Pizu Group Holdings Limited

比優集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8053

Annual Report 2020

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

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

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Xiong Zeke *(Chairman)*
Mr. Liu Fali *(Chief Executive Officer)*
Mr. Ma Gangling *(Chief Operating Officer)*
Ms. Qin Chunhong
Ms. Ma Ye
Mr. Ma Tianyi (re-designated from Vice Chairman to executive director on 31 July 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhang Lin
Ms. Liu Talin
Ms. Yao Yunzhu

AUDIT COMMITTEE

Ms. Zhang Lin *(Chairperson)*
Ms. Liu Talin
Ms. Yao Yunzhu

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Ms. Liu Talin *(Chairperson)*
Ms. Zhang Lin
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

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY WEBSITE ADDRESS

www.pizugroup.com

INDEPENDENT AUDITOR

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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

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3 Garden Road
Central, 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 2020 (the "Year"). I take the opportunity, on behalf of the board and all staff, to extend our sincere thanks to the shareholders and all sectors who have always been supporting the Group!

For the Year, the Group's profit increased steadily compared with the same period last year. The growth mainly comes from the main businesses, that is, the production and sale of civil explosives and the provision of blasting operation and mining engineering services. Besides, the Group seized the opportunities of "Belt and Road" policy and expanded its explosive businesses in Tajikistan. The revenue of the subsidiaries located in Tajikistan also grew steadily during the year.

In the future, the Group will continue to develop its existing civil explosive business and mining engineering business. In terms of civil explosive business, it will steadily develop production bases in Inner Mongolia and Tajikistan to meet market demand and actively seek merger and acquisition opportunities to open up markets. In terms of the blasting operation and mining engineering services, we continue to perform the original long-term contract business, actively participated in the bidding, sought new engineering opportunities, and planned to develop the comprehensive mine environment treatment engineering business. During the year, the Group starts to further extend the industrial chain, make full use of the rich experience accumulated in the mining engineering services, actively explore opportunities, participate in or independently develop metal mines, find new profit growth driver, and continue to create value for shareholders.

On 28 June 2019, one of the Group's wholly-owned subsidiary entered into a capital injection and cooperation agreement (the "Capital Injection and Cooperation Agreement") with a company engaged in mining and processing of pyrite, gold ore and copper ore and the sale of the above mineral products (the "Target Company") and its major shareholders. Up to now, the transaction is still in the process. The Group believes this will be the said new profit growth driver of the Group.

In view of the Group's steady growth in profit, the Group recommends the payment of final dividend of HK$0.01 per share to share the Group's results with all shareholders.

Xiong Zeke
Chairman

19 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS 2019-2020

Business Review

During the financial year ended 31 March 2020, 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.

On 8 July 2019, the Company resolved to adopt a share award scheme (the "Share Award Scheme") for the purpose of affirming and rewarding the contribution of the eligible participants to the growth and development of the Group and motivating eligible participants to retain them and continue to assist the Group's operations and development and attracting suitable personnel to promote further development of the Group.

On 24 July 2019, the Company and an independent buyer signed a sale agreement to dispose of a subsidiary that failed to renew the subcontracted mining project in the Year to ensure a healthier structure, and continue to create value for shareholders.

Business Outlook

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

On 28 June 2019, a wholly-owned subsidiary of the Company entered into the Capital Injection and Cooperation Agreement with the Target Company and its major shareholders which was detailed in the Company's announcement dated 28 June 2019. The Company hopes to take this opportunity to extend the industrial chain to non-ferrous metals and precious metals mining industries.

FINANCIAL REVIEW

Revenue

The Group achieved a consolidated revenue from the operations of approximately RMB1,627.34 million, representing an increase of approximately 4.55% in comparison with the year ended 31 March 2019. The following table is the breakdown of revenue for the Year:

	RMB'000	**Approximately % attributable to the turnover of the Group**
Sales of explosives	840,166	51.63%
Provision of blasting operations	787,178	48.37%
	1,627,344	100.00%

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 27, 32 and 33 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 (2019: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

On 9 July 2018, the Group acquired the entire equity interest in 西藏廣旭實業有限公司 (Tibet Guangxu Industrial Company Limited)# 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 details are covered in note 30 to the consolidated financial statements.

During the Year, the Group disposed of its entire interest in Ample Ocean International Limited, together with its wholly-owned subsidiary B.U. Tojikiston Limited Liability Company to an independent third party at cash consideration of US$3,850,000 (equivalent to approximately RMB26,727,000). The details are covered in note 31 to the consolidated financial statements.

Save for the above, the Group did not have any material acquisitions and disposals during the Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the equity of the Group amounted to approximately RMB1,084.38 million (2019: RMB867.53 million). Current assets amounted to approximately RMB1,359.87 million (2019: RMB1,058.86 million) of which approximately RMB165.18 million (2019: RMB93.27 million) were cash and cash equivalents and approximately RMB461.71 million (2019: RMB309.66 million) were inventories, other receivables, prepayments and deposits and finance lease receivables. The Group's current liabilities amounted to approximately RMB623.56 million (2019: RMB516.84 million).

GEARING RATIO

As at 31 March 2020, the Group's gearing ratio, calculated as total debts of approximately RMB325.00 million (2019: RMB40.00 million) divided by total assets of approximately RMB1,767.92 million (2019: RMB1,390.09 million) was 18.38% (2019: 2.88%). The increase in gearing ratio was due to that the Group is efficient in using the Group's preferential policies of capital in the region of the PRC to strengthen the Group's capital flow with low-interest loans.

The English name is provided for information only and does not represent an official English translation of the Chinese name.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OF ASSETS

The Group's bank loans are secured by the pledge of certain contract assets and trade receivables and property, plant and equipment amounting to RMB247,422,000 (2019: RMB60,000,000) and RMB44,672,000 (2019: RMB97,017,000) respectively; and personal guarantee from Mr. Ma, the former executive director and chairman of the Company.

As at 31 March 2019, one of the Group's bank loans was also secured by pledge of certain leasehold lands amounting to RMB3,628,000.

CAPITAL COMMITMENT

As at 31 March 2020 and 2019, the Group's capital commitments are set out in note 35 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 2020, the Group did not have any material contingent liabilities (2019: Nil).

