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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2018 (the "Interim Period") was approximately RMB570.24 million, representing an increase of approximately 9.03% as compared to the corresponding period in the previous fiscal year.

- The Group recorded a profit attributable to owners of approximately RMB75.68 million for the Interim Period.

- The Group recorded a total comprehensive income attributable to owners of the Company approximately RMB74.58 million for the Interim Period.

- Basic earnings per share of the Group was approximately RMB0.021 for the Interim Period.

- The Board recommend the payment of interim dividend of HK$0.005 per share.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and the six months ended 30 September 2018

		(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
		2018	2017	**2018**	2017
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	4	**570,239**	522,992	**300,980**	282,064
Cost of goods sold and services provided		**(399,852)**	(325,362)	**(207,228)**	(198,752)
Gross profit		**170,387**	197,630	**93,752**	83,312
Other income and gain		**6,776**	3,785	**5,676**	2,434
Share of profits/(losses) of associates		**4,431**	651	**3,646**	(108)
Selling and distribution expenses		**(5,239)**	(13,278)	**(2,718)**	(6,306)
Administrative and other operating expenses		**(33,687)**	(29,186)	**(17,795)**	(13,709)
Other gain and loss					
Gain on bargain purchase	13	**992**	–	**992**	–
Loss on disposal of a subsidiary	14	**(680)**	–	**(680)**	–
Operating profit		**142,980**	159,602	**82,873**	65,623
Finance costs	7	**(1,355)**	(2,509)	**(796)**	(1,476)
Profit before income tax		**141,625**	157,093	**82,077**	64,147
Income tax	6	**(16,393)**	(19,636)	**(9,468)**	(6,320)
Profit for the period	7	**125,232**	137,457	**72,609**	57,827
Other comprehensive income for the period					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising from					
– translation of foreign operations		**(977)**	(2,046)	**(3,541)**	1,532
– reclassification relating to disposal of a subsidiary	14	**680**	–	**680**	–
Total comprehensive income for the period		**124,935**	135,411	**69,748**	59,359

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and the six months ended 30 September 2018

		(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
		2018	2017	**2018**	2017
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Profit attributable to:					
Owners of the Company		**75,676**	82,834	**43,160**	34,027
Non-controlling interests		**49,556**	54,623	**29,449**	23,800
		125,232	137,457	**72,609**	57,827
Total comprehensive income attributable to:					
Owners of the Company		**74,582**	80,788	**39,502**	35,559
Non-controlling interests		**50,353**	54,623	**30,246**	23,800
		124,935	135,411	**69,748**	59,359
		RMB	*RMB*	***RMB***	*RMB*
Earnings per share	9				
Basic and diluted		**0.021**	0.023	**0.012**	0.010

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	(Unaudited) 30 September 2018 RMB'000	(Audited) 31 March 2018 RMB'000
Non-current assets			
Property, plant and equipment	10	**269,320**	265,936
Prepaid lease payments for land		**5,568**	5,670
Prepayment for purchase of property, plant and equipment		**983**	4,312
Intangible assets		**33,748**	32,972
Interests in associates		**9,586**	5,155
Interest in a joint venture		**–**	–
Finance lease receivables		**9,577**	–
		328,782	314,045
Current assets			
Inventories		**55,522**	34,061
Trade and bills receivables	11	**383,465**	281,381
Other receivables, prepayments and deposits		**195,157**	201,616
Prepaid lease payments for land		**203**	203
Finance lease receivables		**16,646**	20,735
Amounts due from associates		**3,725**	8,977
Amount due from a joint venture		**20,923**	5,003
Amounts due from shareholders		**343**	312
Tax recoverable		**3,141**	1,101
Cash and cash equivalents		**133,032**	127,514
		812,157	680,903
Current liabilities			
Trade payables	12	**117,028**	99,971
Other payables and accruals		**62,154**	54,939
Borrowings		**80,000**	60,000
Dividend payable		**29,808**	14,150
Amounts due to related companies		**93,138**	98,000
Amount due to ultimate holding company		**35,497**	25,920
Income tax payable		**6,208**	15,505
		423,833	368,485
Net current assets		**388,324**	312,418
Total assets less current liabilities		**717,106**	626,463

