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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

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.

As at the date of this announcement, the Board comprises ten Directors. The executive Directors are Mr. Ma Qiang (Chairman), Mr. Xiong Zeke (Chief Executive Officer), Mr. Liu Fali (Chief Operating Officer), Mr. Ding Baoshan, Ms. Qin Chunhong and Mr. Ma Tianyi (assistant to the Chairman), and the independent non-executive Directors are Mr. Enhe Bayaer, Ms. Zhang Lin, Ms. Liu Talin, and Ms. Yao Yunzhu.

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.

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CORPORATE INFORMATION

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 of the Board with effect from 14 November 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Zhang Lin
Ms. Liu Talin
Mr. Enhe Bayaer
Ms. Yao Yunzhu (appointed with effect from 1 June 2017)

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

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

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

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
SMP Partners (Cayman) Limited
Royal Bank House, 3rd Floor
24 Shedden Road P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Flat A, 11/F, Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

COMPANY WEBSITE ADDRESS
www.pizugroup.com

INDEPENDENT AUDITOR
BDO Limited
25th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F., Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER
In Hong Kong
China Construction Bank (Asia) Corporation Limited
19/F, CCB Centre
18 Wang Chin Road
Kowloon Bay
Kowloon
Hong Kong

In the PRC
Bank of China
Wulatehouqi Branch
Bayan Town
Bayannur City
Inner Mongolia
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 year ended 31 March 2018 (the "Year"). 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, the profit of the Group increased substantially as compared with the same period last year. The increase was mainly arising from the principal businesses, namely the production and sales of civil explosives and the rapid development in provision of blasting service.

During the Year, the Group has been maintaining the stable development of the civil explosive business in Inner Mongolia areas, while the Group's mining engineering business with blasting service as its core operation in Tibet has also been developing stably. In addition, we also timely seized the opportunity of "One Belt One Road Initiative" policy and established a wholly-owned company in Tajikistan, Central Asia to provide blasting operations and the relevant services, which achieved satisfactory performance this year. Another non-wholly-owned subsidiary in Tajikistan, which was set up for manufacturing civil explosives as the principal business, had held a groundbreaking ceremony for the commencement of construction in May 2017 and is expected to commence its operation in the near future.

In addition, in view of the rapid growth of the Group's profits, the Group has recommended the payment of final dividend of HK$0.005 per share. The Board of the Company will actively consider the gradual establishment of a stable dividend payout policy, in order to share the results of the Group with all the shareholders.

The Group will also continue to monitor the changes in the economic environment cautiously and carry out developments in various businesses, and continue to create value for the shareholders.

Ma Qiang
Chairman

22 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS 2017-2018

Business Review

During the the financial year ended 31 March 2018 (the "Year"), the primary income source of the Group mainly came from civil explosive business and the bulk mineral trade business. After reviewing the business operations in recent years, the Group has focused 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 actively expand the provision of blasting operations.

As disclosed in the note 14 to the consolidated financial statements, the segment profit from explosives trading and blasting services amounted to RMB312.77 million.

Business Outlook

The Group will continue to focus on the development of civil explosive business and make steady profit. We endeavor to expand to downstream business and we shall continuously strive to develop mine blasting and engineering operations just as we are doing in Tibet. The Group will seek progress amidst stability, make the best of government policies such as "the Belt and Road" initiative and explore new market.

FINANCIAL REVIEW

Revenue

The Group achieved a consolidated revenue from the operations of approximately RMB1,124.58 million, representing a decrease of approximately 62.89% in comparison with year ended 31 March 2017. The decrease in turnover was mainly attributable to the decrease in sales of commodity goods by approximately 98.86% comparing with last year. It is noteworthy that the turnover of the Group's blasting operations increased by approximately 1.92 times. The Group has focused on civil explosive business and provision of blasting operations which can generate substantial and sustainable profit for the Group, and reduced sales of commodity goods business with low gross margins. The following table is the breakdowns of revenue for the Year:

	RMB'000	**Approximately % attributable to the turnover of the Group**
Sales of commodity goods	28,894	2.57%
Sales of explosives	539,989	48.02%
Provision of blasting operations	555,698	49.41%
	1,124,581	100%

Selling and distribution expenses

The selling and distribution expenses increased by 1.04 times as compared to last year. It was mainly due to the significant increase in sales quantities and transportation expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Earnings per share

The earnings per share of the Group is covered in note 13 to the consolidated financial statements.

The increase in the earnings per share is mainly due to steady revenue growth arising from the business of manufacturing and sales of explosives and provision of blasting operations and related services.

Segment Information

The segment information of the Group is covered in note 14 to the consolidated financial statements.

CAPITAL STRUCTURE

Movements in capital structure of the Group during the Year are set out in notes 25, 26, 29, 30 and 31 to the consolidated financial statements. The capital of the Group comprises equity plus debts raised by the Group net with cash and cash equivalents.

SIGNIFICANT INVESTMENTS

During the Year, the Group did not have any significant investments (2017: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Group did not have any material acquisitions and disposals.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the equity of the Group amounted to approximately RMB602.73 million (2017: RMB328.69 million). Current assets amounted to approximately RMB680.90 million (2017: RMB371.76 million) of which approximately RMB127.51 million were cash and cash equivalents and approximately RMB256.41 million (2017: RMB112.66 million) were inventories, other receivables, prepayments and deposits and finance lease receivables. The Group's current liabilities amounted to approximately RMB368.49 million (2017: RMB257.69 million).

GEARING RATIO

As at 31 March 2018, the Group's gearing ratio, calculated as total debts of approximately RMB80.00 million (2017: RMB141.74 million) divided by total assets of approximately RMB994.95 million (2017: RMB627.28 million) was 8.04% (2017: 22.60%). The decrease in gearing ratio was due to increase in profit generated for the Year.

CHARGE OF ASSETS

As at 31 March 2018, the Group's bank loans were secured by certain trade receivables amounted to RMB44,004,000 (2017: RMB23,238,000) and certain property, plant and equipment amounted to RMB95,508,000 (2017: RMB141,779,000).

CAPITAL COMMITMENT

As at 31 March 2018 and 2017, the Group's capital commitments are set out in note 34 to the consolidated financial statements.

FOREIGN CURRENCY RISK AND ANY RELEVANT ELIMINATION

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 March 2018, the Group did not have any material contingent liabilities (2017: nil).

DIVIDEND

During the Year, an interim dividend of HK$0.003 per share (2017: nil) was declared and paid in November 2017.

The Board recommends the payment of final dividend of HK$0.005 per share (2017: special final dividend of HK$0.003) for the Year which is subject to shareholders' approval at the forthcoming annual general meeting.

HUMAN RESOURCES

As at 31 March 2018, the Group employed a total of 2014 (2017: 411) full time employees in the PRC, Tajikistan and Hong Kong. Staff remuneration packages are determined with reference to prevailing market rates. Staff benefits include Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong, welfare schemes as required by the applicable laws and regulations in the PRC and Tajikistan for PRC and Tajikistan employees respectively, 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 GEM 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 ten members, comprising six executive Directors, Mr. Ma Qiang (Chairman), Mr. Xiong Zeke (Chief executive officer), Mr. Liu Fali (Chief Operating officer), Mr. Ding Baoshan, Ms. Qin Chunhong and Mr. Ma Tianyi (assistant to the Chairman of the Board with effect from 14 November 2017), and four independent non-executive Directors, Ms. Zhang Lin, Ms. Liu Talin, Mr. Enhe Bayaer and Ms. Yao Yunzhu (appointed with effect from 1 June 2017).

Save that Mr. Ma Tianyi is the son of Mr. Ma Qiang, Mr. Liu Fali is the cousin of Mr. Ma. Qiang, there are no relationships, including financial, business, family or other material relationships, among 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 16 to 19 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) and 1 general meeting with an average attendance rate of 100% and 20% 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	11	1
Name of the Directors	**Attended/Eligible to attend**	
Executive Directors		
Mr. Ma Qiang *(Chairman)*	11/11	0/1
Mr. Xiong Zeke *(Chief Executive Officer)*	11/11	1/1
Mr. Liu Fali *(Chief Operating Officer)*	10/10	0/1
Mr. Ding Baoshan	10/10	0/1
Ms. Qin Chunhong	10/10	0/1
Mr. Ma Tianyi (assistant to the Chairman of the Board with effect from 14 November 2017)	10/10	1/1
Independent non-executive Directors		
Ms. Zhang Lin	10/10	0/1
Ms. Liu Talin	10/10	0/1
Mr. Enhe Bayaer	10/10	0/1
Ms. Yao Yunzhu (appointed with effect from 1 June 2017)	9/9	0/1

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. Ma Qiang	✓	✓	✓
Mr. Xiong Zeke	✓	✓	✓
Mr. Liu Fali	✓	✓	✓
Mr. Ding Baoshan	✓	✓	✓
Ms. Qin Chunhong	✓	✓	✓
Mr. Ma Tianyi	✓	✓	✓
Ms. Zhang Lin	✓	✓	✓
Ms. Liu Talin	✓	✓	✓
Mr. Enhe Bayaer	✓	✓	✓
Ms. Yao Yunzhu (appointed with effect from 1 June 2017)	✓	✓	✓

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. Ma Qiang 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 three 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 GEM.

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 *(Chairperson of the Remuneration Committee)*	2/2
Ms. Qin Chunhong	2/2
Ms. Liu Talin	2/2
Ms. Yao Yunzhu (appointed with effect from 1 June 2017)	1/1

The Remuneration Committee has considered and reviewed the existing terms of employment contracts of the executive Directors, senior management and appointment letters of 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 RMB2.12 million (2017: RMB1.78 million). Details of the remuneration of the Directors for the Year are set out in note 9 to the consolidated financial statements.

AUDITOR'S REMUNERATION

During the Year, the remuneration in respect of audit and other services (i.e. agreed-upon-procedures in respect of the Group's continuing connected transactions) provided by auditor, amounted to approximately RMB1,481,000.

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 acknowledge their reporting responsibilities in the auditor's report on the consolidated financial statements for the Year.

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. During the Year, the Audit Committee consists of the four 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 *(Chairperson of the Audit Committee)*	4/4
Ms. Liu Talin	4/4
Mr. Enhe Bayaer	4/4
Ms. Yao Yunzhu (appointed with effect from 1 June 2017)	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 four 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
Ms. Yao Yunzhu (appointed with effect from 1 June 2017)	0/0

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. Ma Qiang (馬强), aged 50, was re-designated from a non-executive Director to an executive Director, and also was appointed as the chairman of the Company with effect from 15 November 2016. He joined the Group in 2 July 2013 as a non-executive Director. 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, and father of Mr. Ma Tianyi, both of them are executive Directors of the Company.