DIVIDEND

During the Year, an interim dividend of HK$0.005 per share (2019: HK$0.005) was declared and paid in March 2020.

The Board recommends the payment of final dividend of HK$0.010 per share (2019: HK$0.010) for the Year which is subject to shareholders' approval at the forthcoming annual general meeting.

HUMAN RESOURCES

As at 31 March 2020, the Group employed a total of 628 (2019: 2,189) full time employees in the PRC, Tajikistan and Hong Kong. The decrease was due to the fact that a subsidiary located in Tajikistan had been disposed of during the Year. 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. The Company has adopted the Share Award Scheme to provide remuneration to its employees and directors of the Group as detailed in the Company's announcement dated 8 July 2019.

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 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.

As at 31 March 2020, the Board comprised nine members, comprising six executive Directors, Mr. Xiong Zeke (Chairman), Mr. Liu Fali (Chief Executive Officer), Mr. Ma Gangling (Chief Operating Officer), Ms. Qin Chunhong, Ms. Ma Ye and Mr. Ma Tianyi (re-designated from vice chairman to executive director on 31 July 2019) and three independent non-executive Directors, Ms. Zhang Lin, Ms. Liu Talin and Ms. Yao Yunzhu.

Save that Mr. Ma Tianyi is the son of Mr. Ma Qiang, who was the former executive Director and Chairman of the Company, Mr. Liu Fali is the cousin of Mr. Ma. Qiang, Ms. Ma Ye is the aunt of Mr. Ma Tianyi, the younger sister of Mr. Ma Qiang, the cousin of Mr. Liu Fali, 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 18 to 21 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 10 Board meetings (excluding Board committee meetings) and 1 general meeting with an average attendance rate of 100% and 22% 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	10	1
Name of the Directors	**Attended/Eligible to attend**	
Executive Directors		
Mr. Xiong Zeke *(Chairman)*	10/10	1/1
Mr. Liu Fali *(Chief Executive Officer)*	10/10	0/1
Mr. Ma Gangling *(Chief Operating Officer)*	10/10	0/1
Ms. Qin Chunhong	10/10	0/1
Ms. Ma Ye	10/10	0/1
Mr. Ma Tianyi	10/10	1/1
Independent non-executive Directors		
Ms. Zhang Lin	10/10	0/1
Ms. Liu Talin	10/10	0/1
Ms. Yao Yunzhu	10/10	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
Executive directors			
Mr. Xiong Zeke *(Chairman)*	✓	✓	✓
Mr. Liu Fali *(Chief Executive Officer)*	✓	✓	✓
Mr. Ma Gangling *(Chief Operating Officer)*	✓	✓	✓
Ms. Qin Chunhong	✓	✓	✓
Ms. Ma Ye	✓	✓	✓
Mr. Ma Tianyi	✓	✓	✓
Independent non-executive directors			
Ms. Zhang Lin	✓	✓	✓
Ms. Liu Talin	✓	✓	✓
Ms. Yao Yunzhu	✓	✓	✓

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. Xiong Zeke is responsible for the strategic leadership and organization of the Board of Directors, whereas Mr. Liu Fali, 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 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	2/2

The Remuneration Committee has considered and reviewed the existing terms of employment contracts of the executive Directors, senior management and appointment letters of 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 RMB2.58 million (2019: RMB2.30 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 and acting as reporting accountant of the Group's major transaction) provided by auditor, amounted to approximately RMB3.21 million.

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 three independent non-executive Directors of the Company. The Committee is chaired by Ms. Zhang Lin who has appropriate professional qualifications and experience in financial matters.

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

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

Total number of meetings held	4
Name of members	**Attended/Eligible to attend**
Ms. Zhang Lin *(Chairperson of the Audit Committee)*	4/4
Ms. Liu Talin	4/4
Ms. Yao Yunzhu	4/4

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

NOMINATION COMMITTEE

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

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

Total number of meetings held	0
Name of members	**Attended/Eligible to attend**
Ms. Liu Talin *(Chairman of the Nomination Committee)*	0/0
Ms. Zhang Lin	0/0
Ms. Yao Yunzhu	0/0

The Board adopted the nomination policy, which sets out the key selection criteria and nomination procedures of the Nomination Committee in making recommendations to Board on the appointment of Directors and succession planning for Directors.

In assessing the suitability of the candidate to the Board regarding the appointment or re-appointment of any existing Director(s), the Nomination Committee will consider the following factors: (a) commitment for responsibilities of the Board in respect of available time and effort; (b) qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in; (c) reputation for integrity; (d) experience in the Company's principal business and/or the industry in which the Company operates, (e) (in the case of an independent non-executive Director) independence requirements set out in the GEM Listing Rules; and (f) diversity in aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and the number of directorships in other listed/public companies, and in the case of independent non-executive Directors, the length of service, where an independent non-executive Director serving more than nine years could be relevant to the determination of a non-executive Director's independence.

The Nomination Committee shall convene a meeting to invite nominations of candidates from Directors (if any) or it may also nominate candidates for its consideration. The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee will review the nomination policy periodically to ensure that it fulfils the Company's needs and complies with the regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

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.

COMPANY SECRETARY

Ms. Shen Tianwei ("Ms. Shen") joining the Group in August 2006. The biographical details of Ms. Shen are set out under the section headed "Directors and Senior Management Profile".

Ms. Shen has been informed of the requirement of Rule 5.15 of the GEM Listing Rules, and she confirmed that she had attained no less than 15 hours of relevant professional training during the Year.

DIVIDEND POLICY

The Company has a dividend policy to set out the approach by the Board in recommending dividends, to allow the shareholders of the Company to participate in the Company's profits and for the Company to retain adequate reserves for future growth.

Determination Mechanism: The Board has discretion to declare and distribute dividends to the shareholders of the Company. The Board shall take into account the following factors of the Group when considering the declaration and payment of dividends:

- the Group's current and future operations and earnings;
- the Group's liquidity position and future commitments at the time of declaration of dividend;
- any contractual restrictions on payment of dividends by the Company to its shareholders or by the Company's subsidiaries to the Company;
- the retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the general market conditions; and
- any other factors that the Board deems appropriate.