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	**(Unaudited) 30 September 2018** *RMB'000*	(Audited) 31 March 2018 *RMB'000*
Non-current liabilities			
Borrowings		**10,000**	20,000
Deferred tax liabilities		**4,528**	3,729
		14,528	23,729
Net assets		**702,578**	602,734
Equity			
Share capital		**40,259**	40,259
Reserves		**338,152**	284,887
Equity attributable to owners of the Company		**378,411**	325,146
Non-controlling interests		**324,167**	277,588
Total equity		**702,578**	602,734

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018 (Unaudited)

	Equity attributable to owners of the Company											
	Share capital	Share premium	Capital distributable reserve	Contributed surplus	Restructuring reserve	Merger reserve	Foreign currency translation reserve	Statutory and other reserves	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 April 2018 as originally presented	**40,259**	**756,796**	**25,141**	**933**	**89,227**	**(613,604)**	**(32,408)**	**35,766**	**23,036**	**325,146**	**277,588**	**602,734**
Initial application of HKFRS 9 *(Note 3(a))*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,659)**	**(5,659)**	**(3,774)**	**(9,433)**
At 1 April 2018 as restated	**40,259**	**756,796**	**25,141**	**933**	**89,227**	**(613,604)**	**(32,408)**	**35,766**	**17,377**	**319,487**	**273,814**	**593,301**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**75,676**	**75,676**	**49,556**	**125,232**
Other comprehensive income for the period:												
Exchange differences arising from												
– translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(1,774)**	**–**	**–**	**(1,774)**	**797**	**(977)**
– reclassification relating to disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**680**	**–**	**–**	**680**	**–**	**680**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(1,094)**	**–**	**75,676**	**74,582**	**50,353**	**124,935**
Dividend declared and payable	**–**	**(15,658)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15,658)**	**–**	**(15,658)**
Transfer to statutory and other reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,000**	**(2,000)**	**–**	**–**	**–**
Utilisation of other reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(888)**	**888**	**–**	**–**	**–**
At 30 September 2018	**40,259**	**741,138**	**25,141**	**933**	**89,227**	**(613,604)**	**(33,502)**	**36,878**	**91,941**	**378,411**	**324,167**	**702,578**
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 period	–	–	–	–	–	–	–	–	82,834	82,834	54,623	137,457
Other comprehensive income for the period:												
Exchange differences arising from												
– translation to presentation currency	–	–	–	–	–	–	(2,046)	–	–	(2,046)	–	(2,046)
Total comprehensive income for the period	–	–	–	–	–	–	(2,046)	–	82,834	80,788	54,623	135,411
Dividend declared and payable	–	(9,398)	–	–	–	–	–	–	–	(9,398)	–	(9,398)
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	–	8,701	8,701
Utilisation of other reserves	–	–	–	–	–	–	–	(2,714)	2,714	–	–	–
At 30 September 2017	40,259	764,480	25,141	933	89,227	(613,604)	(32,450)	35,133	(49,376)	259,743	203,662	463,405

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	(Unaudited) Six months ended 30 September 2018 *RMB'000*	(Unaudited) Six months ended 30 September 2017 *RMB'000*
Net cash generated from operating activities	**19,157**	13,627
Cash flows from investing activities		
Interest received	**307**	65
Finance lease interest income received	**398**	–
Proceed from disposal of property, plant and equipment	**18,668**	14,724
Purchase of property, plant and equipment	**(39,363)**	(23,471)
Purchase of intangible asset	**(822)**	–
Increase in amount due from a joint venture	**(15,920)**	–
Acquisition of interest in a subsidiary	**8,689**	–
Increase in prepayments	**–**	(8,701)
Decrease in pledged deposit	**–**	5,350
Net cash used in investing activities	**(28,043)**	(12,033)
Cash flows from financing activities		
Decrease in amount due to a director	**–**	(157)
(Increase)/decrease in amounts due from shareholders	**(31)**	7,764
Increase in amounts due to related companies	**4,715**	43,065
Interest paid	**(1,355)**	(2,509)
Proceeds from borrowings	**20,000**	–
Repayment of bank borrowings	**(10,000)**	(24,746)
Capital contribution from non-controlling interest	**–**	8,701
Net cash generated from financing activities	**13,329**	32,118
Net increase in cash and cash equivalents	**4,443**	33,712
Cash and cash equivalents at beginning of the period	**127,514**	98,810
Effect of foreign exchange rate changes	**1,075**	20
Cash and cash equivalent at end of the period	**133,032**	132,542

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. CORPORATE INFORMATION

Pizu Group Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman, KY1-1110, 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 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 Group principally operates in the People's Republic of China (the "PRC") with its business activities principally transacted in Renminbi ("RMB"), the results of the Group are therefore prepared in RMB.