Mr. Xiong Zeke (熊澤科), aged 43, 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 to January 2016; 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; (iv) an independent non-executive director of Wanguo International Mining Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3939) since March 2018. 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 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".

Mr. Liu Fali (劉發利), aged 42, is a senior blasting engineer. He is an executive Director of the Company with effect from 20 October 2015 and was appointed as Chief Operating officer of the Company with effect from 1 March 2017. Mr Liu is a director of certain subsidiaries of the Group. He graduated from Jilin Art Institute 吉林藝術學院 with a bachelor's degree. Mr. Liu has more than 21 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. Since May 2015, he has been in charge of the Tibet branch of 內蒙聚力工程爆破有限公司 (Inner Mongolia Juli Engineering and Blasting Services Limited). From December 2015 to present, he served as Director of Inner Mongolia Juli Engineering and Blasting Services Limited.

Mr. Liu Fali is the cousin of Mr. Ma Qiang, the chairman and executive Director of the Company. Mr Liu Fali is also the uncle of Mr Ma Tianyi, an executive director of the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Ding Baoshan, aged 55, is an executive Director of the Company and resigned as chairman with effect from 15 November 2016. He joined the Group as an executive Director and 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. Mr. Ding is an independent director of Shanxi 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.

Ms. Qin Chunhong (**秦春紅**), aged 45, 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 on 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.

Mr. Ma Tianyi (**馬天逸**), age 23, is an executive Director and as the assistant to the Chairman of the Board since 14 November 2017. He joined the Group on 1 March 2017 as an executive Director. He is a director of Shiny Ocean since January 2018. He graduated from Downing College, University of Cambridge in June 2016 with a Bachelor's Degree in Arts, specializing in Natural Sciences Tripos. Mr. Ma Tianyi is the son of Mr. Ma Qiang (the executive director and chairman of the Company). Mr. Ma Tianyi is also the nephew of Mr. Liu Fali (the executive director and Chief Operating Officer of the Company).

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Ms. ZHANG Lin (張琳), aged 45, 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 50, 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 65, 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.

Ms. Yao Yunzhu (姚芸竹), aged 41, was appointed as an independent non-executive director with effect from 1 June 2017. She is a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company. She holds a Bachelor of Laws degree from Peking University and a master's degree from City University of Hong Kong. Ms. Yao has served as an assistant general manager of Huarong International Board of Directors since 2016. She has served as a director of policy and market research office of strategic planning and investment management department of Industrial and Commercial Bank of China (Asia) Limited, a senior manager of strategic development of COSCO Pacific Limited (COSCO Shipping Ports Limited), and was responsible for project planning, project review and strategic planning and other affairs. Ms. Yao has worked in the consular section of the Ministry of Foreign Affairs of the Peoples' Republic of China for 11 years. She has extensive experience in strategy, negotiation, operation, management and consular protection. During the above period, she has been awarded a Chevening Scholarship to study in Cambridge University.

SENIOR MANAGEMENT

Mr. Ma Gangling (馬綱領), aged 54, is the regional manager of the Group in the Republic of Tajikistan and the general manager of KM Muosir, LLC in charge of the operations in various companies. Mr. Ma obtained a college degree from Inner Mongolia Radio and Television University in July 1992, majoring in inorganic chemical engineering. From February 1992 to October 2008, he held various positions in 內蒙古烏拉山化肥有限責任公司 (Inner Mongolia Wulashan Fertilizer Co., Ltd.) (which is mainly engaged in the production of raw materials such as ammonium nitrate), including workshop director, synthetic ammonia factory manager, director of market supervision, director of sales and assistant to the general manager. He was an assistant to the general manager and the head of sales of 烏海市中榮實業有限責任公司 (Wuhai Zhongrong Industrial Co., Ltd.) from October 2008 to May 2011, which was then mainly engaged in coal production, processing, marketing and trade, and was the general manager of 烏海市西部煤化工有限責任公司 (Wuhai Western Coal Chemical Co., Ltd.) from May to November 2011, which was principally engaged in the production of coking coal. Mr. Ma also worked as the general manager and the chairman of Shengan Chemical (Inner Mongolia) from November 2011 to February 2017.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Yan Zhihe (閆志賀), aged 51, is the chief engineer of Shengan Chemical (Inner Mongolia) and is responsible for the production technologies, safety, processes and equipment management of the company. 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 certified safety engineer*) in December 2002 and January 2006 respectively. From July 1990 and February 2005, he held various positions such as engineer, senior engineer and technical 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, quality and safety management.

Mr. Zhang Yong (張勇), aged 42, has served as the chairman of Shengan Chemical (Inner Mongolia) since February 2017. He served as the general manager of Inner Mongolia Juli Engineering and Blasting Services Limited responsible for operational management from May 2015 to March 2018. Mr. Zhang obtained a college degree in finance and accounting from 內蒙古財經學院 (Inner Mongolia Finance and Economics College) in July 1997, and an intermediate accounting title in July 2008. From March 2006 to December 2007, he was the chief executive of 內蒙古雙利鐵礦有限公司 (Inner Mongolia Shuangli Iron Ore Co., Ltd.), which was then mainly engaged in iron concentrate. From January 2008 to November 2011, he held the positions such as the chief financial officer and the executive deputy general manager of 烏海市西部煤化工有限公司 (Wuhai Western Coal Chemical Co., Ltd.), which was mainly engaged in the production of coking coal. Mr. Zhang worked as the assistant general manager of Inner Mongolia Juli Engineering Explosive Co., Ltd. from December 2011 to January 2012, and the general manager of 內蒙古鄂托克旗盛安九二九化工有限責任公司 (Inner Mongolia Otog Banner Shengan 929 Chemical Limited) ("Shengan Chemical (Otog Banner)") from February 2012 to April 2015. From December 2011 to August 2016, he was also the assistant general manager of Shengan Chemical (Inner Mongolia) in charge of supply and sales.

COMPANY SECRETARY

Ms. Shen Tianwei (MAPAIS, HKICPA, CICPA) (沈天蔚), aged 45, is the Chief Financial Officer, Company Secretary and one of the authorized representatives 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 42 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

An analysis of the Group's revenue contributed by its principal activities for the Year are set out in note 5 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 39 to 40.

The financial position of the Group as at 31 March 2018 are set out in the consolidated statement of financial position on pages 41 to 42.

The interim dividend of HK$0.003 per share for the six-month period ended 30 September 2017 (six-month period ended 30 September 2016: nil) was declared and paid in November 2017.

The Board recommends the payment of final dividend of HK$0.005 per share (2017: special final dividend of HK$0.003) in respect of the Year which is subject to shareholders' approval at the next general meeting.

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 123 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 45 to 46.

DISTRIBUTABLE RESERVES

As at 31 March 2018 and 2017, the Company's distributable reserves, subject to a solvency test, amounted to approximately RMB636 million and RMB658 million respectively.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in share capital of the Company during the Year are set out in note 30 to the consolidated financial statements.

CHARITABLE DONATIONS

During the Year, the Group made charitable donations totalling RMB0.57 million (2017: RMB0.13 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.

DIRECTORS

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

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 of the Board with effect from 14 November 2017)

Independent non-executive directors

Ms. Zhang Lin
Ms. Liu Talin
Mr. Enhe Bayaer
Ms. Yao Yunzhu (appointed with effect from 1 June 2017)

DIRECTORS' REPORT

In accordance with articles 86(3) and 87(1) of the Company's Articles of Association, Mr. Ma Qiang, Ms. Qin Chunhong, Mr. Ding Baoshan and Ms. Zhang Lin 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	4

Further details of the Directors' remuneration and the five highest paid individuals for the Year are set out in notes 9 and 10 to the consolidated financial statements respectively. During the Year, Mr. Ma Qiang waived his emoluments of RMB94,000 (2017: nil).

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 Year 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 for a continuous term unless terminated by either party serving not less than 2 month's written notice to the other.

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 35 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 35 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 2018 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 2018, 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%

Name of Director	Capacity/nature of interest	Number and class of securities held	Approximate percentage of shareholding
Mr. Xiong Zeke	Interest of a controlled corporation (Note 5)	80,811,927 ordinary shares (L)	2.27%
	Beneficial owner	10,613,333 ordinary shares (L)	0.30%
Ms. Qin Chunhong	Beneficial owner	34,404,908 ordinary shares (L)	0.97%
Mr. Liu Fali	Beneficial owner	240,415,854 ordinary shares (L)	6.76%
	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%
Mr. Ma Tianyi	Beneficial owner	3,000,000 ordinary Shares (L)	0.08%

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 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.

Notes: (Continued)

4. These shares represented the interest of Mr. Ma Qiang, Mr. Ma Suocheng, Ms. Ma Ye, Ms. Ma Xia, and Mr. Liu Fali in 1,209,329,665, 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 31 March 2018, 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 2018, 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)	33.98%
Mr. Ma Suocheng	Beneficial owner	151,666,666 ordinary shares (L)	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) (Note 3)	49.05%
Ms. Ma Xia	Beneficial owner	172,166,037 ordinary shares (L)	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) (Note 3)	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)	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. Yang Tao	Beneficial owner	272,199,268 ordinary shares (L)	7.65%
Mr. Li Man	Beneficial owner	272,479,268 ordinary shares (L)	7.66%
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 31 March 2018.

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.

Save as disclosed herein, as at 31 March 2018, 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.

DIRECTORS' REPORT

ISSUE OF SECURITIES

There was no issue of securities by the Company during the year.

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 9 and 10 respectively to the consolidated financial statements.

RETIREMENT BENEFIT COST

Particulars of retirement benefit cost of the Group are set out in note 8 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 2017/2018 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:

(1) Ms. Yao Yunzhu has been appointed as independent non-executive director and members of the audit committee, the nomination committee and the remuneration committee with effect from 1 June 2017.

(2) Mr. Ma Tianyi has been appointed as an assistant to the Chairman of the Board of the Company with effect from 14 November 2017;

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Year, 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 the framework agreements ("Ordos Beian Framework Agreement") dated 28 July 2015 and 9 October 2017 entered into between Shengan Chemical (Otog Banner) and 巴彥淖爾盛安化工有限責任公司 (Bayannur Shengan Chemical Limited) ("Bayannur Shengan") as vendors 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 內蒙古生力民爆有限責任公司, which held 40% of equity interest in Shengan Chemical (Inner Mongolia) and Bayannur Shengan, indirect non-wholly owned subsidiaries of the Company and were 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 RMB158.96 million, which did not exceed the annual cap of RMB225 million for the Year.