Review: The Board reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and it shall in no way constitute a legally binding commitment by the Company in respect of its future dividends and/or in no way obligate the Company to declare a dividend at any time or from time to time.

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. Xiong Zeke (熊澤科), aged 45, is an executive Director and Chairman of the Board 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 to September 2019. 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 44, is an executive Director and Chief Executive Officer. He is a senior blasting engineer. 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 22 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 as a general manager, chairman of the Board 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 a director and 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, who was the former executive Director and Chairman of the Company. Mr Liu Fali is also the uncle of Mr Ma Tianyi, the vice Chairman of the Board and executive Director of the Company. He is also the cousin of Ms. Ma Ye, an executive Director of the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Ma Gangling (**馬綱領**), aged 56, has been appointed as an executive Director and Chief Operating Officer of the Company with effect from 9 January 2019. Mr. Ma 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.

Ms. Qin Chunhong (**秦春紅**), aged 47, 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 2000. 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.

Ms. Ma Ye (**馬曄**), aged 45, was appointed as an executive Director of the Company with effect from 9 January 2019. Ms. Ma graduated from Inner Mongolia Higher Education Self-study Examination Chinese Language and Literature Education in 1996. From November 2007 to July 2013, she served as the administrative manager of Shengshi Huaxuan, responsible for daily administrative management and human resources. Since July 2013, she has been the general manager of Shengshi Huaxuan. Since 2016, she has been the chairman of Qinghai Boyang Electronics Co., Ltd.

Ms. Ma is the aunt of Mr. Ma Tianyi, the vice Chairman of the Board and executive Director of the Company. She is the younger sister of Mr. Ma Qiang, who was the former executive Director and Chairman of the company. And she is the cousin of Mr. Liu Fali, the executive Director and Chief Executive Officer of the Company.

Mr. Ma Tianyi (**馬天逸**), age 25, is an executive Director. He joined the Group on 1 March 2017 as an executive Director. He is a director of Shiny Ocean Holdings Limited ("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, who was the former executive Director and Chairman of the Company. Mr. Ma Tianyi is also the nephew of Mr. Liu Fali, the executive Director and Chief Executive Officer of the Company and nephew of Ms. Ma Ye, the executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Ms. Zhang Lin (張琳), aged 47, 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 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 52, was appointed as an independent non-executive Director with effect from 14 December 2012. She is a member of Audit Committee and Remuneration Committee, chairperson of 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.

Ms. Yao Yunzhu (姚芸竹), aged 43, 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 executive director of Victory Securities (Holdings) Company Limited, a company listed on GEM of the Stock Exchange (Stock code: 8540) from 26 October 2018 to 21 May 2019. 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. Yan Zhihe (閆志賀), aged 53, 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 44, 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 47, is the Chief Financial Officer, Company Secretary and one of the authorized representatives of the Company. 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 45 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 40 to 41.

The financial position of the Group as at 31 March 2020 are set out in the consolidated statement of financial position on pages 42 to 43.

The interim dividend of HK$0.005 per share for the six-month period ended 30 September 2019 (six-month period ended 30 September 2018: HK$0.005) was declared and paid in March 2020.

The Board recommends the payment of final dividend of HK$0.01 per share (2019: HK$0.01) 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 132 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 46 to 47.

DISTRIBUTABLE RESERVES

As at 31 March 2020 and 2019, the Company's distributable reserves, subject to a solvency test, amounted to approximately RMB573 million and RMB604 million respectively.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in share capital of the Company during the Year are set out in note 32 to the consolidated financial statements.

CHARITABLE DONATIONS

During the Year, the Group made charitable donations totalling RMB1.76 million (2019: RMB1.33 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. Xiong Zeke *(Chairman)*
Mr. Liu Fali *(Chief Executive Officer)*
Mr. Ma Gangling *(Chief Operating Officer)*
Ms. Qin Chunhong
Ms. Ma Ye
Mr. Ma Tianyi

Independent non-executive directors

Ms. Zhang Lin
Ms. Liu Talin
Ms. Yao Yunzhu

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

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

DIRECTORS' AND SENIOR MANAGEMENTS' REMUNERATION

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

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

Further details of the Directors' remuneration and the five highest paid individuals for the Year are set out in notes 9 and 10 to the consolidated financial statements respectively.

No emoluments have been paid to any of the Directors or any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the 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 36 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 36 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 2020 which was significant in relation to the business of the Group.

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

As at 31 March 2020, the interests or short positions of 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. Xiong Zeke	Interest of a controlled corporation *(Note 4)*	80,811,927 ordinary shares (L)	2.27%
	Beneficial owner	11,813,333 ordinary shares (L)	0.33%
Ms. Qin Chunhong	Interest of a controlled corporation *(Note 5)*	34,024,908 ordinary shares (L)	0.96%
	Beneficial owner	540,000 ordinary shares (L)	0.02%

Name of Director	Capacity/nature of interest	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
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 section 318 of the SFO	1,657,167,368 ordinary shares (L) *(Note 3)*	46.57%
Mr. Ma Tianyi	Beneficial owner *(Note 6)*	3,660,000 ordinary shares (L)	0.10%
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 section 318 of the SFO	1,774,098,222 ordinary shares (L) *(Note 3)*	49.85%
Mr. Ma Gangling	Beneficial owner	34,024,908	0.96%

Notes:

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

2. The percentage of shareholding is calculated based on the number of issued shares of the Company as at 31 March 2020.

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; and (4) Mr. Liu Fali was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Ma Qiang were interested.

4. 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.

5. 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 husband. Ms. Qin was deemed to be interested in all the Shares by the virtue of the SFO.

6. These shares represented the interests of Pin On Everest Asset Holdings Ltd in 3,660,000 shares of the Company. As the entire issued share capital of Pin On Everest Asset Holdings Ltd was owned by Mr. Ma Tianyi, he was deemed to be interested in all the shares in which Pin On Everest Asset Holdings Ltd was interested by virtue of the SFO.

