Beijing Puhua Zhiwei Technology Company Limited) (collectively known as "Jumbo Lucky Group").

Jumbo Lucky Group was principally engaged in the provision of school network integration services in the PRC which was reported under the segment of school network integration services. The disposal was completed on 15 August 2014. Since then, the Group has ceased to carry out the business of providing school network integration services.

14. DISCONTINUED OPERATION (Continued)

The revenue and results of Jumbo Lucky Group which constituted discontinued operation and the net cash flows incurred by Jumbo Lucky Group for the period from 1 April 2014 to 15 August 2014 were as follows:

	Notes	**2016** **RMB'000**	2015 RMB'000
Revenue	6	–	835
Cost of goods sold and services provided		–	(703)
Gross profit		–	132
Other income	7	–	1
Administrative and other operating expenses		–	(486)
Loss from operations	8	–	(353)
Finance costs	12	–	(73)
Loss before income tax		–	(426)
Income tax expense	13	–	–
Loss from discontinued operation		–	(426)
Gain on disposal of Jumbo Lucky Group	40	–	3,357
Profit for the year from discontinued operation		–	2,931
Net cash inflow/(outflow) of Jumbo Lucky Group			
Cash flows from operating activities		–	2,483
Cash flows from investing activities		–	104
Cash flows from financing activities		–	(2,667)
		–	(80)

15. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the following data:

	2016 RMB'000	2015 RMB'000 (Restated)
(Loss)/Profit for the year attributable to owners of the Company		
– from continuing operations	(6,171)	25,714
– from discontinued operation	–	2,931
(Loss)/Profit for the year attributable to owners of the Company from continuing and discontinued operations	(6,171)	28,645

	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	1,838,611	1,233,725

Diluted (loss)/earnings per share

For the year ended 31 March 2015, there was no potentially dilutive share in issue during the year and thus the diluted earnings per share was the same as the basic earnings per share.

For the year ended 31 March 2016, no adjustment has been made to basic loss per share as the convertible bonds (note 32) outstanding during the year had an anti-dilutive effect on the basic loss per share.

16. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the board of directors, the chief operating decision-makers for the purpose of resource allocation and performance assessment.

The Group has identified and presented the segment information for the following reportable operating segments. These segments are managed separately.

Continuing operations

- Bulk mineral trade: trading of non-ferrous metals and minerals in Hong Kong and the PRC (previously named as bulk commodity trade)

- Explosives trading and blasting services: manufacturing and sale of explosives and provision of blasting operations in the PRC (conducted by the Ample Ocean Group)

Discontinued operation

- School network integration services: provision of school network integration services to schools and educational institutes in the PRC (note 14)

Segment revenue, results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the board of directors monitor the results, assets and liabilities attributable to each reportable operating segment on the following bases:

Revenue and expenses are allocated to the operating segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments. Segment profit/loss represents the profit/loss of each segment without allocation of central administration costs such as directors' emoluments and head office expenses and excludes other income, other gains/losses and finance costs incurred for borrowings which are managed on group basis and other operating expenses not directly attributable to the operating segments.

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment and exclude amounts due from related parties and corporate assets.

Segment liabilities include trade and other payables, accrued liabilities and other liabilities which are directly attributable to the business activities of the operating segments and exclude borrowings which are managed on group basis, amounts due to related parties, tax liabilities and corporate liabilities.

16. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment revenue and segment results

For the year ended 31 March 2016

	Continuing operations		Discontinued operation	
	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	School network integration services RMB'000	Total RMB'000
Segment revenue				
External sales	4,858,771	300,201	–	5,158,972
Segment profit	341	101,535	–	101,876
Other income				1,196
Unallocated corporate expenses				(10,177)
Gain on disposal of a subsidiary				14
Finance costs				(32,766)
Profit before income tax				60,143

16. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment revenue and segment results (Continued)

For the year ended 31 March 2015 (Restated)

	Continuing operations		Discontinued operation	
	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	School network integration services RMB'000	Total RMB'000
Segment revenue				
External sales	1,190,627	348,597	835	1,540,059
Segment (loss)/profit	(1,698)	143,985	60	142,347
Other income				614
Unallocated corporate expenses				(5,642)
Gain on disposal of subsidiaries				11,015
Finance costs				(1,546)
Profit before income tax				146,788

16. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment assets and liabilities

As at 31 March 2016

	Continuing operations		Discontinued operation	
	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	School network integration services RMB'000	Total RMB'000
Segment assets	4,500	273,866	–	278,366
Amounts due from related parties				1,144
Unallocated corporate assets				6,297
Consolidated total assets				285,807
Segment liabilities	21	41,288	–	41,309
Convertible bonds – liability component				78,859
Amounts due to related parties				6,724
Dividend payable				14,150
Income tax payable				2,979
Unallocated corporate liabilities				297
Consolidated total liabilities				144,318

16. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment assets and liabilities (Continued)

As at 31 March 2015 (Restated)

	Continuing operations		Discontinued operation	
	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	School network integration services RMB'000	Total RMB'000
Segment assets	10,651	291,747	–	302,398
Amounts due from related parties				4,575
Unallocated corporate assets				7,217
Consolidated total assets				314,190
Segment liabilities	2,521	68,760	–	71,281
Amounts due to related parties				53,166
Dividend payable				53,650
Income tax payable				9,275
Unallocated corporate liabilities				718
Consolidated total liabilities				188,090

16. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2016

	Continuing operations		Discontinued operation		
	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	School network integration services RMB'000	Unallocated RMB'000	Total RMB'000
Additions to specified non-current assets	**5**	**59,719**	**–**	**–**	**59,724**
Depreciation and amortisation	**1**	**12,438**	**–**	**11**	**12,450**
Share of losses of associates	**–**	**241**	**–**	**–**	**241**

For the year ended 31 March 2015 (Restated)

	Continuing operations		Discontinued operation		
	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	School network integration services RMB'000	Unallocated RMB'000	Total RMB'000
Additions to specified non-current assets	–	25,498	–	6	25,504
Depreciation and amortisation	–	13,061	27	10	13,098
Finance costs	755	–	73	1,546	2,374
Impairment loss, net recognised in profit or loss	–	–	53	–	53
Share of profits of associates	–	291	–	–	291

16. SEGMENT INFORMATION (Continued)

Geographical information

The Company is an investment company incorporated in the Cayman Islands where the Group does not have any activities. The Group's operations are conducted in Hong Kong and the PRC.

