

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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE QUARTER ENDED 31 DECEMBER 2017

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

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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 in this announcement or this announcement misleading.

HIGHLIGHTS

- Revenue of the Group for the nine months ended 31 December 2017 (the “Period”) was approximately RMB768.01 million, representing a decrease of approximately 72.27% as compared to the corresponding period in the previous fiscal year.
- The Group recorded a profit attributable to owners of approximately RMB114.32 million for the Period.
- The Group recorded a total comprehensive income attributable to owners approximately RMB111.64 million for the Period.
- Basic profit per share of the Group was approximately RMB0.032 for the Period.
- The Board does not recommend the payment of any dividend for the Period.

UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 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 nine months ended 31 December 2017, together with the unaudited comparative figures for the corresponding periods in 2016, as follows:

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	(Unaudited) Nine months ended 31 December		(Unaudited) Three months ended 31 December	
		2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	3	768,014	2,769,791	245,022	305,237
Cost of goods sold and services provided		(492,652)	(2,615,554)	(167,290)	(251,436)
Gross profit		275,362	154,237	77,732	53,801
Other income and gain		5,868	283	2,083	27
Share of profit/(loss) of associates		3,656	(267)	3,005	(174)
Share of loss of a joint venture		–	(331)	–	(231)
Selling and distribution expenses		(18,970)	(12,427)	(5,692)	(5,373)
Administrative and other operating expenses		(49,300)	(56,550)	(20,114)	(29,045)
Operating profit		216,616	84,945	57,014	19,005
Finance costs		(3,601)	(11,265)	(1,092)	(3,392)
Profit before income tax		213,015	73,680	55,922	15,613
Income tax	4	(24,725)	(14,012)	(5,089)	(3,887)

	(Unaudited) Nine months ended 31 December 2017		(Unaudited) Three months ended 31 December 2017	
	2016	2016	2016	2016
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	188,290	59,668	50,833	11,726
Other comprehensive income for the period				
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising from – translation of financial statements of subsidiaries	<u>(2,685)</u>	<u>(5,972)</u>	<u>(639)</u>	<u>(2,887)</u>
Total comprehensive income for the period	<u>185,605</u>	<u>53,696</u>	<u>50,194</u>	<u>8,839</u>
Profit attributable to:				
Owners of the Company	<u>114,323</u>	28,360	<u>31,489</u>	4,781
Non-controlling interests	<u>73,967</u>	31,308	<u>19,344</u>	6,945
	<u>188,290</u>	<u>59,668</u>	<u>50,833</u>	<u>11,726</u>
Total comprehensive income attributable to:				
Owners of the Company	<u>111,638</u>	22,388	<u>30,850</u>	1,894
Non-controlling interests	<u>73,967</u>	31,308	<u>19,344</u>	6,945
	<u>185,605</u>	<u>53,696</u>	<u>50,194</u>	<u>8,839</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Earnings per share				
Basic and diluted	6	<u>0.032</u>	<u>0.009</u>	<u>0.009</u>
		<u>0.001</u>	<u>0.001</u>	<u>0.001</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 (the “HKICPA”) and with 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 is follows:

	(Unaudited)		(Unaudited)	
	Nine months ended		Three months ended	
	31 December		31 December	
	2017	2016	2017	2016
	RMB’000	RMB’000	RMB’000	RMB’000
Sale of explosives	270,495	227,989	56,017	78,670
Provision of blasting operations	467,991	142,456	185,124	86,640
Sale of commodity goods	29,528	2,399,346	3,881	139,927
	<u>768,014</u>	<u>2,769,791</u>	<u>245,022</u>	<u>305,237</u>

3. INCOME TAX

No provision for profits tax in the Cayman Islands, the British Virgin Islands (“BVI”) or Hong Kong has been made as the Group has no assessable profit in these jurisdictions.

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for a year. Enterprise Income Tax in China (“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.
- (iii) tax on profits assessable in the Tajikistan has been calculated at the applicable Tajikistan enterprise income tax rates of 13% or 23%.

Income tax represents:

	(Unaudited)		(Unaudited)	
	Nine months ended		Three months ended	
	31 December		31 December	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax				
PRC enterprise income tax	24,725	14,012	5,089	3,887

4. DIVIDENDS

The Board does not recommend payment of any dividend for the nine months ended 31 December 2017 (Nine months ended 31 December 2016: Nil).

5. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	(Unaudited) Nine months ended 31 December		(Unaudited) Three months ended 30 September	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the period attributable to owners of the Company	114,323	28,360	31,489	4,781

	(Unaudited) Nine months ended 31 December		(Unaudited) Three months ended 30 September	
	2017	2016	2017	2016
	Number of shares	Number of shares	Number of shares	Number of shares
	'000	'000	'000	'000
Number of shares Weighted average number of ordinary shares for the purpose of basic earnings per share	3,558,725	3,191,285	3,558,725	3,480,460

For the calculation of diluted earning per share, no adjustment has been made to basic earnings per share for the nine months and three months ended 31 December 2017 and 2016 as there was no dilutive potential ordinary shares in existence for the nine months and three months ended 31 December 2017, and the convertible bonds outstanding for the nine months and three months ended 31 December 2016 had an anti-dilutive effect on the basic earnings per share.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group for the nine months ended 31 December 2017 decreased by 72.27% as compared with the same period in 2016. The decrease in turnover was mainly attributable to the decrease in sales of commodity goods by approximately 98.77% over the same period last year. It is noteworthy that the turnover of the Group's blasting operations increased by approximately 2.28 times. The Group has focussed on civil explosive business and provision of blasting operations 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 nine months ended 31 December 2017 increased by 52.6% as compared with the same period in 2016. It was mainly due to the significant increase in sales quantities and transportation expenses.