Save as disclosed above, as at 31 March 2020, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any Director or chief executive of the Company, as at 31 March 2020, 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	1,361,516,331 ordinary shares (L)	38.25%
Ma Family Holdings Co. Limited	Interest of a controlled corporation	1,361,516,331 ordinary shares (L) *(Note 3)*	38.25%
Equity Trustee Limited	Trustee (other than a bare trustee)	1,361,516,331 ordinary shares (L) *(Note 3)*	38.25%

Name of shareholder	Capacity/nature of interest	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Mr. Ma Suocheng	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,898,103,222 ordinary shares (L) *(Note 4)*	53.33%
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 section 318 of the SFO	1,725,417,185 ordinary shares (L) *(Note 4)*	48.50%
Mr. Ma Qiang	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,898,103,222 ordinary shares (L) *(Note 4)*	53.33%
Mr. Yang Tao	Beneficial owner	274,919,268 ordinary shares (L)	7.73%
Mr. Li Man	Beneficial owner	272,739,268 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 percentage of shareholding is calculated based on the number of issued shares of the Company as at 31 March 2020.

3. These shares were held by Shiny Ocean, which was wholly owned by Ma Family Holdings Co. Limited. The entire issued share capital of Ma Family Holdings Co. Limited was owned by Equity Trustee Limited as trustee of the Ma Family Trust of which Mr. Ma Suocheng and male lineal descendants of Mr. Ma Qiang are the discretionary beneficiaries.

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

Save as disclosed herein, as at 31 March 2020, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had a discloseable interest or short position in the Shares as recorded in the register which was required to be kept under section 336 of the SFO concerning persons carrying rights to vote in all circumstances at general meetings of any other members of the Group.

ISSUE OF SECURITIES

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.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on 8 July 2019 for the purpose of affirming and rewarding the contribution of the eligible participants to the growth and development of the Group. Further details are disclosed in note 43 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 2018/2019 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) Mr. Ma Tianyi has been re-designated from Vice Chairman to executive Director of the Board of the Company with effect from 31 July 2019.

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 9 October 2017 and 20 January 2020 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.

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 RMB237.79 million, which did not exceed the annual cap of RMB300 million for the Year.

Please refer to the announcements dated 9 October 2017 and 20 January 2020 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, 9 October 2017 and 15 February 2019 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 RMB67.90 million, which did not exceed the annual of RMB120 million for the Year.

Please refer to the announcements of the Company dated 2 June 2017, 9 October 2017, 11 October 2017 and 15 February 2019 for further details of the continuing connected transactions.

Save as disclosed above, none of the related party transactions referred to in note 36 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 compete 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	42%
– Five largest customers in aggregate	68%

Purchases	**Percentage to total purchases of the Group (%)**
– The largest supplier of the Group	20%
– Five largest suppliers in aggregate	69%

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 2020 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

Xiong Zeke
Chairman

China, 19 June 2020

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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 40 to 132, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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.

KEY AUDIT MATTERS (Continued)

Measurement of Expected Credit Losses for Contract Assets, Trade Receivables, Other Receivables and Deposits

Refer to notes 3.13(ii), 23, 24 and 40(a) to the consolidated financial statements

As at 31 March 2020, the Group had contract assets and trade receivables (gross amount) and other receivables and deposits (gross amount) of RMB547,588,000 and RMB351,065,000 respectively, and the Group has recognised impairment losses of RMB5,549,000 and RMB5,633,000 for the respective balances.

The Group has applied HKFRS 9 Financial Instruments ("HKFRS 9") and assessed impairment for these receivables based on expected credit losses ("ECL") model. The Group applies the simplified approach and the 3-stage approach (i.e. the general approach) under HKFRS 9 to measure ECLs for contract assets and trade receivables and other receivables and deposits respectively:

Assessing ECLs on these receivables is a subjective area as it requires application of judgment and uses of estimates. Judgment is applied in determining ECL provisioning methodology. In this regard, management considers factors including the ageing of debtors and past credit loss experience as well as those relevant forward-looking information and how it has impact on the historical data. In addition, management determines the criteria for a significant increase in credit risk for receivables assessed under general approach. These require significant judgment by the management.

We have identified impairment assessment of these receivables as a key audit matter due to considerable amount of judgment and estimation being required in conducting impairment assessment as mentioned in the foregoing paragraph.

Our procedures in relation to management's assessment of expected credit losses on these receivables included:

- Understanding and evaluating the key controls over monitoring credit assessment of debtors including granting of credit period;
- Assessing whether the Group's impairment policy is in accordance with the requirements under HKFRS 9;
- Assessing the factors considered by the management for determining ECL provisioning methodology which include:
    - Challenging management in applying the ageing of receivables and past credit loss experience in doing their assessment;
    - Assessing how reasonably management has incorporated in their assessment forward-looking information including expected changes in economic and financial conditions which are expected to cause a significant change in the debtors' ability to meet their debt obligations; and
    - Assessing the factors considered by the management in determining whether there is significant increase in credit risk for relevant receivables; and

KEY AUDIT MATTERS (Continued)

Measurement of Expected Credit Losses for Contract Assets, Trade Receivables, Other Receivables and Deposits (Continued)

- Assessing the amount of loss allowance made by the management including:

    - Assessing the appropriateness and reasonableness of the estimation techniques, inputs and assumptions used by the management to determine the loss allowance amount;

    - Checking management's calculations of expected cash shortfall and impairment allowance; and

    - Inquiring management for the status of individual overdue debtor balances and understanding the trading history and the historical and post year end payment records of the debtors.