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2016	2015	**2016**	2015
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)
The PRC (country of domicile)	**306,495**	349,432	**150,623**	104,517
Hong Kong	**4,852,477**	1,190,627	**19**	23
	5,158,972	1,540,059	**150,642**	104,540

Information about major customers

Revenue from external customers contributing 10% or more of the total revenue of the Group is as follows:

	2016	2015
	RMB'000	RMB'000 (Restated)
Bulk mineral trade		
– Customer A	**2,232,997**	1,185,885
– Customer B	**1,362,222** [1]	N/A
– Customer C	**1,187,844** [1]	N/A

[1] The Group did not generate revenue from customer B and customer C in 2015.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Furniture and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
As at 1 April 2014 (restated)	59,143	167	49,005	3,053	8,386	–	119,754
Additions	2,845	–	2,502	716	693	10,115	16,871
Transfer	247	–	–	–	–	(247)	–
Disposal	(266)	–	(2,655)	(131)	(502)	–	(3,554)
Disposal of subsidiaries (note 40)	–	–	–	(264)	(513)	–	(777)
As at 31 March 2015 (restated)	61,969	167	48,852	3,374	8,064	9,868	132,294
Additions	1,274	–	916	173	4,514	19,398	26,275
Transfer	11,701	–	16,480	486	–	(28,667)	–
Disposal	–	–	–	–	(1,227)	–	(1,227)
Exchange alignment	7	–	–	6	–	–	13
As at 31 March 2016	74,951	167	66,248	4,039	11,351	599	157,355
Accumulated depreciation and impairment:							
As at 1 April 2014 (restated)	13,541	167	18,027	1,538	4,777	–	38,050
Depreciation for the year	5,146	–	5,635	620	1,435	–	12,836
Written back upon disposal	(76)	–	(1,074)	(80)	(423)	–	(1,653)
Disposal of subsidiaries (note 40)	–	–	–	(106)	(130)	–	(236)
As at 31 March 2015 (restated)	18,611	167	22,588	1,972	5,659	–	48,997
Depreciation for the year	3,680	–	6,507	710	1,320	–	12,217
Written back upon disposal	–	–	–	–	(295)	–	(295)
Exchange alignment	7	–	–	5	–	–	12
As at 31 March 2016	22,298	167	29,095	2,687	6,684	–	60,931
Net carrying amount:							
As at 31 March 2016	52,653	–	37,153	1,352	4,667	599	96,424
As at 31 March 2015 (restated)	43,358	–	26,264	1,402	2,405	9,868	83,297

18. PREPAID LEASE PAYMENTS FOR LAND

	2016 RMB'000	2015 RMB'000 (Restated)
Carrying amount at beginning of the year	**6,482**	6,712
Charged to profit or loss during the year (note 8)	**(203)**	(230)
Carrying amount at end of the year	**6,279**	6,482
Less: Amounts classified as current assets	**(203)**	(203)
Amounts classified as non-current assets	**6,076**	6,279

The prepaid lease payments for land represent the Group's interests in certain leasehold lands in the PRC.

19. INTANGIBLE ASSETS

	Computer software RMB'000	Patents RMB'000	Total RMB'000
Cost:			
As at 1 April 2014 (restated), 31 March 2015 (restated) and 31 March 2016	9	298	307
Accumulated amortisation:			
As at 1 April 2014 (restated)	6	56	62
Charge for the year	3	29	32
As at 31 March 2015 (restated)	9	85	94
Charge for the year	–	30	30
As at 31 March 2016	9	115	124
Net carrying amount:			
As at 31 March 2016	–	183	183
As at 31 March 2015 (restated)	–	213	213

20. GOODWILL

	2016 RMB'000	2015 RMB'000
Cost		
At beginning of the year	–	53,841
Disposal of subsidiaries (note 40)	–	(53,841)
At end of the year	–	–
Accumulated impairment		
At beginning of the year	–	53,841
Disposal of subsidiaries (note 40)	–	(53,841)
At end of the year	–	–
Net carrying amount	–	–

Goodwill was allocated to the CGU of school network integration services business for impairment testing and was fully impaired during the year ended 31 March 2014.

21. INTERESTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000 (Restated)
Share of net assets	**3,527**	3,768

(a) Details of the associates are as follows:

Name of associate	Form of business structure	Place of establishment and operation	Principal activities	Percentage of ownership interests/voting rights/profit share held by the Group 2016	2015
烏海市天潤爆破服務有限責任公司 (Wuhai City Tianrun Blasting Services Company Limited) ("Tianrun Blasting") (note)	Limited liability company	PRC	Provision of blasting operations and related services	**35%**	35%
巴彥淖爾市安泰民爆器材有限責任公司 (Bayannur City Antai Explosives Equipment Company Limited) (note)	Limited liability company	PRC	Trading of civil explosives	**20%**	20%

Note:

The English names are for identification purpose only. The official names of these entities are in Chinese.

21. INTERESTS IN ASSOCIATES (Continued)

(b) The summarised financial information in respect of the Group's associates which are considered by the directors of the Company as immaterial are set out below:

	2016 RMB'000	2015 RMB'000 (Restated)
(Loss)/Profit from continuing operations	**(835)**	507
(Loss)/Profit from discontinued operation	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(835)**	507

(c) Amounts due from/to associates are interest-free, unsecured and repayable on demand. Amounts due from associates mainly arose from entering into trading transactions with them as detailed in note 39(a). As at 31 March 2015, bills receivables amounted to RMB2,000,000 were endorsed to an associate for settlement which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in bills receivables (note 23).

22. INVENTORIES

	2016 RMB'000	2015 RMB'000 (Restated)
Raw materials, at cost	**7,429**	10,318
Finished goods, at cost	**1,394**	1,536
Commodity Inventories – zinc, at fair value (note)	**–**	2,614
	8,823	14,468

Note:

The fair values of the Group's Commodity Inventories were determined by the directors of the Company with reference to the price available in active markets including the LME.

The fair value of Commodity Inventories was a level 2 recurring fair value measurement. The fair value measurement was based on the inventories' highest and best use, which does not differ from their actual use.

23. TRADE AND BILLS RECEIVABLES

	2016 RMB'000	2015 RMB'000 (Restated)
Trade receivables	**61,496**	66,724
Bills receivables	**17,050**	57,799
	78,546	124,523

The Group endorsed certain bills receivables with full recourse to certain creditors for settlement. In the event of default by the debtors, the Group is obliged to pay the creditors the amount in default. The Group is therefore exposed to the risks of credit losses and late payment in respect of its endorsed bills receivables. The endorsement transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the endorsed bills receivables. As at 31 March 2016 and 2015, bills receivables of RMB12,083,000 and RMB44,421,000 respectively continued to be recognised in the consolidated financial statements although they have been legally transferred to the creditors. The settlement amount of the endorsement transactions were included in trade payables, other payables, prepayments and amount due to an associate until the related bills receivables are collected or the Group settles any losses suffered by the creditors.