Please refer to the circular of the Company dated 28 June 2015 and the announcements dated 9 October 2017 and 11 October 2017 for further details of the continuing connected transaction contemplated under the Ordos Beian Framework Agreement.

(2) pursuant to the framework agreements dated 2 June 2017 and 9 October 2017 between Inner Mongolia Juli Engineering and Blasting Services Limited (a subsidiary of the Group) ("Juli Engineering") as customer and Ordos Beian as supplier relating to supply of civil explosive equipment, supplies, materials and other similar items for three years. Juli Engineering purchases from Ordos Beian civil explosives at prices determined on an arm's length basis, comparable to the prevailing market rates and on terms no less favourable to the Group than those available to any independent third party.

Ordos Beian is a connected person of the Company at subsidiary level and therefore the transactions contemplated under the aforesaid framework agreement constitute continuing connected transactions under the GEM Listing Rules for the Year.

The amount of supply of civil explosives from Ordos Beian for the Year was approximately RMB45.40 million, which did not exceed the annual of RMB56 million for the Year.

Please refer to the announcements of the Company dated 2 June 2017, 9 October 2017 and 11 October 2017 for further details of the continuing connected transactions.

Save as disclosed above, none of the related party transactions referred to in note 35 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 14 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	28%
– Five largest customers in aggregate	74%

Purchases	**Percentage to total purchases of the Group (%)**
– The largest supplier of the Group	12%
– Five largest suppliers in aggregate	42%

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 Environmental, Social and Governance Report for the year ended 31 March 2018 containing all information required by the GEM Listing Rules will be published on the respective websites of GEM and the Company in due course.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's business is mainly operated by its subsidiaries in the British Virgin Islands, Hong Kong, the PRC and Tajikistan 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, Tajikistan 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

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

Ma Qiang
Chairman

China, 22 June 2018

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Pizu Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 122, which comprise the consolidated statement of financial position as at 31 March 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

FAIR VALUE MEASUREMENT IN RELATION TO ACQUISITION OF A PERMANENT LAND USE RIGHT AND PRODUCTION PERMITS

Refer to note 3.9 and note 18 to the consolidated financial statements

During the year, the Group acquired a permanent land use right and certain production permits with carrying amount of RMB32,611,000 in exchange of shares of a subsidiary incorporated in Tajikistan. The transaction is an equity-settled share-based payment which requires measurement of fair value of the assets at the date when they are obtained by the Group. The Group thereby engaged an independent professional valuer to undertake the valuation for those assets.

We have identified the fair value measurement of such land use right and the permits as a key audit matter as the carrying value of these intangible assets is significant to the consolidated financial statements of the Group and the valuation requires significant level of estimation and judgement, including selection of valuation methodologies and comparables and utilisation of the cash flow projections of the cash-generating unit (i.e. the subsidiary) prepared by the management.

OUR RESPONSE:

Our procedures in relation to management's valuation included:

(i) Evaluating the independent professional valuer's competence, capabilities and objectivity;

(ii) Evaluating and checking the accuracy of the cash flow projections in the cash-generating unit and comparing it to the latest production plan and approved budget;

(iii) Assessing the methodologies and the appropriateness of key assumptions adopted in valuations and the cash flow projections and the reasonableness of the adjustments applied to the comparables; and

(iv) Involving our internal specialist when considering the appropriateness of the methodologies and assumptions adopted in the valuations.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Chan Tsz Hung
Practising Certificate Number P06693

Hong Kong, 22 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	5	**1,124,581**	3,030,703
Cost of goods sold and services provided		**(727,281)**	(2,815,071)
Gross profit		**397,300**	215,632
Other income	6	**6,346**	2,564
Selling and distribution expenses		**(32,924)**	(16,137)
Administrative and other operating expenses		**(68,572)**	(57,727)
Other gains/(losses)			
Impairment loss on property, plant and equipment	15(iii)	**–**	(6,894)
Reversal of impairment loss/(impairment loss) on trade receivables	22	**1,282**	(3,645)
Profit from operations	7	**303,432**	133,793
Finance costs	11	**(3,631)**	(12,187)
Share of results of associates		**4,619**	(33)
Share of results of a joint venture		**(312)**	(2,700)
Profit before income tax		**304,108**	118,873
Income tax expense	12	**(43,586)**	(20,955)
Profit for the year		**260,522**	97,918
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		**(2,008)**	(4,729)
Other comprehensive income for the year		**(2,008)**	(4,729)
Total comprehensive income for the year		**258,514**	93,189

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 RMB'000	2017 RMB'000
Profit attributable to:			
Owners of the Company		**155,879**	49,187
Non-controlling interests		**104,643**	48,731
		260,522	97,918
Total comprehensive income attributable to:			
Owners of the Company		**153,875**	44,458
Non-controlling interests		**104,639**	48,731
		258,514	93,189
		RMB	RMB
Basic and diluted earnings per share	13	**0.044**	0.015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	15	**265,936**	233,581
Prepaid lease payments for land	17	**5,670**	5,873
Prepayment for purchase of property, plant and equipment	23	**4,312**	1,941
Finance lease receivables	16	**–**	10,485
Intangible assets	18	**32,972**	153
Interest in a joint venture	19	**–**	–
Interests in associates	20	**5,155**	3,494
		314,045	255,527
Current assets			
Inventories	21	**34,061**	21,640
Trade and bills receivables	22	**281,381**	141,740
Other receivables, prepayments and deposits	23	**201,616**	73,881
Prepaid lease payments for land	17	**203**	203
Finance lease receivables	16	**20,735**	17,143
Amounts due from associates	20(c)	**8,977**	1,973
Amount due from a joint venture	19(d)	**5,003**	2,800
Amounts due from shareholders	24	**312**	417
Tax recoverable		**1,101**	–
Pledged deposits	25	**–**	13,150
Cash and cash equivalents	25	**127,514**	98,810
		680,903	371,757
Current liabilities			
Trade payables	27	**99,971**	57,962
Other payables and accruals	28	**54,939**	30,238
Borrowings	26	**60,000**	101,736
Dividend payable		**14,150**	14,150
Amount due to a director	24	**–**	823
Amounts due to related companies	24	**98,000**	45,941
Amount due to ultimate holding company	24	**25,920**	–
Income tax payable		**15,505**	6,838
		368,485	257,688

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 RMB'000	2017 RMB'000
Net current assets		**312,418**	114,069
Total assets less current liabilities		**626,463**	369,596
Non-current liabilities			
Borrowings	26	**20,000**	40,000
Deferred tax liabilities	12	**3,729**	905
		23,729	40,905
Net assets		**602,734**	328,691
Capital and reserves			
Share capital	30	**40,259**	40,259
Reserves	31	**284,887**	148,094
		325,146	188,353
Non-controlling interests	32	**277,588**	140,338
Total equity		**602,734**	328,691

On behalf of the Board

Mr. Xiong Zeke
Director

Mr. Ma Tianyi
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018	2017
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax	**304,108**	118,873
Adjustments for:		
Amortisation of intangible assets	**92**	30
Amortisation of prepaid lease payments for land	**203**	203
Depreciation for property, plant and equipment	**34,752**	27,122
Finance costs	**3,631**	12,187
Loss/(gain) on disposal of property, plant and equipment	**538**	(206)
Impairment loss on property, plant and equipment	**–**	6,894
(Reversal of impairment loss)/Impairment loss on trade receivables	**(1,282)**	3,645
Interest income	**(2,592)**	(911)
Share of results of a joint venture	**312**	2,700
Share of results of associates	**(4,619)**	33
Net exchange differences	**(447)**	(1,496)
Operating profit before working capital changes	**334,696**	169,074
Increase in inventories	**(12,421)**	(12,817)
Increase in trade and bills receivables	**(138,359)**	(66,839)
Increase in other receivables, prepayments and deposits	**(127,735)**	(70,602)
Increase in trade payables	**42,009**	30,878
Increase in other payables and accruals	**24,701**	15,716
Increase in amounts due from associates	**(7,004)**	(1,585)
Cash generated from operations	**115,887**	63,825
Income tax paid	**(33,196)**	(16,191)
Net cash generated from operating activities	**82,691**	47,634

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 RMB'000	2017 RMB'000
Cash flows from investing activities		
Interest received	**2,592**	911
Proceeds from disposal of property, plant and equipment	**28,108**	7,085
Increase in amount due from a joint venture	**(2,203)**	(2,800)
Acquisition of further interest in a joint venture	**(312)**	(2,700)
Purchase of property, plant and equipment	**(86,920)**	(153,838)
Prepayments for purchase of property, plant and equipment	**(4,312)**	(4,407)
Purchase of intangible assets	**(300)**	–
Dividend received from associates	**2,958**	–
Decrease/(increase) in pledged deposits	**13,150**	(13,150)
Decrease in amounts due from related companies	**–**	432
Net cash used in investing activities	**(47,239)**	(168,467)
Cash flows from financing activities		
Interest paid for bank borrowings	**(3,631)**	(833)
Dividend paid	**(17,082)**	–
Proceeds from borrowings	**40,000**	141,736
Repayment of borrowings	**(101,736)**	–
Increase in amounts due to related companies	**52,059**	40,943
Increase in amount due to ultimate holding company	**25,920**	–
Decrease in amount due to a director	**(823)**	(903)
Decrease/(increase) in amounts due from shareholders	**105**	(93)
Net cash (used in)/generated from financing activities	**(5,188)**	180,850
Net increase in cash and cash equivalents	**30,264**	60,017
Cash and cash equivalents at beginning of the year	**98,810**	38,226
Effect of exchange rate changes on cash and cash equivalents	**(1,560)**	567
Cash and cash equivalents at end of the year	**127,514**	98,810

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Equity attributable to owners of the Company												
	Share capital RMB'000	Share premium* RMB'000 (note 31(a))	Capital distributable reserve* RMB'000 (note 31(b))	Contributed surplus* RMB'000 (note 31(c))	Restructuring reserve* RMB'000 (note 31(d))	Merger reserve* RMB'000 (note 31(e))	Convertible bonds – equity reserve* RMB'000 (note 31(f))	Foreign currency translation reserve* RMB'000 (note 31(g))	Statutory and other reserves* RMB'000 (notes 31(h) and (i))	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 April 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
Profit for the year	–	–	–	–	–	–	–	–	–	49,187	49,187	48,731	97,918
Other comprehensive income:													
Exchange differences from translation of foreign operations	–	–	–	–	–	–	–	(4,729)	–	–	(4,729)	–	(4,729)
Total comprehensive income for the year	–	–	–	–	–	–	–	(4,729)	–	49,187	44,458	48,731	93,189
Transactions with owners:													
Issue of shares upon conversion of convertible bonds (notes 29 and 30)	3,502	139,149	–	–	–	–	(48,638)	–	–	–	94,013	–	94,013
	3,502	139,149	–	–	–	–	(48,638)	–	–	–	94,013	–	94,013
Transfer to statutory and other reserves	–	–	–	–	–	–	–	–	3,994	(3,994)	–	–	–
Utilisation of other reserves	–	–	–	–	–	–	–	–	(4,159)	4,159	–	–	–
At 31 March 2017	40,259	773,878	25,141	933	89,227	(613,604)	–	(30,404)	37,847	(134,924)	188,353	140,338	328,691