The condensed consolidated financial statements of Group for the six months ended 30 September 2018 (the "interim financial statements") which have not been audited but have been reviewed by the Audit Committee, and were approved for issue by the board of directors on 12 November 2018.

2. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules").

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018 (the "2018 Annual Financial Statements").

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the 2018 Annual Financial Statements except for the adoption of new accounting policies set out below, and as a result of applying those new or amended HKFRSs as mentioned in note 3.

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

During the current period, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA which is relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Considerations
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Investments in Associates and Joint Ventures
Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014-2016 Cycle	First-time Adoption of Hong Kong Financial Reporting Standards

The impact of the adoption of HKFRS 9 Financial Instruments (see Note 3(a) below) and HKFRS 15 Revenue from Contracts with Customers (see Note 3(b) below) have been summarised below. The other new or amended HKFRSs that are effective from 1 April 2018 did not have any material impact on the Group's accounting policies.

(a) HKFRS 9 – Financial instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings and non-controlling interests as of 1 April 2018 as follows (increase/(decrease)):

	RMB'000
Retained earnings	
Retained earnings as at 31 March 2018	23,036
Increase in expected credit losses ("ECLs") in trade and other receivables *(note 3(a)(ii) below)*	(5,659)
Restated retained earnings as at 1 April 2018	17,377
Non-controlling interests	
Non-controlling interests as at 31 March 2018	277,588
Increase in ECLs in trade and other receivables *(note 3(a)(ii) below)*	(3,774)
Restated non-controlling interests as at 1 April 2018	273,814

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Bills receivables were reclassified from loans and receivables to FVOCI, as the Group's business model is to collect contractual cash flow and sell these financial assets. These bills receivables meet the SPPI criterion. As such, bills receivables with a fair value of RMB44,162,000 were reclassified from loans and receivables to financial assets at FVOCI on 1 April 2018. The carrying value of these bills receivables approximates their fair value on 1 April 2018.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 April 2018 under HKAS 39**	**Carrying amount as at 1 April 2018 under HKFRS 9**
			RMB'000	*RMB'000*
Trade receivables	Loans and receivables	Amortised cost	237,219	233,419
Bills receivables	Loans and receivables	FVOCI (debt investment)	44,162	44,162
Other receivables and deposits	Loans and receivables	Amortised cost	182,540	176,907
Finance lease receivables	Loans and receivables	Amortised cost	20,735	20,735
Amounts due from associates, a joint venture and shareholders	Loans and receivables	Amortised cost	14,292	14,292
Cash and cash equivalents	Loans and receivables	Amortised cost	127,514	127,514

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the ECL model. HKFRS 9 requires the Group to recognised ECLs for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI (i.e. bills receivables) earlier than HKAS 39. Cash and cash equivalents and bills receivables are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs are the portion of the lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVOCI are considered to have low credit risk since the payments of the bills receivables are guaranteed by banks with high credit rating.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables
As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 April 2018 was RMB3,800,000. The loss allowances decreased by RMB1,800,000 during the period.

(b) Impairment of other receivables
Other financial assets at amortised cost of the Group includes amount due from related parties and other receivables. Loss allowance for other receivables recognised upon the transition to HKFRS 9 as of 1 April 2018 was RMB5,633,000. No additional loss allowance was recognised during the period.

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in additional impairment allowance as follow:

	Trade receivables	**Other receivables**
	RMB'000	*RMB'000*
Loss allowance as at 1 April 2018 under HKAS 39	2,363	–
Additional impairment recognised	3,800	5,633
Loss allowance as at 1 April 2018 under HKFRS 9	6,163	5,633

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and non-controlling interests as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA").