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

Lee Ming Wai
Practising Certificate Number P05682

Hong Kong, 19 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	**1,627,344**	1,556,596
Cost of goods sold and services provided		**(1,048,930)**	(1,102,775)
Gross profit		**578,414**	453,821
Other income and gain	6	**22,027**	12,721
Selling and distribution expenses		**(56,081)**	(32,146)
Administrative and other operating expenses		**(105,298)**	(83,140)
Other gains/(losses)			
Gain on bargain purchase	30	**–**	992
Gain/(loss) on disposal of a subsidiary	31	**10,188**	(680)
Reversal of impairment loss/(impairment loss) on trade receivables	23	**2,526**	(1,912)
Profit from operations	7	**451,776**	349,656
Finance costs	11	**(6,318)**	(2,604)
Share of results of associates	21	**10,759**	12,390
Profit before income tax		**456,217**	359,442
Income tax expense	12	**(57,582)**	(51,469)
Profit for the year		**398,635**	307,973
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising from:			
– translation of foreign operations		**(2,781)**	(3,817)
– reclassification relating to disposal of a subsidiary	31	**(460)**	680
Other comprehensive income for the year		**(3,241)**	(3,137)
Total comprehensive income for the year		**395,394**	304,836

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 RMB'000	2019 RMB'000
Profit attributable to:			
Owners of the Company		**229,627**	185,293
Non-controlling interests		**169,008**	122,680
		398,635	307,973
Total comprehensive income attributable to:			
Owners of the Company		**226,942**	182,233
Non-controlling interests		**168,452**	122,603
		395,394	304,836
		RMB	RMB
Basic and diluted earnings per share	13	**0.065**	0.052

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	15	**241,670**	260,902
Prepaid lease payments for land	17	**–**	5,467
Right-of-use assets	18	**35,909**	–
Prepayments for purchase of property, plant and equipment	24	**1,325**	7,255
Deferred tax assets	12(b)	**–**	1,487
Intangible assets	19	**101,839**	49,074
Interest in a joint venture	20	**–**	–
Interests in associates	21	**27,304**	7,045
		408,047	331,230
Current assets			
Inventories	22	**34,921**	76,122
Contract assets and trade and bills receivables	23	**710,039**	621,550
Other receivables, prepayments and deposits	24	**426,790**	215,587
Prepaid lease payments for land	17	**–**	203
Finance lease receivables	16	**–**	17,949
Amounts due from associates	21(c)	**9,629**	18,443
Amount due from a joint venture	20(c)	**12,958**	13,016
Amounts due from shareholders	25	**355**	335
Tax recoverable		**–**	2,382
Cash and cash equivalents	26	**165,176**	93,270
		1,359,868	1,058,857
Current liabilities			
Trade payables	28	**130,798**	241,615
Other payables and accruals	29	**83,481**	105,828
Borrowings	27	**280,000**	40,000
Dividend payable		**14,150**	14,150
Lease liabilities	18	**14,804**	–
Amounts due to related companies	25	**15,500**	33,050
Amount due to a shareholder	25	**77,135**	63,053
Income tax payable		**7,689**	19,145
		623,557	516,841

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 RMB'000	2019 RMB'000
Net current assets		**736,311**	542,016
Total assets less current liabilities		**1,144,358**	873,246
Non-current liabilities			
Borrowings	27	**45,000**	–
Lease liabilities	18	**6,936**	–
Deferred tax liabilities	12(b)	**8,044**	5,714
		59,980	5,714
Net assets		**1,084,378**	867,532
Capital and reserves			
Share capital	32	**40,259**	40,259
Reserves	33	**594,727**	430,856
		634,986	471,115
Non-controlling interests	34	**449,392**	396,417
Total equity		**1,084,378**	867,532

On behalf of the Board

Mr. Xiong Zeke
Director

Mr. Ma Tianyi
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Profit before income tax	**456,217**	359,442
Adjustments for:		
Amortisation of intangible assets	**67**	92
Amortisation of prepaid lease payments for land	**–**	203
Depreciation for property, plant and equipment	**54,480**	47,788
Depreciation for right-of-use assets	**8,402**	–
(Gain)/loss on disposal of a subsidiary	**(10,188)**	680
(Gain)/loss on disposal of property, plant and equipment	**(6,490)**	908
Gain on bargain purchase	**–**	(992)
(Reversal of impairment loss)/impairment loss on trade receivables	**(2,526)**	1,912
Interest income	**(1,391)**	(2,351)
Finance costs	**6,318**	2,604
Share of results of associates	**(10,759)**	(12,390)
Net exchange differences	**583**	(1,245)
Operating profit before working capital changes	**494,713**	396,651
Increase in inventories	**(7,609)**	(42,061)
Increase in contract assets and trade and bills receivables	**(121,780)**	(273,038)
Decrease/(increase) in other receivables, prepayments and deposits	**39,155**	(15,800)
(Decrease)/increase in trade payables	**(36,456)**	104,385
(Decrease)/increase in other payables and accruals	**(7,886)**	10,221
Decrease/(increase) in amounts due from associates	**8,814**	(9,466)
Cash generated from operations	**368,951**	170,892
Income tax paid	**(64,326)**	(48,612)
Net cash generated from operating activities	**304,625**	122,280

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from investing activities			
Interest received		**1,391**	2,351
Proceeds from disposal of property, plant and equipment (including finance leases)		**37,449**	33,865
Purchase of right-of-use assets		**(6,873)**	–
Investment in an associate		**(20,000)**	–
Decrease/(increase) in amount due from a joint venture		**58**	(8,013)
Increase in an other receivable		**(250,700)**	–
Increase in amounts due from shareholders		**–**	(23)
Acquisition of a subsidiary		**–**	1,542
Disposal of a subsidiary		**(9)**	–
Purchase of property, plant and equipment		**(76,154)**	(70,767)
Decrease/(increase) in prepayments for purchase of property, plant and equipment		**5,930**	(7,255)
Purchase of intangible assets		**(53,000)**	(16,245)
Dividend received from associates		**10,500**	10,500
Net cash used in investing activities		**(351,408)**	(54,045)
Cash flows from financing activities			
Dividend paid		**(48,577)**	(30,605)
Dividend paid to non-controlling interests		**(129,971)**	–
Proceeds from borrowings	37(iv)	**350,000**	20,000
Repayment of borrowings	37(iv)	**(65,000)**	(60,000)
Interest paid for bank borrowings	37(iv)	**(6,259)**	(2,604)
Lease payments	37(iv)	**(9,732)**	–
Decrease in amounts due to related companies	37(iv)	**(17,550)**	(64,950)
Increase in amount due to a shareholder	37(iv)	**45,555**	35,189
Net cash generated from/(used in) financing activities		**118,466**	(102,970)
Net increase/(decrease) in cash and cash equivalents		**71,683**	(34,735)
Cash and cash equivalents at beginning of the year		**93,270**	127,514
Effect of exchange rate changes on cash and cash equivalents		**223**	491
Cash and cash equivalents at end of the year		**165,176**	93,270