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Equity attributable to owners of the Company											
	Share capital RMB'000	Share premium* RMB'000 (note 31(a))	Capital distributable reserve* RMB'000 (note 31(b))	Contributed surplus* RMB'000 (note 31(c))	Restructuring reserve* RMB'000 (note 31(d))	Merger reserve* RMB'000 (note 31(e))	Foreign currency translation reserve* RMB'000 (note 31(g))	Statutory and other reserves* RMB'000 (notes 31(h) and (i))	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 April 2017	40,259	773,878	25,141	933	89,227	(613,604)	(30,404)	37,847	(134,924)	188,353	140,338	328,691
Profit for the year	–	–	–	–	–	–	–	–	155,879	155,879	104,643	260,522
Other comprehensive income:												
Exchange differences from translation of foreign operations	–	–	–	–	–	–	(2,004)	–	–	(2,004)	(4)	(2,008)
Total comprehensive income for the year	–	–	–	–	–	–	(2,004)	–	155,879	153,875	104,639	258,514
Transactions with owners:												
Dividend paid	–	(17,082)	–	–	–	–	–	–	–	(17,082)	–	(17,082)
Dividend paid to non–controlling interest	–	–	–	–	–	–	–	–	–	–	(44,788)	(44,788)
Capital contributed by non–controlling interest	–	–	–	–	–	–	–	–	–	–	77,399	77,399
	–	(17,082)	–	–	–	–	–	–	–	(17,082)	32,611	15,529
Transfer to statutory and other reserves	–	–	–	–	–	–	–	6,148	(6,148)	–	–	–
Utilisation of other reserves	–	–	–	–	–	–	–	(8,229)	8,229	–	–	–
At 31 March 2018	40,259	756,796	25,141	933	89,227	(613,604)	(32,408)	35,766	23,036	325,146	277,588	602,734

* 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 House – 3rd Floor, 24 Shedden Road, P.O. Box 1586, 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 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 operation and related services.

The directors consider its ultimate holding 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 2018 were approved for issue by the board of directors on 22 June 2018.

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

2.1 Adoption of new or revised HKFRSs – effective on 1 April 2017

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in note to the consolidated statement of cash flows, note 36(v).

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

2.2 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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1 First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28 Investments in Associates and Joint Ventures[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11 Joint Arrangements[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12 Income Taxes[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23 Borrowing Costs[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

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

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

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

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28 Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – 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.

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

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

HKFRS 9 – Financial Instruments (Continued)

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors anticipate that the application of the expected credit loss model of HKFRS 9 may result in earlier recognition of credit losses on the Group's financial assets measured at amortised cost taking into account the estimated credit risk of customers and other debtors the Group has business with and the actual impairment of receivables experienced. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

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 five-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.

Management has performed a preliminary assessment and expects that there is no material change on the revenue recognition in regard of timing and amount on adoption of HKFRS 15 for next financial year. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

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

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

Amendments to HKFRS 15 – Clarifications to HKFRS 15 Revenue from Contracts with customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 – Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor 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.

As set out in note 33, total operating lease commitment of the Group in respect of premises and motor vehicles leased by the Group under operating lease arrangements as at 31 March 2018 amounted to RMB1,519,000. The directors of the Company have performed a preliminary assessment and consider that these arrangements will meet the definition of a lease under HKFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, more quantitative and qualitative disclosures about the leases will be made following the requirements of HKFRS 16. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

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

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

HK(IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or nonmonetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC) – Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The consolidated financial statements have been prepared on the historical cost basis.

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 4.

3.2 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") and all values are rounded to the nearest thousand except when otherwise indicated. In the opinion of the directors, it is appropriate to present the consolidated financial statements in RMB since the Group has been operating in the RMB environment and the Group has planned to continue to invest in the People's Republic of China ("PRC") in the long run.

3.3 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (see note 3.4 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.

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

3.3 Business combination and basis of consolidation (Continued)

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 interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the 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 interest. 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.

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

3.4 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.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. 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.

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	2-10 years
Furniture and equipment	3-7 years
Motor vehicles	3-8 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.

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

3.5 Property, plant and equipment (Continued)

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.

3.6 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 expenses.

3.7 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.

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. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

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.

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

3.8 Joint arrangement

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- *Joint ventures:* where the Group has rights to only the net assets of the joint arrangement; or
- *Joint operations:* where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see note 3.7).

Any premium paid for an investment in a joint venture 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 investment in a joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets (note 3.11).

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

3.9 Intangible assets

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 3.11).

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

Acquired computer software	3-10 years
Patents	10 years

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

Intangible assets with indefinite useful lives are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (note 3.11).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

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

3.9 Intangible assets (Continued)

Internally generated intangible assets (research and development costs) (Continued)

Capitalised development costs are amortised over the periods the Group expects to be benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of goods sold.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred and are included in administrative and other operating expenses.

3.10 Leases

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 lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

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 an integrated part of the total rental expenses, over the term of the lease.

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

3.11 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;
- Intangible assets;
- Interests in associates; and
- Interest in a joint venture.

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 cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

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.

Impairment loss recognised for a CGU is charged pro rata to the 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 reversed if there has been a favourable change in the estimates used to determine the asset's or CGU'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.

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

3.12 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.

3.13 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 fair value through profit or loss 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.

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.

(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.

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

3.13 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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.

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

3.13 Financial instruments (Continued)

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, amounts due to related parties, borrowings, and the debt element of convertible bonds issued by the Group (note (iv)) are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

(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 loan notes 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.

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

3.13 Financial instruments (Continued)

(iv) Convertible bonds (Continued)

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.

(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.

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

3.14 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.

3.15 Recognition of revenue and other income

Revenue and other income are recognised when it is probable that economic benefits will flow to the Group and the income and costs, if applicable, can be measured reliably on the following basis:

(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.

(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 blasting operations is recognised when the services are rendered.

(iv) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate. Interest income from finance leases is set out in note 3.10.

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

3.16 Income taxes

Income taxes 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 reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, 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 or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

3.17 Foreign currency

Transactions entered into by group entities 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.

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

3.17 Foreign currency (Continued)

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 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 the profit or loss on disposal.

3.18 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.

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

3.18 Employee benefits (Continued)

(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 Company 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 and the Republic of Tajikistan ("Tajikistan") 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 and Tajikistan 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) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

3.19 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.

3.20 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.

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

3.21 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.

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

3.21 Related parties (Continued)

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.

3.22 Segment reporting

Operating segments, and the amounts of each segment item reported in the 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.

3.23 Share-based payments

All share-based payment arrangements are recognised in the financial statements. The Group recognised the goods and services received or acquired in a share-based payment transactions when it obtains the goods or as services are received.

For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods and services received, unless that fair value cannot be estimated reliably. If the fair value cannot be estimated reliably, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements used in preparing 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.

4.1 Estimation uncertainty

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 adopted 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:

i) 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.

ii) Impairment of loans and receivables

Recoverability of loans and receivables are reviewed by management based on the aging characteristics of the loans or receivables, and the current creditworthiness and past collection history of customers or debtors. Significant estimation and 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.

iii) Current tax and deferred tax

Estimation and 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

4.1 Estimation uncertainty (Continued)

iv) Share-based payment transaction

During the year, the Group acquired a permanent land use right and production permits through granting of shares in a subsidiary to a non-controlling shareholder. The transaction is an equity-settled share-based payment transaction and requires the Group to measure the fair value of the land use right and the production permits when it obtains these assets. The fair value measurement also utilises management's projection which involve significant management's estimates and assumptions.

4.2 Critical judgement in applying accounting policies

Lease arrangements

In determining whether the leases entered in to with the independent third parties as mentioned in note 16 fall in to finance leases or operating leases, management has considered the substance of the arrangements in concluding if substantially all the risks and rewards incidental to the leased assets are transferred. This assessment requires significant management judgement.

5. REVENUE

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

	2018 **RMB'000**	2017 RMB'000
Sales of commodity goods	**28,894**	2,525,519
Sales of explosives	**539,989**	314,700
Provision of blasting operations	**555,698**	190,484
	1,124,581	3,030,703

6. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Bank interest income	**627**	122
Interest income on finance leases	**1,965**	789
Gain on disposal of property, plant and equipment	**–**	206
Rental income	**2,243**	–
Net foreign exchange gain	**–**	727
Sundry income	**1,511**	720
	6,346	2,564

7. PROFIT FROM OPERATIONS

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

	2018 RMB'000	2017 RMB'000
Amortisation of prepaid lease payments for land	**203**	203
Amortisation of intangible assets*	**92**	30
Auditor's remuneration:		
– annual audit	**1,470**	1,344
– other services	**11**	298
	1,481	1,642
Costs of inventories recognised as expenses	**290,597**	2,657,207
Depreciation for property, plant and equipment	**34,752**	27,122
Lease payments under operating leases	**1,839**	1,120
Net foreign exchange loss/(gain)	**883**	(727)
Loss/(gain) on disposal of property, plant and equipment, net	**538**	(206)
Research and development costs*	**17,192**	12,865
Staff costs (including directors' emoluments) (note 8)	**77,086**	42,179

* included in administrative and other operating expenses in the consolidated statement of comprehensive income

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2018	2017
	RMB'000	RMB'000
Salaries, wages and other benefits	**70,249**	38,634
Contributions to defined contribution retirement plans (note)	**6,837**	3,545
	77,086	42,179

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.

The Group has contributed to the state pension scheme of Tajikistan, which is administrated by the State Social Fund. The pension scheme is a defined contribution scheme. The Group does not have any pension arrangements separate from the state pension system of Tajikistan. In addition, the Group has no post-retirement benefits or other significant compensation plan in Tajikistan.

As at 31 March 2018, the Group had no forfeited contributions available for reducing contributions to retirement plans in future years (2017: nil).

9. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
For the year ended 31 March 2018				
Executive directors				
Ding Baoshan	102	–	–	102
Qin Chunhong	204	–	–	204
Xiong Zeke	459	315	–	774
Liu Fali	102	–	–	102
Ma Tianyi	306	245	–	551
Ma Qiang*	–	–	–	–
Independent non-executive directors				
Enhe Bayaer	102	–	–	102
Liu Talin	102	–	–	102
Zhang Lin	102	–	–	102
Yao Yunzhu (appointed on 1 June 2017)	85	–	–	85
	1,564	560	–	2,124
For the year ended 31 March 2017				
Executive directors				
Ding Baoshan	296	–	–	296
Qin Chunhong	209	–	–	209
Xiong Zeke	470	266	–	736
Liu Fali	104	–	–	104
Ma Tianyi (appointed on 1 March 2017)	26	–	–	26
Ma Qiang (re-designated on 15 November 2016)	96	–	–	96
Independent non-executive directors				
Enhe Bayaer	104	–	–	104
Liu Talin	104	–	–	104
Zhang Lin	104	–	–	104
	1,513	266	–	1,779

No incentive payment or compensation for loss of office was paid or payable to any directors during the year ended 31 March 2018 (2017: nil).

* During the year, Mr. Ma Qiang waived his emoluments of RMB94,000 (2017: nil).

10. FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT EMOLUMENTS

During the year ended 31 March 2018, two (2017: two) of the directors whose emoluments are disclosed in note 9 were among the five individuals of the Group with the highest emoluments. The emoluments of the remaining three (2017: three) highest paid non-director individuals for the current year are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries, allowances and other benefits in kind	**1,489**	1,422
Contributions to defined contribution retirement plans	**15**	16
	1,504	1,438

The emoluments of each of the three (2017: three) highest paid non-director individuals are within the following band:

	2018 **No. of individuals**	2017 No. of individuals
Nil to HK$1,000,000	**3**	3

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

	2018 **No. of individuals**	2017 No. of individuals
Nil to HK$1,000,000	**4**	4

11. FINANCE COSTS

	2018 **RMB'000**	2017 RMB'000
Imputed interest on convertible bonds (note 29)	**–**	11,354
Interests charge on bank loan and other borrowings	**3,631**	833
Total interest expense for financial liabilities not at fair value through profit or loss	**3,631**	12,187

12. INCOME TAX EXPENSE

Income tax expense comprises:

	2018 **RMB'000**	2017 *RMB'000*
Current tax for the year		
PRC Enterprise Income Tax ("EIT")		
– provision for the year	**37,629**	20,171
– under/(over)-provision in respect of previous years	**281**	(121)
Tajikistan Corporate Income Tax		
– provision for the year	**2,852**	–
	40,762	20,050
Deferred tax for the year	**2,824**	905
	43,586	20,955

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for a year. Two subsidiaries which are incorporated in Tajikistan is subject to a corporate income tax rate of 23% (for activities other than goods production) and 13% (for activity of goods production) respectively. EIT is calculated at the applicable PRC enterprise income tax 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 29 August 2014 and such period is further extended for 3 years to 24 August 2020 after the review by the tax authority on 25 August 2017. Another subsidiary is entitled to preferential tax rate of 15% for a period of 3 years from 29 November 2016.

12. INCOME TAX EXPENSE (Continued)

(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. During the year, there was no further announcement of preferential tax treatment from the authority and the applicable rate is estimated to be 15% from 31 December 2017 onwards.

No provision for Hong Kong profits tax is made for current year and prior year as there is no assessable profits arising in Hong Kong for both years.

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

	2018 **RMB'000**	2017 RMB'000
Profit before income tax	**304,108**	118,873
Tax calculated at the rates applicable to the tax jurisdictions concerned	**76,408**	31,645
Tax effect of exemptions granted to PRC subsidiaries	**(34,096)**	(15,523)
Tax effect of non-deductible expenses	**2,795**	5,399
Tax effect of non-taxable income	**(1,001)**	(710)
Tax effect of share of results of associates	**(1,155)**	8
Tax effect of share of results of a joint venture	**(78)**	675
Tax loss not recognised	**73**	416
Utilisations of tax loss previously not recognised	**(2,465)**	(1,739)
Under/(over)-provision in respect of previous years	**281**	(121)
Effect of withholding tax on the undistributed profits of the Group's PRC subsidiaries	**2,824**	905
Income tax expense	**43,586**	20,955

As at 31 March 2018, the Group had unused tax losses arising in the PRC and Hong Kong of RMB2,535,000 (2017: RMB14,259,000) and RMB6,914,000 (2017: RMB6,726,000) 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.

12. INCOME TAX EXPENSE (Continued)

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividend declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008 and the applicable tax rate is 5%.

Deferred tax liabilities of RMB3,729,000 (2017: RMB905,000) have been recognised in respect of temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounting to RMB74,585,000 (2017: RMB18,103,000). No deferred tax liability has been recorded on the remaining temporary differences of RMB223,753,000 (2017: RMB54,309,000) 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.

There was no significant unrecognised deferred tax liability (2017: nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries in other jurisdictions.

13. EARNINGS PER SHARE

Basic earnings per share

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

	2018	2017
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	**155,879**	49,187

	2018	2017
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,558,725**	3,279,123

Diluted earnings per share

There was no potential dilutive share during the year ended 31 March 2018. For the year ended 31 March 2017, no adjustment has been made to basic earnings per share as the convertible bonds (note 29) outstanding during that year had an anti-dilutive effect on the basic earnings per share amount presented.

14. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provide information about components of the Group. The 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.

- Bulk mineral trade: trading of non-ferrous metals and minerals in Hong Kong and the PRC
- Explosives trading and blasting services: manufacturing and sale of explosives and provision of blasting operations in the PRC and Tajikistan

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 including directors' emolument and finance costs incurred for convertible bonds which are managed on group basis are not allocated to individual segments. Segment profit/loss also exclude tax, other income and other operating expenses which are 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, tax recoverable and unallocated 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 amounts due to related parties and unallocated corporate liabilities.

14. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment revenue and segment results

For the year ended 31 March 2018

	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	Total RMB'000
Segment revenue			
External sales	**28,894**	**1,095,687**	**1,124,581**
Segment (loss)/profit	**(2,190)**	**312,766**	**310,576**
Unallocated other income			**3,863**
Unallocated corporate expenses			**(10,331)**
Profit before income tax			**304,108**

For the year ended 31 March 2017

	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	Total RMB'000
Segment revenue			
External sales	2,525,519	505,184	3,030,703
Segment (loss)/profit	(2,227)	140,893	138,666
Unallocated other income			1,774
Unallocated corporate expenses			(10,213)
Unallocated finance costs			(11,354)
Profit before income tax			118,873

14. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

As at 31 March 2018

	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	Total RMB'000
Segment assets	2,204	962,631	964,835
Amounts due from related parties			14,292
Tax recoverable			1,101
Unallocated cash and cash equivalents			10,642
Unallocated corporate assets			4,078
Consolidated total assets			994,948
Segment liabilities	148	232,146	232,294
Amount due to related parties			123,920
Dividend payable			14,150
Income tax payable			15,505
Deferred tax liabilities			3,729
Unallocated corporate liabilities			2,616
Consolidated total liabilities			392,214

14. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 March 2017

	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	Total RMB'000
Segment assets	16,282	569,537	585,819
Amounts due from related parties			5,190
Pledged deposits			13,150
Unallocated cash and cash equivalents			22,739
Unallocated corporate assets			386
Consolidated total assets			627,284
Segment liabilities	22,570	207,309	229,879
Amount due to related parties			46,764
Dividend payable			14,150
Income tax payable			6,838
Deferred tax liabilities			905
Unallocated corporate liabilities			57
Consolidated total liabilities			298,593

14. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2018

	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to specified non-current assets	–	126,396	–	126,396
Interest income	–	(1,965)	(627)	(2,592)
Interest expenses	292	3,339	–	3,631
Depreciation and amortisation	6	35,041	–	35,047
Reversal of impairment loss on trade receivables	–	(1,282)	–	(1,282)
Share of results of a joint venture	–	312	–	312
Share of results of associates	–	(4,619)	–	(4,619)

14. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 March 2017

	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to specified non-current assets	3	158,242	–	158,245
Interest income	–	(789)	(122)	(911)
Interest expenses	317	516	11,354	12,187
Depreciation and amortisation	8	27,346	1	27,355
Impairment loss on property, plant and equipment	–	6,894	–	6,894
Impairment loss on trade receivables	–	3,645	–	3,645
Share of results of a joint venture	–	2,700	–	2,700
Share of results of associates	–	33	–	33

14. 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, the PRC and Tajikistan.

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	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (country of domicile)	**796,457**	505,184	**244,672**	245,028
Hong Kong	**17,989**	2,525,519	**7**	14
Tajikistan	**310,135**	–	**69,366**	–
	1,124,581	3,030,703	**314,045**	245,042

Information about major customers

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

	2018	2017
	RMB'000	RMB'000
Explosive trading and blasting services		
– Customer A	**310,135**	N/A
– Customer B	**238,863**	N/A
– Customer C	**158,955**	N/A
Bulk mineral trade		
– Customer D	**N/A**	1,096,882
– Customer E	**N/A**	711,744
– Customer F	**N/A**	352,040

Customers A, B and C contributed less than 10% of total revenue of the Group during the year ended 31 March 2017.

Customers D, E and F contribute less than 10% of total revenue of the Group during the year ended 31 March 2018.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	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 2016	74,951	167	66,248	4,039	11,351	599	157,355
Acquisition of blasting assets (note (ii))	23,895	–	62,416	–	67,527	–	153,838
Other additions	255	–	14,885	33	26,222	5,503	46,898
Transfer	5,169	–	599	–	–	(5,768)	–
Disposal	–	–	(15,315)	(18)	(18,942)	–	(34,275)
Exchange alignment	–	11	–	9	–	–	20
As at 31 March 2017	104,270	178	128,833	4,063	86,158	334	323,836
Additions	2,912	–	10,188	281	51,292	24,188	88,861
Disposal	–	–	(696)	(58)	(22,789)	(104)	(23,647)
Exchange alignment	–	(18)	–	(13)	–	–	(31)
As at 31 March 2018	107,182	160	138,325	4,273	114,661	24,418	389,019
Accumulated depreciation and impairment:							
As at 1 April 2016	22,298	167	29,095	2,687	6,684	–	60,931
Depreciation	4,303	–	13,087	601	9,131	–	27,122
Impairment loss (note (iii))	3,955	–	2,848	91	–	–	6,894
Written back upon disposal	–	–	(3,419)	(5)	(1,288)	–	(4,712)
Exchange alignment	–	11	–	9	–	–	20
As at 31 March 2017	30,556	178	41,611	3,383	14,527	–	90,255
Depreciation	4,723	–	14,867	373	14,789	–	34,752
Written back upon disposal	–	–	(129)	(55)	(1,710)	–	(1,894)
Exchange alignment	–	(18)	–	(12)	–	–	(30)
As at 31 March 2018	35,279	160	56,349	3,689	27,606	–	123,083
Net carrying amount:							
As at 31 March 2018	71,903	–	81,976	584	87,055	24,418	265,936
As at 31 March 2017	73,714	–	87,222	680	71,631	334	233,581

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(i) As at 31 March 2018, certain property, plant and equipment amounted to RMB95,508,000 (2017: RMB141,779,000) were pledged to secure the Group's bank loans (note 26).