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(b) HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. As a result, the financial information presented for 2018 has not been restated. The impact of adoption of HKFRS 15 on the Group's financial statements is summarised below:

(i) *Presentation of contract liabilities*

Reclassification was made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15:

Contract liabilities recognised in relation to contract with customers were previously presented as advances from customers. They are included in "other payables and accruals" in the consolidated statement of financial position.

Impact on the condensed consolidated statement of financial position as of 30 September 2018 (increase/(decrease)):

	RMB'000
Current liabilities	
Other payables and accruals	
– Contract liabilities	16,290
– Advances from customers	(16,290)
Total current liabilities	–

(ii) *New significant accounting policies in relation to the Group's sales of goods and provision of services*

Sales of explosives

Revenue from the sale of goods is recognised at a point in time when control of the goods have been transferred to the buyer. Trade receivables are due upon presentation of invoices.

Provision of blasting services

Revenue from the provision of blasting operation is recognised over time when the services are rendered. Invoices are issued monthly. The credit periods granted to customers ranging from 0-60 days.

4. REVENUE

All the Group's revenue is derived from contracts with customers. An analysis of the revenue from the Group's principal activities is as follows:

	(Unaudited) Six months ended 30 September		**(Unaudited) Three months ended 30 September**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Sale of explosives	**139,052**	214,478	**88,837**	160,873
Provision of blasting operations	**431,187**	282,867	**212,143**	113,572
Sales of commodity goods	**–**	25,647	**–**	7,619
Total revenue	**570,239**	522,992	**300,980**	282,064

The following table provides information about trade receivables and contract liabilities from contract with customers.

	(Unaudited) At 30 September 2018	(Unaudited) At 1 April 2018
	RMB'000	*RMB'000*
Trade receivables	**292,968**	233,419
Contract liabilities	**16,290**	3,300

5. SEGMENTAL INFORMATION

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

No segment assets and liabilities are presented as the information is not reported to the board of directors in the resource allocation and assessment of performance.

Six months ended 30 September 2018 (Unaudited)

	Bulk mineral trade	**Explosives trading and blasting services**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue			
External sales			
– Recognised at a point in time	**–**	**139,052**	**139,052**
– Recognised over time	**–**	**431,187**	**431,187**
	–	**570,239**	**570,239**
Segment (loss)/profit	**(3,107)**	**147,021**	**143,914**
Other income			**3,321**
Unallocated corporate expenses			**(4,255)**
Finance costs			**(1,355)**
Profit before income tax			**141,625**

Six months ended 30 September 2017 (Unaudited)

	Bulk mineral trade	Explosives trading and blasting services	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue			
External sales	25,647	497,345	522,992
Segment (loss)/profit	(341)	163,634	163,293
Other income			1,381
Unallocated corporate expenses			(5,072)
Finance costs			(2,509)
Profit before income tax			157,093

Three months ended 30 September 2018 (Unaudited)

	Bulk mineral trade *RMB'000*	**Explosives trading and blasting services** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue			
External sales			
– Recognised at a point in time	**–**	**88,837**	**88,837**
– Recognised over time	**–**	**212,143**	**212,143**
	–	**300,980**	**300,980**
Segment (loss)/profit	**(2,145)**	**83,994**	**81,849**
Other income			**3,982**
Unallocated corporate expenses			**(2,958)**
Finance costs			**(796)**
Profit before income tax			**82,077**

Three months ended 30 September 2017 (Unaudited)

	Bulk mineral trade *RMB'000*	Explosives trading and blasting services *RMB'000*	Consolidated *RMB'000*
Segment revenue			
External sales	7,619	274,445	282,064
Segment (loss)/profit	(210)	67,036	66,826
Other income			565
Unallocated corporate expenses			(1,768)
Finance costs			(1,476)
Profit before income tax			64,147

6. INCOME TAX

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

Two subsidiaries which are incorporated in Tajikistan are subject to a corporate income tax rate of 23% (for activities other than goods production) and 13% (for activity of goods production) respectively. Enterprise Income Tax in the PRC ("EIT") is calculated at the applicable EIT rate of 25%, except that:

(i) two PRC subsidiaries which have obtained the New and Hi-tech Enterprise recognition are entitled to enjoy preferential EIT rate. One of the subsidiaries is entitled to preferential tax rate of 15% for a period of 3 years from 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.