Details of bills receivables endorsed to respective creditors are set out below:

	2016 RMB'000	2015 RMB'000 (Restated)
Prepayments (note 24)	**–**	200
Trade payables (note 29)	**11,583**	39,321
Amount due to an associate (note 21)	**–**	2,000
Other payables (note 30)	**500**	2,900
	12,083	44,421

23. TRADE AND BILLS RECEIVABLES (Continued)

As the bills receivables have been legally transferred to the creditors, the Group does not have the authority to determine the disposition of the bills receivables.

Bills receivables generally have credit terms ranging from three to six months. Customers of bulk mineral trade are usually required to pay deposits or even make provisional payment ranging from 95% to 105% of the cargo value before good delivery. Trade receivables of sales of explosives and provision of blasting operations are due upon presentation of invoices.

The ageing analysis of net trade receivables, based on invoice date, as of the end of the reporting period is as follows:

	2016	2015
	RMB'000	RMB'000
		(Restated)
0-30 days	**18,196**	21,435
31-90 days	**10,626**	20,745
91 days to 1 year	**29,517**	22,372
Over 1 year	**3,157**	2,172
	61,496	66,724

As at 31 March 2016 and 2015, all bills receivables are aged within 1 year.

23. TRADE AND BILLS RECEIVABLES (Continued)

The ageing analysis of net trade receivables which are past due but not impaired are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
0-30 days past due	**18,196**	21,435
31-90 days past due	**10,626**	20,745
91 days to 1 year past due	**29,517**	22,372
Over 1 year past due	**3,157**	2,172
	61,496	66,724

Trade receivables that were past due but not impaired as at the end of the reporting period related to a number of independent customers that have maintained a good track record of credit with the Group. Based on past credit history, management believed that no impairment allowance was necessary in respect of these balances as there has not been a significant change in credit quality and the balances were still considered fully recoverable.

No bills receivables as at 31 March 2016 and 2015 were past due.

Movements in the provision for impairment of trade receivables are as follows:

	2016 RMB'000	2015 RMB'000
At beginning of the year	**–**	1,535
Reversal of impairment	**–**	(56)
Disposal of a subsidiary (note 40)	**–**	(1,479)
At end of the year	**–**	–

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2016 RMB'000	2015 RMB'000 (Restated)
Prepayments (notes (i) and (ii))	44,858	11,655
Deposits and other receivables (note (iii))	7,797	8,299
	52,655	19,954
Less: Amounts classified as current assets	(8,223)	(8,971)
Amounts classified as non-current assets	44,432	10,983

Notes:

(i) Amount of bills receivables endorsed to suppliers as prepayments amounted to RMB200,000 as at 31 March 2015. The corresponding financial assets are included in bills receivables (note 23).

(ii) Included in prepayments as at 31 March 2016 was an amount of RMB43,000,000 paid to the seller in relation to the proposed acquisition of certain mining equipment, machineries and other assets to be used in a mining project (the "Mining Assets") as further detailed in note 47.

(iii) Included in deposits and other receivables as at 31 March 2015 was an amount of RMB810,000 which represents margin deposits placed with commodity brokers for engaging in futures trading transactions.

25. AMOUNTS DUE FROM/TO RELATED COMPANIES/SHAREHOLDERS/A DIRECTOR

Amounts due from/to related companies/shareholders/a director are interest-free, unsecured and repayable on demand.

The amounts due from/to the parties mainly represented advances to/from these parties except for an amount due from a company which is owned by a close family member of Mr. Ma and is included in amounts due from related companies. Details of the amount due from the related company are as follows:

Name of related company	Type of transaction giving rise to the balance	Outstanding balance as at		Maximum balance outstanding during the year ended	
		31 March 2016 RMB'000	31 March 2015 RMB'000 (Restated)	**31 March 2016 RMB'000**	31 March 2015 RMB'000 (Restated)
巴彥卓爾盛安運輸有限責任有限公司 (Bayannur Shengan Transportation Limited) ("Shengan Transportation") (note)	Prepaid for freight services	**432**	1,728	**2,568**	2,651

Note: The English name is for identification purpose only. The official name of the entity is in Chinese.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 RMB'000	2015 RMB'000
Derivative financial liabilities		
Commodity futures contracts (note (i))	**–**	2,411
Foreign currency forward contracts (note (ii))	**–**	108
	–	2,519

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Notes:

(i) The Group entered into commodity futures contracts traded on the LME to hedge commodity price exposure arising from sales and purchase of commodity. Such commodity futures contracts, comprising futures contracts for lead, zinc, coppers and aluminium, do not qualify as hedging instruments and are classified as financial assets or financial liabilities at FVTPL.

The fair values of the commodity futures contracts are determined based on quoted market prices as further detailed in note 42.

Details of the commodity futures contracts outstanding as at 31 March 2015 are as follows:

Type of contract	Notional amount	Maturity date	Exercise price	Financial assets/ (liabilities)
	RMB'000		US$	RMB'000
Lead futures contracts	4,390	14 April 2015	1,780-1,781	112
Lead futures contracts	8,900	7 April – 14 April 2015	1,779-1,831	(200)
Zinc futures contracts	20,302	8 April – 12 June 2015	2,019-2,104	320
Zinc futures contracts	112,408	8 April – 17 June 2015	2,006-2,150	(2,643)
				(2,411)

(ii) During the year ended 31 March 2015, the Group entered into over-the-counter foreign currency forward contracts to hedge currency risk exposure arising from translation of monetary items denominated in RMB.

The fair values of the foreign currency forward contracts are determined based on quoted market prices as further detailed in note 42.

Details of the foreign currency forward contracts outstanding as at 31 March 2015 are as follows:

Type of contract	Notional amount	Maturity date	Forward exchange rate	Financial assets/ (liabilities)
	RMB'000		Per US$	RMB'000
RMB forward contracts	16,113	21 April – 15 June 2015	6.19-6.22	(138)
RMB forward contracts	16,223	15 June 2015	6.24	30
				(108)

27. OTHER FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Commercial bank wealth management products	–	1,780

As at 31 March 2015, the Group's investments in commercial bank wealth management products mainly comprised financial products purchased from banks with good credit rating which were measured at fair value with expected annual rates of return of 2.5% to 4.6% depending on the period of holding and subject to the performance of the underlying investments. These investments were redeemed by the Group during the year.

28. CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000 (Restated)
Deposits placed with commodity brokers	16	3,473
Cash at banks and on hand	38,210	51,657
	38,226	55,130

The deposits with brokers as at 31 March 2016 and 2015 were non-interest bearing. The interest rates on the cash at banks ranged from 0.01% to 1.48% (2015 (restated): 0.13% to 0.82%) per annum. Included in bank balances and cash of the Group as at 31 March 2016 were amounts of RMB37,552,000 (2015 (restated): RMB49,891,000) which are denominated in RMB. RMB is not a freely convertible currency. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

29. TRADE PAYABLES

The Group has been granted by its suppliers a credit period of 30 to 180 days in general. Ageing analysis of trade payables, based on the invoice dates, is as follows:

	2016	2015
	RMB'000	RMB'000
		(Restated)
0-180 days	**25,756**	51,530
181-365 days	**855**	1,051
Over 1 year	**473**	319
	27,084	52,900

As at 31 March 2016 and 2015, bills receivables amounted to RMB11,583,000 and RMB39,321,000 respectively were endorsed to trade creditors for settlement which do not meet the de-recognition requirement under HKAS 39. The corresponding financial assets are included in bills receivables (note 23).

30. OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB'000	RMB'000
		(Restated)
Other payables and accruals (note)	**12,931**	12,943
Receipt in advance	**1,591**	3,637
	14,522	16,580

Note:

As at 31 March 2016 and 2015, bills receivables amounted to RMB500,000 and RMB2,900,000 respectively were endorsed to other creditors for settlement which do not meet the de-recognition requirement under HKAS 39. The corresponding financial assets are included in bills receivables (note 23).

31. AMOUNT DUE TO A SHAREHOLDER

The amount is due to Shiny Ocean which represents the Sale Loan as mentioned in note 2. It was unsecured, repayable on 22 July 2017 and interest-bearing at 6% per annum. Upon completion of the Acquisition, the balance was fully settled by the issuance of convertible bonds (note 32). Further details on settlement of the balance on 28 July 2015 are set out in note 35(e).

32. CONVERTIBLE BONDS

Pursuant to the Acquisition Agreements as mentioned in note 2, the Company issued zero coupon convertible bonds due on 28 July 2018 with a principal amount denominated in HK$ of HK$837,000,000 as consideration for the Acquisition. The bonds are convertible into ordinary shares of the Company at an initial conversion price of HK$0.36 per conversion share (subject to adjustments in accordance with the terms of the convertible bonds) at any time during the period commencing from the date of issue of the convertible bonds up to the seventh business day prior to the maturity date, provided such conversion will not result in the Company breaching the minimum public float requirement under the GEM Listing Rules or trigger a mandatory general offer under the Takeovers Code.

The fair value of the convertible bonds is determined based on the valuation conducted by Asset Appraisal Limited, a firm of independent professional valuers, on the convertible bonds as at 28 July 2015. The bonds contain two components – the liability and equity components. The fair value of the convertible bonds as a whole of HK$834 million (equivalent to RMB666,853,000) is determined by using the Binomial Option Pricing Model. The fair value of the liability component of the bonds is calculated using cash flows discounted at a rate based on an equivalent market interest rate for equivalent non-convertible bonds. The initial carrying amount of the equity component is determined by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole and is included in equity as convertible bonds equity reserve.

During the year, certain convertible bonds with principal amount of HK$692,079,400 had been converted at the conversion price of HK$0.36 into 1,922,442,770 ordinary shares of the Company. The conversion has resulted in derecognition of the liability component of the convertible bonds to the extent of RMB345,571,000 and transfer of convertible bond equity reserve amounting to RMB232,277,000 to the share premium account.

32. CONVERTIBLE BONDS (Continued)

The movements of the liability component and equity component of the convertible bonds during the year are set out below:

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
Value on initial recognition	385,938	280,915	666,853
Imputed interest expense (note 12)	31,767	–	31,767
Conversion into ordinary shares	(345,571)	(232,277)	(577,848)
Exchange realignment	6,725	–	6,725
As at 31 March 2016	78,859	48,638	127,497

Imputed interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 20.14% per annum.

33. SHARE CAPITAL

	2016			2015		
	Number of shares '000	**Nominal value HK$'000**	**Nominal value RMB'000**	Number of shares '000	Nominal value HK$'000	Nominal value RMB'000
Authorised:						
Ordinary shares of HK$0.01 each						
At beginning of the year	**1,500,000**	**15,000**		1,500,000	15,000	
Increase in authorised share capital (note (i))	**3,500,000**	**35,000**		–	–	
At end of the year	**5,000,000**	**50,000**		1,500,000	15,000	
Issued and fully paid:						
Ordinary shares of HK$0.01 each						
At beginning of the year	**1,233,725**	**12,337**	**21,186**	1,233,725	12,337	21,186
Issue of shares upon conversion of convertible bonds (note (ii))	**1,922,443**	**19,224**	**15,571**	–	–	–
At end of the year	**3,156,168**	**31,561**	**36,757**	1,233,725	12,337	21,186

Notes:

(i) In order to accommodate the allotment and issue of the conversion shares upon exercise of the conversion right under the convertible bonds (note 32) and the future expansion and growth of the Group, the board of directors increased the authorised share capital of the Company to HK$50,000,000 divided into 5,000,000,000 ordinary shares of HK$0.01 each, by creation of an additional 3,500,000,000 ordinary shares of HK$0.01 each.

(ii) As mentioned in note 32, 1,922,442,770 ordinary shares were issued to certain bondholders upon the conversion of the convertible bonds, which has resulted to the increase in share capital and share premium of approximately RMB15,571,000 and RMB562,277,000 respectively.

34. SHARE OPTIONS

On 23 July 2004, the Company adopted a share option scheme (the "Share Option Scheme") to enable the Company to grant options to eligible participants in order to reward or provide incentives to its employees or any person who has contributed or will contribute to the Group. The Share Option Scheme expired on 22 July 2014 and the Company has not adopted new share option scheme.

As at 31 March 2015, no share option was outstanding. No share options has been granted or exercised under the Share Option Scheme during the year ended 31 March 2015.

35. RESERVES

The Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 42 and 43. The nature and purpose of the reserves are as follows:

(a) Share premium

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

(b) Capital distributable reserve

Capital distributable reserve arose from share premium cancellation. Upon the capital reorganisation becoming effective on 17 January 2012, the amount standing to the credit of the share premium account has been cancelled and the credit arising from the share premium cancellation has been used to eliminate the accumulated loss of the Company. It may be utilised by the directors in accordance with the Company's memorandum and article of association and all applicable laws.

