

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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE QUARTER ENDED 30 JUNE 2017

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of Pizu Group Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Pizu Group Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- Turnover of the Group for the quarter ended 30 June 2017 (the “Quarterly Period”) was approximately RMB240.93 million, representing a decrease of approximately 87.91% as compared to corresponding period in the previous fiscal year.
- The Group recorded a profit attributable to Owners approximately RMB48.81 million for the Quarterly Period.
- The Group recorded a total comprehensive income attributable to Owners approximately RMB45.23 million for the Quarterly Period.
- Basic and diluted earnings per share of the Group was approximately RMB0.014 for the Quarterly Period.
- The Board does not recommend the payment of any dividend for the Quarterly Period.

UNAUDITED RESULTS FOR THE QUARTER ENDED 30 JUNE 2017

The board of directors (the “Board”) of Pizu Group Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the Quarterly Period, together with the unaudited comparative figures for the corresponding period in 2016, as follows:

(Unless otherwise stated, all financial figures presented in this quarterly financial report are denominated in Renminbi (“RMB”) thousand dollars)

		Three months ended	
		30 June	
	<i>Notes</i>	2017	2016
Revenue	2	240,928	1,992,409
Cost of goods sold and services provided		(126,610)	(1,948,835)
Gross profit		114,318	43,574
Other income and gain		1,351	149
Share of profit/(loss) of associates		759	(13)
Selling and distribution expenses		(6,972)	(3,511)
Administrative expenses		(15,477)	(13,635)
Profit from operating		93,979	26,564
Finance costs	3	(1,033)	(3,774)
Profit before income tax		92,946	22,790
Income tax	4	(13,316)	(4,318)
Profit for the period		79,630	18,472

		Three months ended	
		30 June	
	<i>Notes</i>	2017	2016
Other comprehensive loss for the period			
Exchange differences arising from translation of foreign operation		<u>(3,578)</u>	<u>(3,076)</u>
Total comprehensive income for the period (net of tax)		<u>76,052</u>	<u>15,396</u>
Profit attributable to:			
– Owners of the Company		48,807	8,787
– Non-controlling interest		<u>30,823</u>	<u>9,685</u>
		<u>79,630</u>	<u>18,472</u>
Total comprehensive income attributable to:			
– Owners of the Company		45,229	5,711
– Non-controlling interest		<u>30,823</u>	<u>9,685</u>
		<u>76,052</u>	<u>15,396</u>
		<i>RMB (Yuan)</i>	<i>RMB (Yuan)</i>
Earnings per share			
Basic and diluted	6	<u>0.014</u>	<u>0.003</u>

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited quarterly report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2017.

The quarterly report is unaudited, but has been reviewed by the audit committee of the Company.

The Group principally operates in the People’s Republic of China (the “PRC”) with its business activities principally transacted in RMB, the results of the Group are therefore prepared in RMB.

2. REVENUE

An analysis of the revenue from the Group’s principal activities, which is also the group’s turnover is as follows:

	Three months ended	
	30 June	
	2017	2016
Sales of civil explosive	147,890	65,915
Provision of blasting operations	53,605	5,518
Sale of commodity goods	39,433	1,920,976
	<u>240,928</u>	<u>1,992,409</u>

3. FINANCE COST

	Three months ended	
	30 June	
	2017	2016
Interest charge on bank borrowing	1,033	24
Inputed interest on convertible bonds	—	3,750
	<u>1,033</u>	<u>3,774</u>

4. INCOME TAX

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for a year. EIT is calculated at the applicable EIT rate of 25%, except that:

- (i) 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 and such period is further extended for 3 years to 28 November 2019 after the review by the tax authority on 29 November 2016. Another subsidiary is entitled to preferential tax rate of 15% for a period of 3 years from 29 August 2014.
- (ii) a branch which is located in the Tibet Autonomous Region of the PRC is entitled to preferential tax rate of 9%. Based on the tax ruling announced by the PRC central tax authorities, the EIT rate of Lhasa is 9% for the period from 1 January 2015 to 31 December 2017. The EIT rate will resume to 15% from 31 December 2017 onwards if no further announcement of preferential tax treatment is made.

No provision for Hong Kong profits tax is made for the Quarterly Report as there is no assessable profits arising in Hong Kong for such period. No provision for Hong Kong profits tax was made for prior corresponding period as the assessable profits had been fully offset by unused tax losses brought forward from previous years.

Income tax represents:

	Three months ended	
	30 June	
	2017	2016
Current tax		
PRC enterprise income tax	<u><u>13,316</u></u>	<u><u>4,318</u></u>

5. DIVIDENDS

The Board does not recommend payment of any dividend for the Quarterly Period (Three months ended 30 June 2016: Nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share are based on profit attributable to the owners of the Company and the ordinary shares in issue during the period of 3,558,724,852 (2016: 3,156,167,630).

	Three months ended	
	30 June	
	2017	2016
Profit attributable to the owners of the Company	<u>48,807</u>	<u>8,787</u>

For the period ended 30 June 2017, there is no potentially dilutive share in issue during the period and thus the diluted earnings per share is also the same as the basic earnings per share.