(ii) During the year ended 31 March 2017, the Group acquired certain blasting assets including equipment, machinery, vehicles, buildings, mining facilities, inventories and accessories etc. amounting to RMB153,838,000 (net of tax). Such blasting assets were used for the provision of blasting and related services for the mining projects that the Group has successfully bid in early 2016.

(iii) During the year ended 31 March 2017, certain production lines from the explosive trading and blasting services segment of RMB6,894,000 were fully impaired because the Group had ceased to use them for production. The recoverable amount of these assets was determined based on the fair values less costs of disposal. The fair value less cost of disposal was determined with reference to scrap values of these assets which were considered minimal. The fair value measurement was a level 2 fair value measurement.

16. FINANCE LEASE RECEIVABLES

During the year, the Group leases certain self-used machineries and motor vehicles to independent third parties. These leases have lease terms of two years. At the end of the leases, the title of these assets will be passed to the independent third parties. The leases are classified as finance leases. Sale proceeds receivable from the counterparties for disposal of the assets represents the present value of the minimum lease payments receivable from them over the lease period, computed at market rate of interest, as follows:

	Minimum lease payments 2018 RMB'000	**Present value of minimum lease payments 2018 RMB'000**	Minimum lease payments 2017 RMB'000	Present value of minimum lease payments 2017 RMB'000
Finance lease receivables:				
Within one year	**21,145**	**20,735**	18,337	17,143
In the second to fifth years, inclusive	**–**	**–**	10,698	10,485
	21,145	**20,735**	29,035	27,628
Less: unearned finance income	**(410)**		(1,407)	
Total net finance lease receivables	**20,735**		27,628	

16. FINANCE LEASE RECEIVABLES (Continued)

	2018 RMB'000	2017 RMB'000
Analysed for reporting purposes as:		
Current assets	**20,735**	17,143
Non-current assets	**–**	10,485
	20,735	27,628

17. PREPAID LEASE PAYMENTS FOR LAND

	2018 RMB'000	2017 RMB'000
Carrying amount at beginning of the year	**6,076**	6,279
Charged to profit or loss during the year (note 7)	**(203)**	(203)
Carrying amount at end of the year	**5,873**	6,076
Less: Amounts classified as current assets	**(203)**	(203)
Amounts classified as non-current assets	**5,670**	5,873

The prepaid lease payments for land represent the Group's interests in certain leasehold lands in the PRC. As at 31 March 2017, certain leasehold lands amounted to RMB3,804,000 were pledged to secure the Group's bank loans (note 26). The relevant bank loan was fully repaid by the Group during the year ended 31 March 2018.

18. INTANGIBLE ASSETS

	Permanent land use right* RMB'000	Production permits RMB'000	Computer software RMB'000	Patents RMB'000	Total RMB'000
Cost:					
As at 1 April 2016 and 31 March 2017	–	–	9	298	307
Additions	3,060	29,551	300	–	32,911
As at 31 March 2018	3,060	29,551	309	298	33,218
Accumulated amortisation:					
As at 1 April 2016	–	–	9	115	124
Charge for the year	–	–	–	30	30
As at 31 March 2017	–	–	9	145	154
Charge for the year	–	–	62	30	92
As at 31 March 2018	–	–	71	175	246
Net carrying amount:					
As at 31 March 2018	3,060	29,551	238	123	32,972
As at 31 March 2017	–	–	–	153	153

* As at 31 March 2018, the Group has obtained the official approval from the local government and the relevant documentation from the land authority in Tajikistan relating to the permanent land use right. Accordingly, the directors consider the Group has the ownership of the land use right despite that the issuance of the land use right certificate is in progress.

The useful life of the permanent land use right in Tajikistan and the production permits is estimated by the Group's management to be indefinite. The assets are tested for impairment annually, and no impairment provision was recorded as at 31 March 2018 (2017: nil).

18. INTANGIBLE ASSETS (Continued)

Impairment testing of intangible assets with indefinite useful lives

The permanent land use right and production permits with indefinite useful lives have been allocated to the following cash-generating unit for impairment testing:

KM Muosir Limited Liability Company ("KM Muosir")

The recoverable amount of KM Muosir has been determined based on a value-in-use calculation using cash flow projects based on financial forecasts covering a five-year period approved by the Group's management. Management adopted average growth rate and operating margin of 8% and 45% respectively. The discount rate applied to the cash flow projections is 29%. The growth rate used to extrapolate the cash flows of KM Muosir beyond the five-year period is 3%.

The discount rate used is pre-tax and reflect specific risk relating to KM Muosir. The operating margin and growth rate within five-year period have been based on management's past experience in explosive business. The growth rate used to extrapolate the cash flows of KM Muosir beyond the five-year period has been determined with reference to the long term average growth rate of the explosive industry.

As at 31 March 2018, the value in use of the cash-generating unit exceeded its carrying amount, and hence the permanent land use right and production permits allocated to this cash-generating unit were not regarded as impaired.

19. INTEREST IN A JOINT VENTURE

	2018 RMB'000	2017 RMB'000
Share of net assets	–	–

(a) Acquisition of a joint venture

During the year ended 31 March 2017, the Group completed the acquisition from a third party (the "Vendor") 50% equity interest in a PRC entity, 陝西小山川礦產資源開發建設有限公司 (Shaanxi Xiaoshan Chuan Mineral Resources Development and Construction Co., Ltd) (Note) ("Shaanxi Mining") and entered into joint arrangement with the Vendor regarding the management and operations of Shaanxi Mining. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence. The Group's interest in Shaanxi Mining is accounted for as joint venture.

The fair value of consideration and identifiable assets and liabilities of Shaanxi Mining attributable to the Group, as at the completion date of the acquisition, are set out below:

	RMB'000
Fair value of consideration satisfied by cash	2,700
Fair value of identifiable assets and liabilities of Shaanxi Mining attributable to the Group	2,700

Note:

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

19. INTEREST IN A JOINT VENTURE (Continued)

(b) Details of the joint venture are as follows:

Name of joint venture	Form of business structure	Registered capital	Place of establishment and operation	Principal activities	Percentage of ownership interests/voting rights/ profit share held by the Group	
					2018	2017
Shaanxi Mining	Limited liability company	RMB90 million	PRC	Construction of mining trails, tunnels, public and residential buildings; mechanical and electrical equipment engineering installation; prefabricated components of the experiment; sale of ready-mixed concrete	**51%** (Note)	50%

Note:

During the year ended 31 March 2018, the Group further acquired 1% equity interest in the joint venture at a cash consideration of RMB312,000.

(c) The summarised financial information in respect of the Group's joint venture which is considered by the directors as immaterial is set out below:

	2018 RMB'000	2017 RMB'000
Share of the joint venture's loss for the year	**(312)**	(2,700)
Share of the joint venture's total comprehensive income for the year	**(312)**	(2,700)
Carrying amount of the Group's joint venture	**–**	–

(d) Amount due from a joint venture is interest-free, unsecured and repayable on demand.

20. INTERESTS IN ASSOCIATES

	2018	2017
	RMB'000	RMB'000
Share of net assets	**5,155**	3,494

(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	
				2018	2017
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 operation 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.

20. INTERESTS IN ASSOCIATES (Continued)

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

	2018 RMB'000	2017 RMB'000
Profit/(loss) from continuing operations	**13,045**	(157)
Total comprehensive income	**13,045**	(157)
Dividend received from associates	**2,958**	–

(c) Amounts due from associates are interest-free, unsecured and repayable on demand. Amounts due from associates mainly arose from entering into trading transactions with an associate as detailed in note 35(a).

21. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	**31,808**	19,653
Finished goods	**2,253**	1,987
	34,061	21,640

22. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	RMB'000
Trade receivables, net	**237,219**	83,526
Bills receivables	**44,162**	58,214
	281,381	141,740

Bills receivables generally have credit terms ranging from three to six months. Customers of bulk mineral trade are usually required to pay deposits before good delivery. Trade receivables of sales of explosives are due upon presentation of invoices, while the Group grants credit period ranging from 0-60 days to its customers of provision of blasting operations.

Included in trade receivables are retention receivables of RMB40,135,000 (2017: RMB11,426,000) which are due for settlement for the year ending 31 March 2021.

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

	2018	2017
	RMB'000	RMB'000
0-30 days	**127,189**	47,841
31-90 days	**66,040**	16,962
91 days to 1 year	**19,306**	14,896
Over 1 year	**24,684**	3,827
	237,219	83,526

As at 31 March 2018 and 2017, all bills receivables are aged within 1 year.

The below table reconciled the impairment loss of trade receivables for the year:

	2018	2017
	RMB'000	RMB'000
At 1 April	**3,645**	–
Impairment loss recognised	**–**	3,645
Reversal of impairment loss	**(1,282)**	–
At 31 March	**2,363**	3,645

22. TRADE AND BILLS RECEIVABLES (Continued)

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

	2018 RMB'000	2017 RMB'000
0-30 days past due	**126,285**	28,891
31-90 days past due	**62,366**	16,962
91 days to 1 year past due	**6,979**	14,896
Over 1 year past due	**1,454**	3,827
	197,084	64,576

Trade receivables that were past due but no impairment provision is recognised as these receivables 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 2018 and 2017 were past due.

Trade receivables of RMB44,004,000 (2017: RMB23,238,000) were pledged to secure the Group's bank loans (note 26).

23. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2018 RMB'000	2017 RMB'000
Prepayments for purchase of property, plant and equipment	**4,312**	1,941
Other prepayments	**19,076**	44,886
Deposits and other receivables	**182,540**	28,995
	205,928	75,822
Less: Amounts classified as current assets	**(201,616)**	(73,881)
Amounts classified as non-current assets, representing prepayments for purchase of property, plant and equipment	**4,312**	1,941

24. AMOUNTS DUE FROM/TO SHAREHOLDERS/RELATED COMPANIES/ULTIMATE HOLDING COMPANY/A DIRECTOR

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

The amounts due from/to the parties mainly represented advances to/from these parties.

25. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2018	2017
	RMB'000	RMB'000
Cash at banks and on hand	**127,514**	111,960
Less: Deposits pledged for bank loans	**–**	(13,150)
	127,514	98,810

Cash at banks earns interest at floating rates based on daily bank deposit rates. Included in bank balances and cash of the Group as at 31 March 2018 were amounts of RMB110,188,000 (2017: RMB73,180,000) 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.

26. BORROWINGS

	2018 RMB'000	2017 RMB'000
Secured bank loans		
Current	**60,000**	101,736
Non-current	**20,000**	40,000
	80,000	141,736

As at 31 March 2018 and 2017, total current and non-current bank loans were scheduled to repay as follows:

	2018 RMB'000	2017 RMB'000
On demand or within one year	**60,000**	101,736
More than one year, but not exceeding two years	**20,000**	20,000
More than two years, but not exceeding five years	**–**	20,000
	80,000	141,736

Notes:

(a) The Group's bank loans are secured by the pledge of certain trade receivables and property, plant and equipment amounting to RMB44,004,000 (2017: RMB23,238,000) and RMB95,508,000 (2017: RMB141,779,000) respectively.

As at 31 March 2017, the bank loans were also secured by the pledge of certain leasehold land and bank deposits amounting to RMB3,804,000 and RMB13,150,000 respectively. The relevant bank loans have been repaid by the Group during the year ended 31 March 2018.

(b) For the year ended 31 March 2017, except for the bank loans of HKD5,600,000 (equivalent to RMB4,984,000) and USD1,030,000 (equivalent to RMB7,150,000) borrowed by a subsidiary in Hong Kong, all borrowings are denominated in RMB.

For the year ended 31 March 2018, all borrowings are denominated in RMB.

(c) The effective interest rate for the bank loans ranged from 2.35% to 6.09% per annum (2017: 2.35% to 6.09% per annum).

27. 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:

	2018 RMB'000	2017 RMB'000
0-180 days	**97,237**	55,485
181-365 days	**1,860**	1,262
Over 1 year	**874**	1,215
	99,971	57,962

28. OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000
Other payables and accruals	**51,637**	25,291
Receipt in advance	**3,302**	4,947
	54,939	30,238

As at 31 March 2017, included in other payables and accruals was an amount due to the non-controlling interests of the Group amounting to RMB6,000,000 which was interest-free, unsecured and repayable on demand. The amount was fully repaid during the year ended 31 March 2018.

29. CONVERTIBLE BONDS

On 28 July 2015, 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 of the entire issue share capital of Ample Ocean Holdings Limited ("Ample Ocean"). During the year ended 31 March 2017, all outstanding convertible bonds were converted at the conversion price into ordinary shares of the Company. The conversion has resulted in derecognition of the liability component of the convertible bonds to the extent of RMB94,013,000 and transfer of convertible bond equity reserve amounting to RMB48,638,000 to the share premium account.

The movements of the liability component and equity component of the convertible bonds during the year ended 31 March 2017 are set out below:

	Liability component	**Equity component**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 April 2016	78,859	48,638	127,497
Imputed interest expense (note 11)	11,354	–	11,354
Conversion into ordinary shares	(94,013)	(48,638)	(142,651)
Exchange realignment	3,800	–	3,800
As at 31 March 2017	–	–	–

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

30. SHARE CAPITAL

	2018			2017		
	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 and end of the year	**5,000,000**	**50,000**		5,000,000	50,000	
Issued and fully paid:						
Ordinary shares of HK$0.01 each						
At beginning of the year	**3,558,725**	**35,586**	**40,259**	3,156,168	31,561	36,757
Issue of shares upon conversion of convertible bonds (note)	**–**	**–**	**–**	402,557	4,025	3,502
At end of the year	**3,558,725**	**35,586**	**40,259**	3,558,725	35,586	40,259

Note:

During the year ended 31 March 2017, 402,557,222 ordinary shares were issued to certain bond holders upon the conversion of the convertible bonds, which resulted in the increase in share capital and share premium of approximately RMB3,502,000 and RMB139,149,000 respectively.

31. 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. 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.

(d) Restructuring reserve

The restructuring reserve arose from the restructuring transactions conducted within Ample Ocean and its subsidiaries (the "Ample Ocean Group") in previous years prior to the completion of the acquisition of the Ample Ocean Group.

(e) Merger reserve

Merger reserve arose upon completion of acquisition of the Ample Ocean Group by the Company. The acquisition was accounted for by applying principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations.

31. RESERVES (Continued)

(f) Convertible bonds equity reserve

The convertible bonds equity reserve comprised the carrying value of equity component of unconverted convertible bonds issued by the Company which were recognised in accordance with the accounting policy adopted for convertible bonds.

(g) Foreign currency translation reserve

The foreign currency translation reserve comprises exchange differences arising from the translation of the financial statements of foreign operations.

(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.

32. NON-CONTROLLING INTERESTS ("NCI")

內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited) ("Shengan Chemical (Inner Mongolia)") and KM Muosir, two partially owned subsidiaries of the Company, have material NCIs as at 31 March 2018. The percentages of equity interest held by the NCIs were 40% (2017: 40%) and 49.99% (2017: nil) as at 31 March 2018 respectively.

Summarised financial information in relation to the NCIs of Shengan Chemical (Inner Mongolia) and KM Muosir, before intra-group eliminations, is presented below:

2018	Shengan Chemical (Inner Mongolia) RMB'000	KM Muosir RMB'000
Non-current assets	244,673	61,586
Current assets	577,113	8,949
Non-current liabilities	(20,000)	–
Current liabilities	(186,857)	(7,290)
Net assets	614,929	63,245
Accumulated NCI	245,972	31,616
Revenue	792,283	–
Profit/(loss) for the year	264,083	(1,981)
Total comprehensive income	264,083	(1,988)
Profit/(loss) allocated to NCI	105,633	(990)
Total comprehensive income allocated to NCI	105,633	(994)
Dividend paid to NCI	44,788	–
Capital contributed by NCI	44,788	32,611
Net cash inflows/(outflows) from operating activities	77,377	(2,764)
Net cash outflows from investing activities	(15,434)	(29,109)
Net cash (outflows)/inflows from financing activities	(22,715)	35,201

32. NON-CONTROLLING INTERESTS ("NCI")(Continued)

2017	Shengan Chemical (Inner Mongolia) RMB'000
Non-current assets	255,514
Current assets	318,930
Non-current liabilities	(40,000)
Current liabilities	(183,598)
Net assets	350,846
Accumulated NCI	140,338
Revenue	505,184
Profit for the year	121,828
Total comprehensive income	121,828
Profit allocated to NCI	48,731
Net cash inflows from operating activities	116,494
Net cash outflows from investing activities	(206,431)
Net cash inflows from financing activities	128,484

33. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases out certain of its machines and motor vehicles under operating lease arrangements, with leases negotiated for terms of 1 to 2 years. The terms of the leases require the tenants to pay rents according to the usage of the leased assets.

As at 31 March 2018, the Group had total future minimum lease receivable under non-cancellable operating lease with its tenants falling due as follows:

	2018	2017
	RMB'000	RMB'000
Within one year	**3,265**	–

(b) As lessee

The Group leases certain of its office premises and motor vehicles under operating lease arrangements. The leases run for a lease term of 1 to 2 years (2017: 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.

As at 31 March 2018, the total future minimum lease payments payable by the Group under non-cancellable operating lease are as follows:

	2018	2017
	RMB'000	RMB'000
Within one year	**1,063**	667
In the second to fifth year inclusive	**456**	–
	1,519	667

34. CAPITAL COMMITMENTS

	2018	2017
	RMB'000	RMB'000
Acquisition of property, plant and equipment	**3,471**	9,146
Capital contribution to an investee company	**25,000**	–

35. 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 2018 RMB'000	Transaction amount 2017 RMB'000
(i)	內盛安保安有限責任公司 (Inner Mongolia Shengan Security Limited) ("Shengan Security") (note)	Entity under common control of Mr. Ma Qiang	Security services provided by the related party	**1,315**	1,030
(ii)	Tianrun Blasting	Associate	Sales to the related party	**25,696**	3,825
(iii)	巴彥卓爾盛安運輸有限責任有限公司 (Bayannur Shengan Transportation Limited) ("Shengan Transportation")* (note)	Entity of which a close family member of Mr. Ma Qiang is a director	Freight services provided by the related party	**–**	56

* The person who is a close family member of Mr. Ma Qiang (a director and controlling shareholder of the Company) ceased to be the controlling shareholder and resigned as the director of Shengan Transportation on 22 April 2016. The entity has then ceased to be a related party of the Group since that date.

Notes:

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

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

(b) Members of key management personnel compensation:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**3,858**	3,308

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) During the year, the Group leases certain machineries and motor vehicles to independent third parties under finance leases. These assets with carrying amounts of RMB20,560,000 (2017: RMB29,384,000) were derecognised during the year and the difference between the carrying amounts and the present value of the future minimum lease payments of RMB20,457,000 (2017: RMB29,536,000) was recorded as loss on disposal (2017: gain on disposal) of property, plant and equipment. During the year, lease payments of RMB29,315,000 (2017: RMB7,641,000) (including interest income on finance leases of RMB1,965,000) (2017: RMB789,000) was received from the lessees.

(ii) During the year, the NCI of Shengan Chemical (Inner Mongolia) fulfilled its capital contribution obligation amounted to RMB44,788,000 by capitalising the dividend payable to it of the same amount into the paid-up capital of Shengan Chemical (Inner Mongolia).

(iii) As detailed in note 18, the Group acquired a permanent land use right and production permits by granting of shares of a subsidiary to a non-controlling shareholder. The aggregated fair value of the land use right and the production permits amounted to RMB32,611,000.