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Equity attributable to owners of the Company											
	Share capital RMB'000	Share premium* RMB'000 (note 33(a))	Capital distributable reserve* RMB'000 (note 33(b))	Contributed surplus* RMB'000 (note 33(c))	Restructuring reserve* RMB'000 (note 33(d))	Merger reserve* RMB'000 (note 33(e))	Foreign currency translation reserve* RMB'000 (note 33(f))	Statutory and other reserves* RMB'000 (notes 33(g) and (h))	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 April 2018	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 year	–	–	–	–	–	–	–	–	185,293	185,293	122,680	307,973
Other comprehensive income:												
Exchange differences from:												
– translation of foreign operations	–	–	–	–	–	–	(3,740)	–	–	(3,740)	(77)	(3,817)
– reclassification relating to disposal of a subsidiary	–	–	–	–	–	–	680	–	–	680	–	680
Total comprehensive income for the year	–	–	–	–	–	–	(3,060)	–	185,293	182,233	122,603	304,836
Dividends paid	–	(30,605)	–	–	–	–	–	–	–	(30,605)	–	(30,605)
	–	(30,605)	–	–	–	–	–	–	–	(30,605)	–	(30,605)
Transfer to statutory and other reserves	–	–	–	–	–	–	–	3,995	(3,995)	–	–	–
Utilisation of other reserves	–	–	–	–	–	–	–	(5,182)	5,182	–	–	–
At 31 March 2019	40,259	726,191	25,141	933	89,227	(613,604)	(35,468)	34,579	203,857	471,115	396,417	867,532

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Equity attributable to owners of the Company											
	Share capital RMB'000	Share premium* RMB'000 (note 33(a))	Capital distributable reserve* RMB'000 (note 33(b))	Contributed surplus* RMB'000 (note 33(c))	Restructuring reserve* RMB'000 (note 33(d))	Merger reserve* RMB'000 (note 33(e))	Foreign currency translation reserve* RMB'000 (note 33(f))	Statutory and other reserves* RMB'000 (notes 33(g) and (h))	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 April 2019	40,259	726,191	25,141	933	89,227	(613,604)	(35,468)	34,579	203,857	471,115	396,417	867,532
Profit for the year	-	-	-	-	-	-	-	-	229,627	229,627	169,008	398,635
Other comprehensive income:												
Exchange differences from:												
– translation of foreign operations	-	-	-	-	-	-	(2,225)	-	-	(2,225)	(556)	(2,781)
– reclassification relating to disposal of a subsidiary	-	-	-	-	-	-	(460)	-	-	(460)	-	(460)
Total comprehensive income for the year	-	-	-	-	-	-	(2,685)	-	229,627	226,942	168,452	395,394
Dividends paid	-	(48,577)	-	-	-	-	-	-	-	(48,577)	-	(48,577)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(129,971)	(129,971)
Contribution for non-controlling interest (note 37(ii))	-	-	-	-	-	-	-	-	(14,494)	(14,494)	14,494	-
	-	(48,577)	-	-	-	-	-	-	(14,494)	(63,071)	(115,477)	(178,548)
Transfer to statutory and other reserves	-	-	-	-	-	-	-	7,293	(7,293)	-	-	-
Utilisation of other reserves	-	-	-	-	-	-	-	(8,856)	8,856	-	-	-
At 31 March 2020	40,259	677,614	25,141	933	89,227	(613,604)	(38,153)	33,016	420,553	634,986	449,392	1,084,378

* The total of these balances at the end of the reporting period 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 SMP Partners (Cayman) Limited, 3rd Floor, Royal Bank House, 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 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 manufacturing and sale of explosives and provision of blasting operation and related services.

The consolidated financial statements for the year ended 31 March 2020 were approved and authorised for issue by the board of directors on 19 June 2020.

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

2.1 Adoption of new/revised HKFRSs – effective on 1 April 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combination
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 *Leases* ("HKFRS 16") have been summarised below. The other new or amended HKFRS that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

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

2.1 Adoption of new/revised HKFRSs – effective on 1 April 2019 (Continued)

HKFRS 16

(i) *Impact of adoption of HKFRS 16*

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 *Leases* ("HKAS 17"), HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. Details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, are set out below.

The impact of transition to HKFRS 16 on the consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 is summarised as follows:

	RMB'000
Right-of-use assets	6,012
Prepaid lease payments for land	
– Non-current portion	(5,467)
– Current portion	(203)
Prepayment for a staff quarter – current portion	(342)

Up-front payments made by the Group for leasehold land which are held for own use were previously classified as "prepaid lease payments for land" and were measured at cost less accumulated amortisation and any impairment losses. Upon initial adoption of HKFRS 16 on 1 April 2019, the carrying value of the up-front payments amounting to RMB5,670,000 were reclassified from "prepaid lease payments for land" to "right-of-use assets". In addition, as at 1 April 2019, the Group leased a staff quarter which was previously accounted for as operating lease under HKAS 17 and the Group had made full payments for the lease upfront. Accordingly, upon initial adoption of HKFRS 16 on 1 April 2019, the Group reclassified the relevant prepayment amounting to RMB342,000 classified under "other receivables, prepayments and deposits" to "right-of-use assets".

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

2.1 Adoption of new/revised HKFRSs – effective on 1 April 2019 (Continued)

HKFRS 16 (Continued)

(i) *Impact of adoption of HKFRS 16 (Continued)*

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 April 2019:

	RMB'000
Operating lease commitments as of 31 March 2019	401
Less: short term leases for which lease terms end within the year ended 31 March 2020	(401)
Total lease liabilities as of 1 April 2019	–

(ii) *The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for the lease component and any associated non-lease components as a single lease component for all leases.

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

2.1 Adoption of new/revised HKFRSs – effective on 1 April 2019 (Continued)

HKFRS 16 (Continued)

(iii) Accounting as lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease. The new accounting policies on leases of the Group, which have been applied from 1 April 2019, are set out in note 3.10.