(ii) a branch which is located in the Tibet Autonomous Region of the PRC is entitled to preferential tax rate of 9%.

	(Unaudited) Six months ended 30 September		**(Unaudited) Three months ended 30 September**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current tax for the period				
– EIT	**13,653**	17,518	**7,640**	4,202
– Tajikistan corporate income tax	**1,941**	2,118	**1,029**	2,118
Deferred tax for the period	**799**	–	**799**	–
	16,393	19,636	**9,468**	6,320

7. PROFIT FOR THE PERIOD

Profit for period is arrived at after charging the followings:

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Depreciation of property, plant and equipment	**20,399**	26,234	**11,223**	14,356
Amortisation of prepaid lease payment for land	**102**	107	**51**	51
Amortisation of intangible assets	**46**	46	**23**	23
Finance costs				
– Interest charge on bank and other borrowings	**1,355**	2,509	**796**	1,476

8. DIVIDENDS

	(Unaudited) Six months ended 30 September 2018	(Unaudited) Six months ended 30 September 2017
	RMB'000	*RMB'000*
Interim dividend proposed after the end of the reporting period		
HK$0.005 per share	**15,658**	–
HK$0.003 per share	**–**	9,398
	15,658	9,398

The final dividend for the year ended 31 March 2018 amounted RMB15,658,000 was recognised during the six months ended 30 September 2018 and the expected payment date is 23 November 2018.

The Board recommends payment of interim dividend of HK$0.005 per share (Six months ended 30 September 2017: HK$0.003 per share).

The interim dividend declared subsequent to 30 September 2018 has not been recognised as a liability as at 30 September 2018.

9. EARNINGS PER SHARE

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

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit for the period attributable to owners of the Company	**75,676**	82,834	**43,160**	34,027

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2018	2017	**2018**	2017
	'000	*'000*	***'000***	*'000*
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,558,724**	3,558,724	**3,558,724**	3,558,724

For the calculation of diluted earnings per share, no adjustment has been made to the basic earnings per share for the three months and the six months ended 30 September 2018 and 2017 as the there was no dilutive potential ordinary shares in existence for the three months and six months ended 30 September 2018 and 2017.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, additions to property, plant and equipment amounted to RMB42,692,000.

11. TRADE AND BILLS RECEIVABLES

	(Unaudited) **30 September** **2018** ***RMB'000***	(Audited) 31 March 2018 *RMB'000*
Trade receivables	**292,968**	237,219
Bills receivables	**90,497**	44,162
	383,465	281,381

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.

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

	(Unaudited) **30 September** **2018** ***RMB'000***	(Audited) 31 March 2018 *RMB'000*
0-30 days	**99,467**	127,189
31-90 days	**175,729**	66,040
91 days to 1 year	**16,448**	19,306
Over 1 year	**1,324**	24,684
	292,968	237,219

12. TRADE PAYABLES

Ageing analysis of trade payables, based on the invoice date, is as follows:

	(Unaudited)	(Audited)
	30 September	31 March
	2018	2018
	RMB'000	*RMB'000*
0-180 days	**110,814**	97,237
181-365 days	**4,238**	1,860
Over 1 year	**1,976**	874
	117,028	99,971

13. ACQUISITION OF A SUBSIDIARY

During the period, the Group acquired entire equity interest in 西藏廣旭實業有限公司 , a company whose principal activity is provision of mining service and subcontracting service. The acquisition was made with the aims to expand the Group's existing scale of operation.

The fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

	(Unaudited)
	RMB'000
Property, plant and equipment	730
Cash and bank balances	8,889
Trade receivables	12,450
Other receivables, prepayments and deposits	36,123
Other payables and accruals	(57,000)
	1,192
Gain on bargain purchase	(992)
Total consideration	200
Consideration satisfied by:	
Cash	200
Net cash inflow arising from the acquisition:	
Cash consideration paid	(200)
Cash and bank balances acquired	8,889
	8,689

The fair value of trade and other receivables amounted to RMB29,129,000. The gross amount of these receivables is RMB29,129,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition date, 西藏廣旭實業有限公司 has contributed RMB99,043,000 and RMB49,609,000 to Group's revenue and profit or loss. If the acquisition had occurred on 1 April 2018, Group revenue and profit would have been RMB605,176,000 and RMB127,596,000 respectively. This pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future performance.