(iv) During the year ended 31 March 2017, increase in share capital and share premium of RMB3,502,000 and RMB139,149,000 respectively were resulted from conversion of all outstanding convertible bonds with principal amount of HK$144,290,600 that led to derecognition of liability component of the convertible bonds of RMB94,013,000 and transfer of convertible bond equity reserve amount to RMB48,638,000 to the share premium account.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(v) Reconciliation of liabilities arising from financing activities:

	Borrowings (note 26) RMB'000	Amounts due to related companies (note 24) RMB'000	Amount due to ultimate holding company (note 24) RMB'000	Amount due to a director (note 24) RMB'000	Amounts due from shareholders (note 24) RMB'000
At 1 April 2017	141,736	45,941	–	823	(417)
Changes from cash flows:					
Interest paid	(3,631)	–	–	–	–
Proceeds from new borrowings	40,000	–	–	–	–
Fund transfer, net	–	52,059	25,920	(823)	105
Repayment of bank loans	(101,736)	–	–	–	–
	(65,367)	52,059	25,920	(823)	105
Other changes:					
Interest expenses	3,631	–	–	–	–
At 31 March 2018	80,000	98,000	25,920	–	(312)

37. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Interim dividend declared and paid during the year:		
2018: HK$0.003 per share	**7,580**	–
Final dividend proposed after the end of reporting period:		
2017: HK$0.003 per share	**–**	9,502
2018: HK$0.005 per share	**14,235**	–
	21,815	9,502

The interim dividend of HK$0.003 per share (2017: nil) totalling RMB7,580,000 (equivalent to HK$10,676,000) (2017: nil) for the six-month period ended 30 September 2017 was declared and paid in November 2017.

The directors recommend the payment of final dividend of HK$0.005 per share (2017: HK$0.003 per share), amounting to RMB14,235,000 (equivalent to HK$17,794,000) (2017: RMB9,502,000 (equivalent to HK$10,676,000)) for the year ended 31 March 2018 which is subject to shareholders' approval at the forthcoming annual general meeting.

The final dividend declared subsequently to 31 March 2018 has not been recognised as a liability as at 31 March 2018.

38. 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 3.13 for explanations about how the category of financial instruments affects their subsequent measurement.

	2018 RMB'000	2017 RMB'000
Financial assets		
Loans and receivables		
– cash and cash equivalents	**127,514**	98,810
– pledged deposits	**–**	13,150
– trade and bills receivables	**281,381**	141,740
– other receivables and deposits	**164,702**	12,548
– finance lease receivables	**20,735**	27,628
– amounts due from shareholders	**312**	417
– amounts due from associates	**8,977**	1,973
– amount due from a joint venture	**5,003**	2,800
	608,624	299,066
Financial liabilities		
Financial liabilities at amortised cost		
– trade payables	**99,971**	57,962
– other payables and accruals	**39,447**	20,835
– dividend payable	**14,150**	14,150
– amount due to a director	**–**	823
– amounts due to related companies	**98,000**	–
– amount due to ultimate holding company	**25,920**	45,941
– borrowings	**80,000**	141,736
	357,488	281,447

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, finance lease receivables, trade payables, other payables and accruals, amounts due from/to related parties, borrowings and dividend payable. Due to their short term nature, the carrying value of these financial instruments approximates their fair value.

The carrying values of the finance lease receivables approximate their fair values as the effective interest rate adopted for discounting the future cash flows is close to the market interest rate for similar assets.

39. 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 and currency 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 are mainly due from customers in explosive trading and blasting services segment. The Group has a certain concentration of credit risk in respect of trade receivables from customers in explosive trading and blasting services segment as 79% (2017: 59%) 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.

39. 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.

	2018				
	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	99,971	–	–	99,971	99,971
Other payables and accruals	39,447	–	–	39,447	39,447
Dividend payable	14,150	–	–	14,150	14,150
Amounts due to related companies	98,000	–	–	98,000	98,000
Amount due to ultimate holding company	25,920	–	–	25,920	25,920
Borrowings	62,352	20,282	–	82,634	80,000
	339,840	20,282	–	360,122	357,488

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	2017				
	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	57,962	–	–	57,962	57,962
Other payables and accruals	20,835	–	–	20,835	20,835
Dividend payable	14,150	–	–	14,150	14,150
Amount due to a director	823	–	–	823	823
Amounts due to related companies	45,941	–	–	45,941	45,941
Borrowings	105,135	20,832	20,282	146,249	141,736
	244,846	20,832	20,282	285,960	281,447

(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 and borrowings as disclosed in notes 25 and 26 respectively. The directors of the Company consider that interest rate exposure on cash deposits and borrowings is not significant due to low level of interest rate and the expected change of interest rate for these borrowings will have insignificant impact to the Group. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

39. FINANCIAL RISK MANAGEMENT (Continued)

(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, the PRC and Tajikistan. 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 and Tajikistan are denominated and settled in RMB and Tajikistani Somoni ("TJS") respectively.

The Group has transactional currency exposure. This exposure mainly arises from purchase transactions of an operating unit from the blasting services segment in a currency other than the unit's functional currency. The Group's Tajikistan entity imports goods from PRC suppliers, which are predominately conducted in RMB. As a result, the Group is exposed to fluctuations in the exchange rate between RMB and TJS.

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:

	2018	2017
	RMB'000	RMB'000
Net monetary assets		
RMB	**84**	777

40. 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 borrowings) 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 year ended 31 March 2018.

The net debt-to-adjusted capital ratio at the end of the reporting period is as follows:

	2018	2017
	RMB'000	RMB'000
Debts	**80,000**	141,736
Less: cash and cash equivalents	**(127,514)**	(98,810)
Net debts	**(47,514)**	42,926
Total equity	**602,734**	328,691
Net debt to equity ratio	**N/A**	13%

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

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**6**	12
Investments in subsidiaries		**45**	45
		51	57
Current assets			
Amounts due from subsidiaries		**51,446**	60,574
Cash and cash equivalents		**1,099**	2,184
		52,545	62,758
Current liabilities			
Other payables and accruals		**–**	7
Amount due to ultimate holding company		**25,920**	–
Amounts due to subsidiaries		**10,133**	19,627
		36,053	19,634
Net current assets		**16,492**	43,124
Net assets		**16,543**	43,181
Capital and reserves			
Share capital	30	**40,259**	40,259
Reserves	41(b)	**(23,716)**	2,922
Total equity		**16,543**	43,181

On behalf of the Board

Mr. Xiong Zeke
Director

Mr. Ma Tianyi
Director

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

(b) Reserves of the Company

	Share premium RMB'000	Capital distributable reserve RMB'000	Contributed surplus RMB'000	Merger reserve RMB'000	Convertible bonds equity reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 April 2016	634,729	25,141	(18,702)	(613,910)	48,638	(22,301)	(123,538)	(69,943)
Loss for the year	–	–	–	–	–	–	(17,016)	(17,016)
Exchange difference from translation to presentation currency	–	–	–	–	–	(630)	–	(630)
Issue of shares upon conversion of convertible bonds (notes 29 and 30)	139,149	–	–	–	(48,638)	–	–	90,511
As at 31 March 2017	773,878	25,141	(18,702)	(613,910)	–	(22,931)	(140,554)	2,922
Loss for the year	–	–	–	–	–	–	(5,513)	(5,513)
Dividend paid	(17,082)	–	–	–	–	–	–	(17,082)
Exchange difference from translation to presentation currency	–	–	–	–	–	(4,043)	–	(4,043)
As at 31 March 2018	756,796	25,141	(18,702)	(613,910)	–	(26,974)	(146,067)	(23,716)

42. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2018 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 Directly	Indirectly	Principal activities
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%	Investment holding
KM Muosir Limited Liability Company (notes (iv))	Tajikistan	TJS45,800,000	–	50.01%	Manufacture and sale of explosives
Pizu Group Limited	Hong Kong	HK$10,000,000	–	100%	Trading of bulk minerals in Hong Kong
Pizu Trading Limited	Hong Kong	HK$10,000	–	100%	Investment holding
比優(深圳) 礦業有限公司 (Pizu (Shenzhen) Mining Limited) (notes (i), (ii) and (iii))	PRC	RMB10,000,000	–	100%	Trading of bulk minerals in the PRC
Ample Ocean International Limited	BVI	50,000 ordinary shares of HK$1 each	100%	–	Investment holding
B. U. Tojikiston Limited Liability Company (note (iv))	Tajikistan	TJS100,000	–	100%	Provision of blasting operations and related services
Ample Ocean Holdings Limited	BVI	50,000 ordinary shares of US$1 each	100%	–	Investment holding
Ample Ocean Group Limited	Hong Kong	HK$1,000,000	–	100%	Investment holding
西藏福德圓工貿有限公司 (Tibet Fudeyuan Trading Limited, formerly known as Qianghai Fudeyuan Trading Limited) (notes (i), (ii) and (iii))	PRC	RMB10,000,000	–	100%	Investment holding

42. PARTICULARS OF SUBSIDIARIES(Continued)

Particulars of the subsidiaries as at 31 March 2018 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 Directly	Indirectly	Principal activities
內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited) (notes (i) and (iii))	PRC	RMB200,000,000 (2017: RMB88,030,000)	–	60%	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) (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責任公司 (Inner Mongolia Juli Engineering and Blasting Services Limited) (notes (i) and (iii))	PRC	RMB200,000,000 (2017: RMB100,000,000)	–	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.

(iv) The company is a limited liability company in Tajikistan.

43. EVENT AFTER THE REPORTING PERIOD

Tibet Fudeyuan Trading Limited ("Tibet Fudeyuan"), an indirectly wholly-owned subsidiary of the Company has entered into an investing agreement on 10 May 2018 with an independent third party, namely Guizhou Xinlian Blasting Engineering Group Co., Ltd ("Xinlian Blasting"), in relation to the proposed formation of a joint venture company in Lhasa, Tibet Autonomous Region, the PRC for the manufacturing of civil explosives and the provision of blasting operation and the establishment of mixed explosive ground station in Tibet Autonomous Region, and for the investment in companies incorporated in the Tibet Autonomous Region, which are principally engaged in the provision of blasting operation.

Pursuant to the investing agreement, the total registered capital of the joint venture will be RMB100 million, which will be contributed in cash as to 60% by Xinlian Blasting and as to 40% by Tibet Fudeyuan, respectively, and will be contributed by the parties on pro rata basis according to the working capital requirement of the joint venture from time to time. Further details are set out in the Company's announcement dated 10 May 2018.

FIVE YEARS FINANCIAL SUMMARY

The consolidated statements of comprehensive income of the Group for the financial years 2014 to 2018 and the consolidated statements of financial position of the Group as at 31 March 2014, 2015, 2016, 2017 and 2018 are as follows:

	Year ended 31 March				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**1,124,581**	3,030,703	5,158,972	1,540,059	1,011,265
Profit before income tax	**304,108**	118,873	60,143	146,788	137,035
Income tax expense	**(43,586)**	(20,955)	(17,864)	(21,800)	(25,449)
Profit for the year	**260,522**	97,918	42,279	124,988	111,586

	As at 31 March				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**994,948**	627,284	285,807	314,190	412,368
Total liabilities	**(392,214)**	(298,593)	(144,318)	(188,090)	(345,752)
Total equity	**602,734**	328,691	141,489	126,100	66,616