Liquidity and Financial Resources

As at 31 December 2017, the net assets of the Group amounted to approximately RMB515.02 million (31 March 2017: net assets of 328.69 million). Current assets amounted to approximately RMB709.56 million (31 March 2017: RMB371.76 million) of which approximately RMB146.42 million (31 March 2017: RMB98.81 million) were cash and bank balances and approximately RMB255.52 million (31 March 2017: RMB73.88 million) were other receivables, prepayments and deposits. The Group's current liabilities amounted to approximately RMB434.15 million (31 March 2017: RMB257.69 million).

Capital Structure

Capital structure of the Group comprises equity plus debts raised by the Group net with cash and cash equivalents. There is no movement in share capital for the nine months ended 31 December 2017.

Significant Investments

During the nine months ended 30 December 2017, the Group had injected USD2,150,430 to "KM Muosir Limited Company" which has been established in Tajikistan (2016: nil).

Material Acquisitions

During the nine months ended 31 December 2017, the Group did not have material acquisitions.

Charge of Assets

As at 31 December 2017, certain trade receivables amounted to RMB34,707,000 (31 March 2017: RMB23,238,000), certain property, plant and equipment amounted to RMB106,639,000 (31 March 2017: RMB141,779,000), and certain leasehold lands amounted to RMB3,760,000 (31 March 2017: RMB3,804,000) were pledged to secure the Group's bank loans.

Capital Commitment

The following is the detail of capital expenditure contracted for but not provided as at 31 December:

	(Unaudited)	(Audited)
	31 December	31 March
	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Commitment for acquisition of property, plant and equipment	9,232	9,146

Foreign Exchange Exposure and Hedging Policy

Since most of the income and expenses as well as assets and liabilities of the Group are denominated in Renminbi and to a lesser extent in Tajikistani somoni, the Board considers that the Group has no material foreign exchange exposure and no hedging policy has been taken.

Contingent Liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities (31 March 2017: nil).

Human Resources

As at 31 December 2017, the Group had 1,939 full time employees (31 March 2017: 411) and zero part-time (31 March 2017: 4) employees in the PRC, Hong Kong and Tajikistan. Staff remuneration packages are determined by reference to prevailing market rates. Staff benefits include mandatory provident fund, personal insurance and discretionary bonus which are based on their performance and contribution to the Group.

BUSINESS OUTLOOK

Business Review

For the period ended 31 December 2017, the primary income source of the Group mainly came from civil explosive business and the bulk mineral trade business. After reviewing the business operation in recent years, the Group will focus on civil explosive business due to the fact that this operation can generate substantial and sustainable profit for the Group. Also, the Group will continue to positively expand the provision of blasting operation.

Business Outlook

The Group will continue to focus on the development of civil explosive business.

The Group will continue to put more efforts on developing the manufacturing of explosives business and make steady profit. We endeavor to expand to the downstream business and we shall continuously strive to develop mine engineering operation just as we are developing the Tibet engineering business. The Group will seek progress amidst stability, make the best of government policies such as “the Belt and Road” initiative and explore new market.

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

As at 31 December 2017, the interests or short positions of the Directors (the “Directors”) and the chief executive of the Company in the shares and underlying shares 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 <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Mr. Ma Qiang	Interest of a controlled corporation <i>(Note 3)</i>	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 section 318 of the SFO	688,053,557 ordinary shares (L) <i>(Note 4)</i>	19.33%
Mr. Xiong Zeke	Interest of a controlled corporation <i>(Note 5)</i>	80,811,927 ordinary shares (L)	2.27%
	Beneficial owner	10,573,333 ordinary shares (L) <i>(Note 5)</i>	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 section 318 of the SFO	1,657,167,368 ordinary shares (L) <i>(Note 4)</i>	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 percentage of shareholding is calculated based on the number of issued shares of the Company as at 31 December 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 interests 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.

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 31 December 2017, none of the Directors or chief executive 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 December 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 section 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 section 318 of the SFO	1,725,217,185 ordinary shares (L) <i>(Note 4)</i>	48.48%

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>
Ms. Ma Ye	Beneficial owner	124,005,000 ordinary shares (L) <i>(Note 3)</i>	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 section 318 of the SFO	1,773,378,222 ordinary shares (L) <i>(Note 4)</i>	49.83%
Mr. Liu Fali <i>(Note 5)</i>	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 section 318 of the SFO	1,657,167,368 ordinary shares (L) <i>(Note 4)</i>	46.57%
Mr. Yang Tao	Beneficial owner	272,199,268 ordinary shares (L)	7.65%
Mr. Li Man	Beneficial owner	272,179,268 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 percentage of shareholding is calculated based on the number of issued shares of the Company as at 31 December 2017.
3. These shares represented the interests 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.

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; and (4) Mr. Liu Fali was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Ma Qiang were interested.
5. Mr. Liu Fali is an executive director of the Group.

Save as disclosed herein, as at 31 December 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 required to be kept under section 336 of the SFO.

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

During the nine months ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares (nine months ended 31 December 2016: nil).

COMPETING INTERESTS

For the nine months ended 31 December 2017, none of the Directors or the management shareholders or any of their respective associates (as defined in the GEM Listing Rules) of the Company 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 nine months ended 31 December 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 nine months ended 31 December 2017.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provisions 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 is composed of the 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 draft unaudited financial statements for the nine months ended 31 December 2017 have been reviewed and commented by the members of the audit committee.

As at the date of this report, the Board comprises the following 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 (*Assistant to the Chairman*)

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

PRC, 13 February 2018

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. 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.

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