It also represented capital contribution from Shiny Ocean in the form of waiving the interest accrued of RMB1,427,000 on the loan from Shiny Ocean pursuant to the capitalisation and settlement agreement entered into by the Company and Shiny Ocean on 8 July 2013.

(c) Contributed surplus

The contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the Company's shares issued in exchange therefor.

35. RESERVES (Continued)

(d) Restructuring reserve

The restructuring reserve amounting to RMB89,227,000 as at 31 March 2016 arose from the following restructuring transactions within the Ample Ocean Group:

(i) On 2 May 2013, Qinghai Fudeyuan acquired 90% equity interest in Shengan Chemical (Inner Mongolia), which is the holding company of other PRC subsidiaries of the Ample Ocean Group, at a cash consideration of RMB127,500,000. Qinghai Fudeyuan was set up on 19 April 2013 by 青海博洋科貿集團有限公司 (Qinghai Boyang Trading Limited) ("Qinghai Boyang") with paid-up capital of RMB10,000,000. Prior to the transaction, Qinghai Boyang was the parent of Shengan Chemical (Inner Mongolia). Qinghai Boyang remained as the parent of the new group formed and the transaction was effectively insertion of new intermediate holding company on top of Shengan Chemical (Inner Mongolia) which did not result in any change of economic substance. Accordingly, the transaction was accounted for as an equity transaction. The then 10% non-controlling interest in Shengan Chemical (Inner Mongolia) was reflected in the financial statements of the new group formed upon the acquisition by Qinghai Fudeyuan. Restructuring reserve amounting to RMB79,227,000 arose as a result of transferring 90% of the share capital of Shengan Chemical (Inner Mongolia) to the reserve.

The cash consideration for acquiring 90% equity interest in Shengan Chemical (Inner Mongolia) by Qinghai Fudeyuan of RMB127,500,000 is in substance a distribution to the shareholders of Qinghai Boyang and is reflected so in the accumulated losses during the year ended 31 March 2014.

(ii) On 25 August 2014, Qinghai Boyang disposed of its entire equity interest in Qinghai Fudeyuan to Ample Ocean HK, which is a direct wholly-owned subsidiary of Ample Ocean, in return for a cash consideration of HK$63,000,000 (equivalent to RMB49,871,000). As a result of this transaction, Ample Ocean has become the holding company of Qinghai Fudeyuan and its subsidiaries now comprising the Ample Ocean Group.

Since both Qinghai Boyang and Ample Ocean were then held by the same group of natural persons, the transaction was effectively insertion of new holding company on top of Qinghai Fudeyuan which did not result in any change of economic substance as far as the Ample Ocean Group is concerned. Accordingly, the transaction is accounted for as equity transaction. Restructuring reserve arose as a result of transferring the share capital of Qinghai Fudeyuan of RMB10,000,000 to the reserve while the share capital, foreign currency translation reserve and accumulated losses of Ample Ocean as of that date were recorded as an increase/decrease in respective items in equity upon completion of the transaction. The cash consideration of RMB49,871,000 is in substance a distribution to the shareholders of Qinghai Boyang, which were also the then shareholders of Ample Ocean and is reflected so in accumulated losses in the consolidated statement of changes in equity for the year ended 31 March 2015.

35. RESERVES (Continued)

(e) Merger reserve

Merger reserve as at 31 March 2016 amounting to RMB613,604,000 arose upon completion of the acquisition of Ample Ocean by the Company as mentioned in note 2. On 28 July 2015, pursuant to the Acquisition Agreements as mentioned in note 2, the Company issued convertible bonds (note 32) with principal amount of HK$837 million as consideration for the Acquisition.

As mentioned in note 2, the Acquisition is accounted for by applying principles of merger accounting in accordance with AG 5 as the Company and Ample Ocean were under the common control of Mr. Ma. According to AG 5, no amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interests. Accordingly, upon completion of the Acquisition, the difference arising from the acquisition of the Sale Shares, being the consideration given by the Company for the acquisition of the Sale Shares as adjusted for the elimination of the share capital of Ample Ocean, is accounted for in equity as merger reserve.

Merger reserve arising from the Acquisition completed on 28 July 2015 is as follows:

	2016 RMB'000
Fair value of liability component (note 32)	385,938
Fair value of equity component (note 32)	280,915
Total consideration, at fair value	666,853
Less: consideration for Sale Loan (note (i))	(52,943)
Consideration for the Sale Shares, at fair value (note (ii))	613,910
Less: elimination of the share capital of Ample Ocean	(306)
Merger reserve	613,604

Notes:

(i) The carrying amount of the Sale Loan at 28 July 2015 was HK$66,179,000 (equivalent to RMB52,943,000) (31 March 2015: HK$64,947,000 (equivalent to RMB51,308,000)), which represented the outstanding principal amount of the Sale Loan and the accrued interest thereon at that date.

(ii) The fair value of the consideration for the Sale Shares was taken as the total consideration at fair value less the carrying amount of the Sale Loan at 28 July 2015 which approximated its fair value on that date.

35. RESERVES (Continued)

(f) Convertible bonds equity reserve

The convertible bonds equity reserve comprises the carrying value of equity component of unconverted convertible bonds issued by the Company which are recognised in accordance with the accounting policy adopted for convertible bonds as disclosed in note 4.14(iv).

(g) Foreign currency translation reserve

The foreign currency translation reserve comprises exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4.18.

(h) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are required to appropriate 10% of its profit after income tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Subject to certain restrictions, such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital of the PRC subsidiaries.

(i) Other reserve

In accordance with the relevant laws and regulations of the PRC, entities engaged in explosives related businesses are required to provide for safety fund at certain percentage of revenue generated by the entities. This fund can be utilised for safety measures related to the production of the entities.

36. NON-CONTROLLING INTERESTS

Shengan Chemical (Inner Mongolia), a partially owned subsidiary of the Company, has material non-controlling interest as at 31 March 2016 and 2015. The percentage of equity interest held by the non-controlling interest was 40% as at 31 March 2016 and 2015.