14. DISPOSAL OF A SUBSIDIARY

During the six months ended 30 September 2018, the Group disposed of its entire interest in Pizu Group Limited to an independent third party at nil consideration.

The net assets of the subsidiary at the date of disposal are set out below:

	(Unaudited) *RMB'000*
Cash and cash equivalents	–
Net assets disposed of	–
Exchange reserve reclassified upon disposal	680
	680
Loss on disposal of a subsidiary	(680)
Total consideration	–

15. CAPITAL COMMITMENTS

The following is the detail of capital expenditure contracted for but not provided in the interim financial statements:

	(Unaudited) **30 September** **2018** ***RMB'000***	(Audited) 31 March 2018 *RMB'000*
Acquisition of property, plant and equipment	**1,450**	3,471
Capital contribution to an investee company	**65,000**	25,000

16. RELATED PARTY TRANSACTIONS

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

Name of related party	Related party relationship	Type of transaction	Transaction amount (Unaudited) Six months ended 30 September 2018 RMB'000	2017 RMB'000
內蒙古盛安保安有限責任公司 (Inner Mongolia Shengan Security Limited)	Entity under common control by Mr. Ma, controlling shareholder	Security services provided by the related party	**826**	550
烏海市天潤爆破服務有限責任公司 (Wuhai City Tianrun Blasting Services Company Limited)	Associate	Sales to the related party	**1,441**	8,802

Notes:

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

(b) Remuneration paid/payable to the members of key management personnel for the period amounted to RMB1,086,000 (Six months ended 30 September 2017: RMB800,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue of the Group for the six months ended 30 September 2018 increased by 9.03% as compared with the same period in 2017. The increase was mainly due to the Group has recently developed Tajikistan market and Tibet market which continue to contribute the enormous revenue.

The selling and distribution expenses for the six months ended 30 September 2018 decreased by approximately 60.54% as compared with the same period in 2017. It was mainly due to the significant decrease in domestic sales of civil explosives in the first quarter.

Liquidity and Financial Resources

As at 30 September 2018, the net assets of the Group amounted to approximately RMB702.58 million (31 March 2018: net assets of RMB602.73 million). Current assets amounted to approximately RMB812.16 million (31 March 2018: RMB680.90 million) of which approximately RMB133.03 million (31 March 2018: RMB127.51 million) were cash and bank balances and approximately RMB195.16 million (31 March 2018: RMB201.62 million) were other receivables, prepayments and deposits. The Group's current liabilities amounted to approximately RMB423.83 million (31 March 2018: RMB368.49 million).

Capital Structure

Capital structure of the Group comprises equity plus debts raised by the Group net with cash and cash equivalents. There is no movement in share capital for the six months ended 30 September 2018.

Significant Investments

During the six months ended 30 September 2018, the Group did not have any significant investment.

Segment Information

The segment information of the Group is covered in note 5 to the interim financial statements.

Material Acquisitions

The material acquisition is covered in note 13 to the interim financial statements.

Gearing Ratio

As at 30 September 2018, the Group's gearing ratio, calculated as total debts of approximately RMB90.00 million (31 March 2018: RMB80.00 million) divided by total assets of approximately RMB1,140.94 million (31 March 2018: RMB994.95 million) was 7.89% (31 March 2018: 8.04%). The decrease in gearing ratio was due to increase in profit generated for the period.

Charge of Assets

As at 30 September 2018, certain trade receivables amounted to RMB67,451,000 (31 March 2018: RMB44,004,000), certain property, plant and equipment amounted to RMB114,094,000 (31 March 2018: RMB95,508,000), were pledged to secure the Group's bank loans.

Capital Commitment

The Group's material capital commitments as at 30 September 2018 are set out in note 15 to the interim financial statements.

Foreign Exchange Exposure and Hedging Policy

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

Contingent Liabilities

As at 30 September 2018, the Group did not have any material contingent liabilities (31 March 2018: nil).