For the period ended 30 June 2016, no adjustment has been made to basic earnings per share as the convertible bonds outstanding during the period had an anti-dilutive effect on the basic earnings per share.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The turnover of the Group for the three months ended 30 June 2017 decreased by approximately 87.91% as compared with the same period in 2016. The decrease was mainly due to the Group has focused on civil explosive business and provision of blasting operations (the turnover increased by approximately 1.82 times as compared with the same period in 2016) which can generate substantial and sustainable profit for the Group, and reduced trading business with low gross margins.

The selling and distribution expenses for the three months ended 30 June 2017 increased by approximately 98.58% as compared with the same period in 2016. It was mainly due to the significant increase in sales of civil explosive and provision of blasting operations.

CHARGE OF ASSETS

As at 30 June 2017, certain trade receivables amounted to RMB16,941,000 (2016: nil), certain property, plant and equipment amounted to RMB141,779,000 (2016: nil), certain leasehold lands amounted to RMB3,804,000 (2016: nil) and the certain bank deposits amounted to RMB7,800,000 (2016: RMB5.10 million) were pledged to secure the Group's bank loans.

BUSINESS REVIEW AND PROSPECTS

Business Review

For the period ended 30 June 2017, the primary income source of the Group came from sales of civil explosives, provision of blasting services and the trading business of mineral products. Especially, the business of sales of explosives has been bringing in sustainable revenue for the Group. The Group had also successfully renewed the money lending license on 15 May 2017, and will continue to develop the lending business.

Prospect and Outlook

The Group will focus on the development of civil explosives and provision of blasting operations and the mineral products trading business and related services, with an aim to bring substantial and sustainable returns to the shareholders.

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

As at 30 June 2017, 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)	33.98%
	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	688,053,557 ordinary shares (L) (Note 4)	19.33%
Mr. Xiong Zeke	Interest of a controlled corporation (Note 5)	80,811,927 ordinary shares (L)	2.56%
	Beneficial owner	10,573,333 ordinary shares (L)	0.30%
Ms. Qin Chunhong	Beneficial owner	34,024,908 ordinary shares (L)	0.96%
Mr. Liu Fali	Beneficial owner	240,215,854 ordinary shares (L)	6.75%
	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	1,657,167,368 ordinary shares (L) (Note 4)	46.57%

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 30 June 2017.
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 Mr. Ma Suocheng, Ms. Ma Ye, Ms. Ma Xia, and Mr. Liu Fali in 151,666,666, 124,005,000, 172,166,037 and 240,215,854 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 80,811,927 shares of the Company. 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 30 June 2017, 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 30 June 2017, 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 <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Shiny Ocean	Beneficial owner	1,209,329,665 ordinary shares (L)	33.98%
Mr. Ma Suocheng	Beneficial owner	151,666,666 ordinary shares (L) <i>(Note 3)</i>	4.26%
	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	1,745,716,556 ordinary shares (L) <i>(Note 4)</i>	49.05%
Ms. Ma Xia	Beneficial owner	172,166,037 ordinary shares (L) <i>(Note 3)</i>	4.84%
	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	1,725,217,185 ordinary shares (L) <i>(Note 3)</i>	48.48%

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	124,005,000 ordinary shares (L) (Note 3)	3.48%
	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 3)	49.83%
Mr. Liu Fali (Note 4)	Beneficial owner	240,215,854 ordinary shares (L)	6.75%
	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	1,657,167,368 ordinary shares (L)	46.57%
Mr. Yang Tao	Beneficial owner	272,199,268 ordinary shares (L)	7.65%
Mr. Li Man	Beneficial owner	272,199,268 ordinary shares (L)	7.65%
Mr. Lv Wenhua	Beneficial owner	240,215,854 ordinary shares (L)	6.75%

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 30 June 2017.
3. 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.
4. Mr. Liu Fali is an executive director of the Company.

Save as disclosed herein, as at 30 June 2017, 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.

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

During the three months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares (three months ended 30 June 2016: nil).

COMPETING INTERESTS

For the three months ended 30 June 2017, none of the Directors or the controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause any significant competition with the business of the Group.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and has complied with all the code provisions as set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 30 June 2017, the Company has adopted a code of conduct regarding Directors' securities transactions 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. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout the three months ended 30 June 2017.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. 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 four Independent Non-Executive Directors of the Company, namely Ms. Zhang Lin, Mr. Enhe Bayaer, Ms. Liu Talin and Ms. Yao Yunzhu.

The Group's unaudited financial statements for the three months ended 30 June 2017 have been reviewed by the audit committee.

As at the date of this report, the Board comprises the follow directors:

Executive directors:

Mr. Ma Qiang (*Chairman*)
Mr. Xiong Zeke (*Chief Executive Officer*)
Mr. Liu Fali (*Chief Operating Officer*)
Mr. Ding Baoshan
Ms. Qin Chunhong
Mr. Ma Tianyi

Independent non-executive directors:

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

By order of the Board
Pizu Group Holdings Limited
Ma Qiang
Chairman

China, 11 August 2017

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.pizugroup.com.