Summarised financial information in relation to the non-controlling interest of Shengan Chemical (Inner Mongolia), before intra-group eliminations, is presented below:

	2016 RMB'000	2015 RMB'000 (Restated)
Non-current assets	**107,622**	104,516
Current assets	**170,662**	198,146
Current liabilities	**(49,266)**	(79,505)
Net assets	**229,018**	223,157
Accumulated non-controlling interest (note)	**91,607**	89,263
Revenue	**300,201**	348,597
Profit for the year	**83,840**	123,559
Total comprehensive income	**83,840**	123,559
Profit allocated to non-controlling interest (note)	**33,536**	49,424
Dividend paid to non-controlling interest	**31,192**	12,000
Net cash inflows from operating activities	**76,066**	135,286
Net cash outflows from investing activities	**(16,001)**	(22,823)
Net cash outflows from financing activities	**(77,979)**	(89,473)

36. NON-CONTROLLING INTERESTS (Continued)

Note:

Profit attributable to non-controlling interests in the consolidated statements of comprehensive income for the years ended 31 March 2016 and 2015 included non-controlling interests of Ample Ocean from Mr. Ma's perspective before completion of the Acquisition amounting to RMB14,914,000 and RMB46,919,000 for the respective years. Correspondingly, the non-controlling interests in the consolidated statement of financial position as at 31 March 2015 included non-controlling interests of Ample Ocean from Mr. Ma's perspective as of that date of RMB19,014,000. Further details are set out in note 2(iv).

37. OPERATING LEASE COMMITMENT

As at 31 March 2016, the total future minimum lease payments payable by the Group under non-cancellable operating lease are as follows:

	2016	2015
	RMB'000	RMB'000
		(Restated)
Within one year	**1,080**	301
In the second to fifth year inclusive	**285**	–
	1,365	301

The Group leases certain of its office premises and motor vehicles under operating lease arrangements. Lease runs for a lease term of 1 to 2 years (2015 (restated): 1 to 2 years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and the respective landlord. None of the lease includes contingent rental.

38. CAPITAL COMMITMENTS

	2016	2015
	RMB'000	RMB'000
		(Restated)
Acquisition of property, plant and equipment	**1,730**	5,427
Acquisition of a subsidiary	**–**	661,000
	1,730	666,427

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

Name of related party	Related party relationship	Type of transaction	Transaction amount 2016 RMB'000	Transaction amount 2015 RMB'000 (Restated)
巴彥卓爾金泰化工有限責任公司 (Bayannur Jintai Chemical Limited) (note (iii))	Entity under common control of Mr. Ma	Purchases from the related party	**–**	844
內蒙古盛安保安有限責任公司 (Inner Mongolia Shengan Security Limited) ("Shengan Security") (notes (i) and (iii))	Entity under common control of Mr. Ma	Security services provided by the related party	**945**	381
Tianrun Blasting	Associate	Sales to the related party	**2,313**	4,751
Shengan Transportation	Entity owned by a close family member of Mr. Ma	Freight services provided by the related party	**13,166**	14,444

Notes:

(i) Shengan Security ceased to be the subsidiary of Ample Ocean on 25 November 2014 (note 40) and has then become a related party of the Group and it continues to provide security services to the Group.

(ii) The terms of the above transactions were based on those agreed among the Group and the related parties in normal course of business.

(iii) The English names above are for identification purpose only. The official names of these entities are in Chinese.

39. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel compensation:

	2016 **RMB'000**	2015 RMB'000 (Restated)
Salaries, allowances and benefits in kind	**2,989**	2,803

40. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2015

On 26 June 2014, the Company entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interests in Topsheen Limited for a total cash consideration of HK$7.8 (equivalent to RMB6.16). Topsheen Limited was inactive at the time of disposal. The disposal was completed on 26 June 2014.

On 15 August 2014, the Group disposed of Jumbo Lucky Group for a total cash consideration of HK$7.8 (equivalent to RMB6.16). The disposal of Jumbo Lucky Group which constituted discontinued operation (note 14) was completed on 15 August 2014.

On 20 November 2014 and 3 December 2014 respectively, the Ample Ocean Group entered into sale and purchase agreements to dispose of the entire equity interests in two subsidiaries, Shengan Security and 烏拉特後旗恒泰科技發展有限責任公司 (Urad Rear Banner Hengtai Technology Development Co., Ltd.,) ("Hengtai Technology"), to a related party, Urad Rear Banner Shengan Real Estate Development Co., Ltd., at the considerations of RMB1,099,000 and RMB482,000 respectively. Shengan Security is principally engaged in provision of security services while Hengtai Technology is inactive. The transactions were completed on 25 November 2014 and 4 December 2014 respectively.

40. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 March 2016

On 5 August 2015, the Group disposed of its entire equity interest of Dragon Era. Dragon Era was inactive at the time of disposal. The disposal was completed on 5 August 2015.

The gain on disposals of the above subsidiaries is calculated as follows:

	2016	2015
	RMB'000	RMB'000
		(Restated)
Consideration	**–**	1,581
Net liabilities disposed of (note)	**17**	5,430
Reclassification from foreign currency translation reserve upon disposal of subsidiaries	**(3)**	4,004
Gain on disposal	**14**	11,015
Included in:		
Continuing operations	**14**	7,658
Discontinued operation (note 14)	**–**	3,357
	14	11,015
Consideration satisfied by:		
Cash	**–**	1,581
Net cash inflow arising on disposals:		
Cash consideration	**–**	1,581
Cash and bank balances disposed of	**–**	(1,128)
	–	453

40. DISPOSAL OF SUBSIDIARIES (Continued)

Note:

Net liabilities of the above subsidiaries disposed of are set out as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Property, plant and equipment (note 17)	–	541
Inventories	–	3
Trade receivables	–	990
Other receivables, prepayments and deposits	–	1,745
Amount due from a fellow subsidiary	–	338
Cash and cash equivalents	–	1,128
Trade payables	–	(854)
Borrowings	–	(406)
Other payables and accruals	–	(8,567)
Amount due to an intermediate holding company	(17)	–
Tax payable	–	(348)
	(17)	(5,430)

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year ended 31 March 2014, Shengan Chemical (Inner Mongolia) and Qinghai Fudeyuan declared dividend of RMB312,703,000 and RMB57,000,000 respectively, out of which RMB275,348,000 had been settled as at 31 March 2014. The outstanding dividend was settled by cash payment as to RMB40,705,000 during the year ended 31 March 2015 and RMB39,500,000 during the year ended 31 March 2016.

(b) On 2 May 2013, Qinghai Fudeyuan acquired 90% equity interest in Shengan Chemical (Inner Mongolia) at the cash consideration of RMB127,500,000 as set out in note 35(d). Among the consideration, RMB74,000,000 of the consideration was settled during the year ended 31 March 2014 and the remaining balance of RMB53,500,000 was settled during the year ended 31 March 2015.

(c) On 25 August 2014, Ample Ocean HK acquired the entire equity interest in Qinghai Fudeyuan at the cash consideration of HK$63,000,000 (equivalent to RMB49,871,000) as set out in note 35(d). Such consideration was settled during the year ended 31 March 2015.

42. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting date are also analysed into the following categories. See note 4.14 for explanations about how the category of financial instruments affects their subsequent measurement.

	2016 RMB'000	2015 RMB'000 (Restated)
Financial assets		
Financial assets at FVTPL - held for trading	–	1,780
Loans and receivables		
– cash and cash equivalents	38,226	55,130
– trade and bills receivables	78,546	124,523
– other receivables and deposits	7,797	8,299
– amounts due from shareholders	324	348
– amounts due from associates	388	2,499
– amounts due from related companies	432	1,728
	125,713	192,527
Financial liabilities		
Financial liabilities at FVTPL - held for trading	–	2,519
Financial liabilities at amortised cost		
– trade payables	27,084	52,900
– other payables and accruals	12,931	12,943
– dividend payable	14,150	53,650
– amount due to a director	1,726	73
– amount due to an associate	–	1,785
– amounts due to related companies	4,998	–
– amount due to a shareholder	–	51,308
– convertible bonds – liability component	78,859	–
	139,748	172,659

42. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES (Continued)

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and bills receivables, other receivables and deposits, trade payables, other payables and accruals, amounts due from/to related parties and dividend payable. Due to their short term nature, the carrying value of these financial instruments approximates fair value.

Fair value measurement recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

– Level 1: quoted prices (unadjusted) in active markets including over-the-counter for identical assets or liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Derivative financial instruments (note 26) and other financial assets (note 27) measured at fair value in the consolidated statement of financial position were grouped into the fair value hierarchy as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 March 2015				
Assets				
Other financial assets	–	1,780	–	1,780
Liabilities				
Commodity futures contracts	–	2,411	–	2,411
Foreign currency forward contracts	–	108	–	108

42. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES (Continued)

The following table gives information about how fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

		Fair value as at 31 March		Fair value hierarchy	Valuation technique
		2016	2015		
		RMB'000	RMB'000		
Lead futures contracts	Assets	**–**	112	Level 2	With reference to quoted prices in an active market, the LME
	Liabilities	**–**	200	Level 2	With reference to quoted prices in an active market, the LME
Zinc futures contracts	Assets	**–**	320	Level 2	With reference to quoted prices in an active market, the LME
	Liabilities	**–**	2,643	Level 2	With reference to quoted prices in an active market, the LME
Foreign currency forward contracts	Assets	**–**	30	Level 2	With reference to observable forward exchange rates at reporting date
	Liabilities	**–**	138	Level 2	With reference to observable forward exchange rates at reporting date
Other financial assets – commercial bank wealth management products	Assets	**–**	1,780	Level 2	With reference to actual transaction price near the end of the reporting period

There was no transfer between Levels 1, 2 and 3 during both years. The methods and valuation techniques used for the purpose of measuring fair value are detailed in note 4.14.

43. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and commodity price risk. These risks are managed according to the Group's financial management policies and practices described below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of merely dealing with creditworthy counterparties, as a mean of mitigating the risk of financial loss from defaults.

The Group does not have any significant credit risk exposure to customers in bulk mineral trade segment as they are usually required to pay deposits or make provisional payments before delivery of commodities. Trade and bills receivables at the end of the reporting period mainly due from customers in explosive trading and blasting services segment. The Group has a certain concentration of credit risk in respective of trade receivables from customers in explosive trading and blasting services segment as 48% (2015: 38%) of the total trade receivables was due from the Group's five largest customers in that segment.

In order to minimise credit risk in respect of trade receivables, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Besides, credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not obtain collateral from customers.

The credit risk on bank balances is low as these balances are placed with reputable financial institutions.

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and other payables, including amounts due to related parties and also in respect of its cash flow management. Each entity within the Group is responsible for its own cash management.

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturity for its financial liabilities as at the end of the reporting period, which are based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	2016				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 3 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities					
Trade payables	27,084	–	–	27,084	27,084
Other payables and accruals	12,931	–	–	12,931	12,931
Dividend payable	14,150	–	–	14,150	14,150
Amount due to a director	1,726	–	–	1,726	1,726
Amounts due to related companies	4,998	–	–	4,998	4,998
Convertible bonds – liability component	–	–	120,284	120,284	78,859
	60,889	–	120,284	181,173	139,748

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	2015 (Restated)				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 3 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities					
Trade payables	52,900	–	–	52,900	52,900
Other payables and accruals	12,943	–	–	12,943	12,943
Dividend payable	53,650	–	–	53,650	53,650
Amount due to a director	73	–	–	73	73
Amount due to an associate	1,785	–	–	1,785	1,785
Amount due to a shareholder	–	–	58,708	58,708	51,308
	121,351	–	58,708	180,059	172,659
Derivative financial liabilities					
Net settled contracts					
– Commodity futures contracts	2,411	–	–	2,411	2,411
– Foreign currency forward contracts	108	–	–	108	108

43. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's interest-rate risk mainly arises from cash and cash equivalents as disclosed in note 28. The Group did not have any interest-bearing borrowing as at 31 March 2016. The directors of the Company consider that interest rate exposure on cash deposits is not significant due to low level of interest rate and short maturity of these deposits. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

(d) Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates in Hong Kong and the PRC. Transactions of group companies in Hong Kong are denominated and settled in HK$ and United States dollar ("USD") while transactions of group companies in the PRC are denominated and settled in RMB. As these group companies mostly transact in their respective functional currencies and HK$ is pegged to USD, the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities in net position (excluding HK$ and USD) at the end of the reporting period are as follows:

	2016 **RMB'000**	2015 RMB'000 (Restated)
Net monetary assets		
RMB	**59**	27

43. FINANCIAL RISK MANAGEMENT (Continued)

(e) Commodity price risk

The Group engages in the trading of non-ferrous metals including mainly copper cathodes and zinc. As the commodity market is influenced by global as well as PRC supply and demand conditions, any unexpected price change in the market might affect the Group's result and performance. To mitigate this risk, the Group closely monitors any significant exposures, and may enter into commodity derivative contracts from time to time in accordance with the policies approved by the directors of the Company to manage the exposure with respect to its forecast sell or firm sell commitments mainly includes copper and certain other metal products. Occasionally, the Group also enters into commodity derivative contracts for speculative purposes. As at 31 March 2016, the Group does not have any open commodity derivative contract.

44. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

Capital structure of the Group comprises equity plus debts raised by the Group (including convertible bonds – liability component and amount due to a shareholder) net with cash and cash equivalents. The Group's management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new share as well as issue new debt or redeem its existing debt as it sees fit and appropriate. No change was made in the objectives, policies or processes for managing capital during the years ended 31 March 2016 and 2015.