Human Resources

As at 30 September 2018, the Group had 2,080 (31 March 2018: 2,014) full time employees in the PRC, Hong Kong and Tajikistan. Staff remuneration packages are determined by reference to prevailing market rates. Staff benefits include mandatory provident fund, personal insurance and discretionary bonus which are based on their performance and contribution to the Group.

BUSINESS REVIEW AND PROSPECTS

Business Review

For the period ended 30 September 2018, the primary income source of the Group mainly came from civil explosive manufacturing and service business. After reviewing the business operation in recent years, the Group will focus on civil explosive business due to the fact that this operation can generate substantial and sustainable profit for the Group. Also, the Group will continue to positively expand the provision of blasting operation.

The Group had also successfully renewed the money lender licence on 10 July 2018, and will continue to develop the lending business.

The subsidiary established by our Group in Tajikistan to produce and sell civilian explosives has been successfully put into operation and has started to generate revenue for the Group.

In addition, as mentioned in the first quarterly report of the Group, the comprehensive environmental inspections in Inner Mongolia caused many mining customers of our Group to cut or even stop production, which led to the direct negative impact on the Group's civil explosive income in Inner Mongolia. The income of civilian explosions in Inner Mongolia has been returned to normal.

Business Outlook

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

The Group will continue to put more efforts on developing the business of manufacturing of explosives and make steady profit. We endeavor to expand to the downstream business. The Group will seek progress amidst stability, make the best of government policies such as "the Belt and Road" initiative and explore new market. Our Group will strive for the sustainable and positive growth of the business and create stable returns for the shareholders.

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

As at 30 September 2018, the interests or short positions of the Directors (the "Directors") and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which is taken or deemed to have under such provisions of the SFO), or which were required, to be entered in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

The Company – interests in Shares and underlying Shares

Name of Director	**Capacity/nature of interest**	**Number and class of securities held** *(Note 1)*	**Approximate percentage of shareholding** *(Note 2)*
Mr. Ma Qiang	Interest of a controlled corporation *(Note 3)*	1,209,329,665 ordinary shares (L)	33.98%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	688,053,557 ordinary shares (L) *(Note 4)*	19.33%
Mr. Xiong Zeke	Interest of a controlled corporation *(Note 5)*	80,811,927 ordinary shares (L)	2.27%
	Beneficial owner	10,673,333 ordinary shares (L)	0.30%

Name of Director	Capacity/nature of interest	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Ms. Qin Chunhong	Beneficial owner *(Note 6)*	34,564,908 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 30 September 2018.

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

4. These shares represented the interest of Mr. Ma Suocheng, Ms. Ma Ye, Ms. Ma Xia, and Mr. Liu Fali in 151,666,666, 124,005,000, 172,166,037 and 240,215,854 shares of the Company respectively.

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

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

5. These shares includes 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.

6. These shares includes the interests of Crystal Sky Development Inc. in 34,024,908 shares of the Company which is equally owned by Ms. Qin and her son. Ms. Qin was deemed to be interested in all the Shares by the virtue of the SFO.

Save as disclosed above, as at 30 September 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 30 September 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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%
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	272,739,268 ordinary shares (L)	7.66%
Mr. Li Man	Beneficial owner	272,479,268 ordinary shares (L)	7.66%
Mr. Lv Wenhua	Beneficial owner	240,415,854 ordinary shares (L)	6.76%

Notes:

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

2. The approximate percentage of shareholding is calculated based on the number of issued shares of the Company as at 30 September 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 30 September 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.

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

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares (six months ended 30 September 2017: nil).

COMPETING INTERESTS

For the six months ended 30 September 2018, none of the Directors or the controlling shareholders or any of their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which causes or may cause any significant competition with the business of the Group.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 September 2018, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout the six months ended 30 September 2018.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provisions C.3.1 to C.3.6 of the Code. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee is composed of the three independent non-executive Directors of the Company, namely Ms. Zhang Lin, Ms. Liu Talin and Ms. Yao Yunzhu.

The interim report of the Group for the six months ended 30 September 2018 has been reviewed and commented by the members of the audit committee.

As at the date of this announcement, the Board comprises the following directors:

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

China, 12 November 2018

As at the date of this announcement, the Board comprises nine 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 Ms. Zhang Lin, Ms. Liu Talin and Ms. Yao Yunzhu.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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