44. CAPITAL RISK MANAGEMENT (Continued)

The net debts to equity ratio at the end of the reporting period is as follows:

	2016	2015
	RMB'000	RMB'000
		(Restated)
Debts	**78,859**	51,308
Less: cash and cash equivalents	**(38,226)**	(55,130)
Net debts	**40,633**	N/A
Total equity	**141,489**	126,100
Net debts to equity ratio	**29%**	N/A

The Group targets to maintain a net debts to equity ratio to be in line with the expected changes in economic and financial conditions.

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**16**	23
Investments in subsidiaries		**–**	1
		16	24
Current assets			
Prepayments and deposits		**–**	1
Amounts due from subsidiaries		**55,849**	8,019
Cash and cash equivalents		**114**	268
		55,963	8,288
Current liabilities			
Other payables and accruals		**272**	718
Amount due to a director		**1,675**	–
Amounts due to subsidiaries		**8,359**	1
		10,306	719
Net current assets		**45,657**	7,569
Total assets less current liabilities		**45,673**	7,593
Non-current liabilities			
Convertible bonds – liability component		**78,859**	–
Net (liabilities)/assets		**(33,186)**	7,593
Capital and reserves			
Share capital	33	**36,757**	21,186
Reserves	45(b)	**(69,943)**	(13,593)
Total (deficit)/equity		**(33,186)**	7,593

On behalf of the Board

Ding Baoshan
Director

Xiong Zeke
Director

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

(b) Reserves of the Company

	Share premium	Capital distributable reserve	Contributed surplus	Merger reserve	Convertible bonds - equity reserve	Foreign currency translation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 April 2014	72,452	25,141	(18,702)	–	–	(17,531)	(78,528)	(17,168)
Profit for the year	–	–	–	–	–	–	3,575	3,575
As at 31 March 2015	72,452	25,141	(18,702)	–	–	(17,531)	(74,953)	(13,593)
Loss for the year	–	–	–	–	–	–	(48,585)	(48,585)
Exchange difference from translation to presentation currency	–	–	–	–	–	(4,770)	–	(4,770)
Issue of convertible bonds for common control combination (note 32)	–	–	–	(613,910)	280,915	–	–	(332,995)
Issue of shares upon conversion of convertible bonds (note 32)	562,277	–	–	–	(232,277)	–	–	330,000
As at 31 March 2016	634,729	25,141	(18,702)	(613,910)	48,638	(22,301)	(123,538)	(69,943)

46. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2016 are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid-up capital/ registered capital	Percentage of ownership interests/ voting rights/profit share held by the Company		Principal activities
			Directly	Indirectly	
Perfect Start Development Limited	BVI	50,000 ordinary shares of US$1 each	100%	–	Investment holding
Pizu International Limited	Hong Kong	HK$10,000	–	100%	Inactive
Pizu Group Limited	Hong Kong	HK$10,000,000	–	100%	Trading of bulk minerals in Hong Kong
比優（深圳）礦業有限公司 (Pizu (Shenzhen) Mining Limited) (notes (i) and (ii))	PRC	RMB10,000,000	–	100%	Trading of bulk minerals in the PRC
Ample Ocean Holdings Limited	BVI	US$50,000	100%	–	Investment holding
Ample Ocean Group Limited	Hong Kong	HK$1,000,000	–	100%	Investment holding
青海福德圓工貿有限公司 (Qianghai Fudeyuan Trading Limited) (notes (i) and (ii))	PRC	RMB10,000,000	–	100%	Investment holding
內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited) (notes (i) and (iii))	PRC	RM88,030,000	–	60%	Investment holding and sourcing of production materials for group companies

46. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 March 2016 are as follows: (Continued)

Name	Place of incorporation and operation	Particulars of issued and paid-up capital/ registered capital	Percentage of ownership interests/ voting rights/profit share held by the Company		Principal activities
			Directly	Indirectly	
巴彥淖爾盛安化工有限責任公司 (Bayannur Shengan Chemical Limited) (notes (i) and (iii))	PRC	RMB20,000,000	–	60%	Manufacturing and sale of civil explosives
內蒙聚力工程爆破服務有限公司 (Inner Mongolia Juli Engineering and Blasting Services Limited) (notes (i) and (iii))	PRC	Registered capital: RMB100,000,000 Paid-up capital: RMB65,000,000	–	60%	Sale of civil explosives and provision of blasting operations and related services
鄂托克旗盛安九二九化工有限責任公司 (Otog Banner Shengan 929 Chemical Limited) (notes (i) and (iii))	PRC	RMB30,000,000	–	60%	Manufacturing and sale of civil explosives
內蒙古烏拉特中旗盛安工貿有限責任公司 (Inner Mongolia Urad Middle Banner Shengan Trading Limited) (notes (i) and (iii))	PRC	RMB10,000,000	–	60%	Inactive

Notes:

(i) The English names are for identification purpose only. The official names of these entities are in Chinese.

(ii) The company is a wholly-foreign owned enterprise in the PRC.

(iii) The company is a limited liability company in the PRC.

47. EVENT AFTER THE REPORTING PERIOD

On 11 May 2016, a branch of a non-wholly-owned subsidiary of the Company entered into an acquisition agreement with the seller pursuant to which the branch of the subsidiary has conditionally agreed to acquire and the seller has conditionally agreed to sell certain Mining Assets which are necessary for development of the Group's blasting operations business at a cash consideration of RMB175 million. The completion of the acquisition is subject to the approval by the shareholders of the Company. Further details of the acquisition are set out in the Company's circular dated 20 June 2016.

FIVE YEARS FINANCIAL SUMMARY

The consolidated statements of comprehensive income of the Group for the financial years 2012 to 2016 and the consolidated statements of financial position of the Group as at 31 March 2012, 2013, 2014, 2015 and 2016 are as follows:

	Year ended 31 March				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
Results					
Turnover	**5,158,972**	1,540,059	1,011,265	426,033	414,058
Profit before income tax	**60,143**	146,788	137,035	105,016	57,743
Income tax expense	**(17,864)**	(21,800)	(25,449)	(22,551)	(12,078)
Profit for the year	**42,279**	124,988	111,586	82,465	45,665

	As at 31 March				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
Assets and liabilities					
Total assets	**285,807**	314,190	412,368	736,771	540,303
Total liabilities	**(144,318)**	(188,090)	(345,752)	(323,244)	(176,872)
Total equity	**141,489**	126,100	66,616	413,527	363,431