(iv) Transition

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance of retained profits at the date of initial application i.e. 1 April 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

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

2.1 Adoption of new/revised HKFRSs – effective on 1 April 2019 (Continued)

HKFRS 16 (Continued)

(iv) *Transition (Continued)*

The Group has applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application i.e. 1 April 2019 and accounted for those leases as short-term leases.

In addition, the Group has also applied the following practical expedients such that: (i) applied HKFRS 16 to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has recognised right-of-use assets at 1 April 2019 for lease previously classified as operating lease under HKAS 17 at the amount equals to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 *Impairment* of Assets at 1 April 2019 to assess if there was any impairment as on that date.

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.

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

2.1 Adoption of new/revised HKFRSs – effective on 1 April 2019 (Continued)

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.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28 *Investments in Associates*.

Annual Improvements to HKFRS 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments clarify that when a joint operator of a business obtains control over a joint operation, that is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRS 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRS 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRS 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

2.2 New/revised HKFRSs that have been issued but are not yet effective

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

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2020.

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

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

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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.

The Group has already commenced an assessment of the impact of adopting the above amendments to existing standards to the Group. The Group has so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

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 GEM of the Stock Exchange.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value.

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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

3.3 Business combination and basis of consolidation (Continued)

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.

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

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	2-8 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.

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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Payments for leasehold land held for own use under operating leases (accounting policies applied until 31 March 2019)

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 of disposal.

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.

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.

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.

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

3.10 Leases

Accounting policies applied from 1 April 2019

The Group as lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and estimated useful lives of the assets as follows:

Leasehold land	Over the lease terms
Office premises and staff quarters	Shorter of lease term or 20 years
Machineries	2 years
Motor vehicles	2 years

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

3.10 Leases (Continued)

Accounting policies applied from 1 April 2019 (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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.

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

3.10 Leases (Continued)

Accounting policies applied until 31 March 2019

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.

3.11 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, or when annual impairment testing for those assets is required:

- Property, plant and equipment;
- Right-of-use assets (applicable from 1 April 2019);
- Prepaid lease payments for land (applicable until 31 March 2019);
- Intangible assets with finite useful lives;
- Interests in associates; and
- Interest in a joint venture.

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

3.11 Impairment of non-financial assets (Continued)

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 of disposal, 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.

3.12 Inventories

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

3.13 Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest 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: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest 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.

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

3.13 Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, other financial assets measured at amortised cost and debt instruments measured at FVOCI. The ECLs 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. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group 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. 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 ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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 credit-impaired 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, depending on credit worth of customers.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

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 FVTPL are initially measured at fair value and financial liabilities at amortised cost 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, dividend payable, amounts due to related parties and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) 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.

(v) Equity instruments

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

(vi) 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 HKFRS 9.

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 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 Revenue recognition

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of explosives

Revenue from sale of explosives is recognised at a point of time when the control of goods have been transferred to the buyer. There is generally only one performance obligation. Invoices are payable upon presentation. New customers are normally required to pay in advance. The advances received is recognised as contract liabilities.

Provision of blasting services

Revenue from the provision of blasting operation is recognised over time when the services are rendered. Invoices are issued monthly. Invoices are usually payable within 60 days.

Part of the invoiced amount will be retained by customers as retention monies and will be settled 6 to 24 months after the completion of the relevant service contracts. Retention monies are recognised as contract assets. The retention receivables will be transferred to trade receivables when the Group has unconditional right to payments from the customers.

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

3.15 Revenue recognition (Continued)

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. Contract assets are assessed for ECL in accordance with the policy set out in note 3.13(ii). Loss allowance for contract assets is measured at an amount equal to lifetime ECL.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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 a joint venture, 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(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.

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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fair value measurement

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;

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

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

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) Impairment of financial assets

The measurement of impairment losses under HKFRS 9 across all relevant categories of financial assets requires significant judgment and estimation, in particular, the assessment of a significant increase in credit risk and credit-impaired financial assets as well as the estimation of the amount and timing of future cash flows when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

(ii) 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.

5. REVENUE

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

	2020 RMB'000	2019 RMB'000
Sales of explosives	**840,166**	596,732
Provision of blasting operations	**787,178**	959,864
	1,627,344	1,556,596

No revenue was generated from sales of commodity goods for both years.

6. OTHER INCOME AND GAIN

	2020 RMB'000	2019 RMB'000
Bank interest income	**896**	569
Interest income on finance leases	**495**	1,782
Gain on disposal of property, plant and equipment	**6,490**	–
Government grants	**443**	10
Rental income	**7,710**	4,932
Net foreign exchange gain	**1,045**	1,724
Sundry income	**4,948**	3,704
	22,027	12,721

7. PROFIT FROM OPERATIONS

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

	2020 RMB'000	2019 RMB'000
Auditor's remuneration:		
– annual audit	**2,230**	1,765
– other services	**981**	139
	3,211	1,904
Costs of inventories recognised as expenses	**405,802**	299,519
Amortisation of intangible assets*	**67**	92
Amortisation of prepaid lease payments for land#	**–**	203
Depreciation for property, plant and equipment	**54,480**	47,788
Depreciation for right-of-use assets#	**8,402**	–
Lease payments under operating leases#	**–**	1,590
Short-term lease expenses#	**1,503**	–
(Gain)/loss on disposal of property, plant and equipment, net	**(6,490)**	908
Research and development costs*	**32,777**	19,015
Staff costs (including directors' emoluments) (note 8)	**87,898**	99,738

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

\# The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 2.1.

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	**82,907**	90,535
Contributions to defined contribution retirement plans (note)	**4,991**	9,203
	87,898	99,738

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 2020, the Group had no forfeited contributions available for reducing contributions to retirement plans in future years (2019: nil).

9. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 March 2020				
Executive directors				
Qin Chunhong	214	–	–	214
Xiong Zeke	480	268	16	764
Liu Fali	107	420	–	527
Ma Tianyi	240	80	4	324
Ma Gangling (appointed on 9 January 2019)	214	–	–	214
Ma Ye (appointed on 9 January 2019)	214	–	–	214
Independent non-executive directors				
Liu Talin	107	–	–	107
Zhang Lin	107	–	–	107
Yao Yun Zhu	107	–	–	107
	1,790	768	20	2,578
For the year ended 31 March 2019				
Executive directors				
Ding Baoshan (resigned on 9 January 2019)	80	–	–	80
Qin Chunhong	206	–	–	206
Xiong Zeke	464	318	4	786
Liu Fali	103	335	–	438
Ma Tianyi	310	26	4	340
Ma Qiang* (resigned on 9 January 2019)	7	–	–	7
Ma Gangling (appointed on 9 January 2019)	52	–	–	52
Ma Ye (appointed on 9 January 2019)	52	–	–	52
Independent non-executive directors				
Enhe Bayaer (resigned on 27 July 2018)	34	–	–	34
Liu Talin	103	–	–	103
Zhang Lin	103	–	–	103
Yao Yun Zhu	103	–	–	103
	1,617	679	8	2,304

No incentive payment or compensation for loss of office was paid or payable to any directors during the year ended 31 March 2020 (2019: nil).

* For the year ended 31 March 2019, Mr. Ma Qiang waived emoluments of RMB63,000.

10. FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT EMOLUMENTS

During the year ended 31 March 2020, two (2019: three) 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 (2019: two) highest paid non-director individuals for the current year are as follows:

	2020	2019
	RMB'000	RMB'000
Salaries, allowances and other benefits in kind	**1,646**	1,112
Contributions to defined contribution retirement plans	**32**	29
	1,678	1,141

The emoluments of each of the three (2019: two) highest paid non-director individuals are within the following band:

	2020	2019
	No. of individuals	No. of individuals
Nil to HK$1,000,000	**3**	2

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

	2020	2019
	No. of individuals	No. of individuals
Nil to HK$1,000,000	3	3

11. FINANCE COSTS

	2020	2019
	RMB'000	RMB'000
Interest on lease liabilities (note 18(a))	**59**	–
Interest expense on borrowings	**6,259**	2,604
	6,318	2,604

12. INCOME TAX EXPENSE

(a) Income tax

Income tax expense comprises:

	2020 RMB'000	2019 RMB'000
Current tax for the year		
PRC Enterprise Income Tax ("EIT")		
– provision for the year	**53,788**	43,305
– (over)/under-provision in respect of previous years	**(90)**	76
Tajikistan Corporate Income Tax		
– provision for the year	**–**	5,279
– under-provision in respect of previous years	**1,554**	2,311
	55,252	50,971
Deferred tax for the year (note (b))	**2,330**	498
	57,582	51,469

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. Tajikistan Corporate Income Tax rate is calculated at applicable rate of 23% (for activities other than goods production) and 13% (for activity of goods production) respectively; whereas EIT is calculated at the applicable rate of 25%, except that:

(i) One Tajikistan subsidiary is exempted from Tajikistan Corporate Income Tax for 5 years until 2022 pursuant to the investment agreement between the subsidiary and the Tajikistan government.

(ii) Three PRC subsidiaries which have obtained the New and Hi-tech Enterprise recognition are entitled to enjoy preferential EIT rate of 15% for a period of 3 years from 25 August 2017, 3 December 2018 and 13 November 2019 respectively.

(iii) Two branches and a subsidiary which are located in the Tibet Autonomous Region of the PRC are entitled to preferential tax rate. Based on the tax ruling announced by the PRC central tax authorities, the EIT rate of Lhasa is 9% for the years from 2015 to 2021. The EIT rate will resume to 15% from 2022 onwards if no further announcement from the PRC central tax authorities is made.

12. INCOME TAX EXPENSE (Continued)

(a) Income tax (Continued)

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

	2020 RMB'000	2019 RMB'000
Profit before income tax	**456,217**	359,442
Tax calculated at the rates applicable to the tax jurisdictions concerned	**111,304**	89,403
Tax effect of exemptions or preferential treatment granted to certain subsidiaries	**(62,227)**	(42,176)
Tax effect of non-deductible expenses	**5,598**	2,901
Tax effect of non-taxable income	**(5,676)**	(988)
Tax effect of share of results of associates	**(2,690)**	(3,097)
Tax loss not recognised	**3,895**	966
Utilisations of tax loss previously not recognised	**–**	(634)
Under-provision in respect of previous years	**1,464**	2,387
Withholding tax on dividends received from the PRC subsidiaries during the year	**3,584**	722
Effect of withholding tax on the undistributed profits of the PRC subsidiaries	**2,330**	1,985
Income tax expense	**57,582**	51,469

12. INCOME TAX EXPENSE (Continued)

(b) Deferred tax

The movements in deferred tax assets/(liabilities) are as follows:

	Depreciation allowance	Undistributed profits of the PRC subsidiaries	Total
	RMB'000	RMB'000	RMB'000
At 1 April 2018	–	(3,729)	(3,729)
Credited/(charged) to profit or loss	1,487	(1,985)	(498)
At 31 March and 1 April 2019	1,487	(5,714)	(4,227)
Disposal of a subsidiary (note 31)	(1,536)	–	(1,536)
Charged to profit or loss	–	(2,330)	(2,330)
Exchange realignment	49	–	49
At 31 March 2020	–	(8,044)	(8,044)

For the purpose of presentation in consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020	2019
	RMB'000	RMB'000
Deferred tax assets	**–**	1,487
Deferred tax liabilities	**(8,044)**	(5,714)
	(8,044)	(4,227)

As at 31 March 2020, the Group had unused tax losses arising in the PRC of RMB16,360,000 (2019: RMB3,861,000) 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 (2019: five years) from the year in which the losses arose.

12. INCOME TAX EXPENSE (Continued)

(b) Deferred tax (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 RMB8,044,000 (2019: RMB5,714,000) have been recognised in respect of temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounting to RMB160,871,000 (2019: RMB114,274,000). No deferred tax liability has been recorded on the remaining temporary differences of RMB482,614,000 (2019: RMB342,820,000) 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 (2019: 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:

	2020	2019
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	**229,627**	185,293

	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,558,725**	3,558,725

Diluted earnings per share

There was no potential dilutive share during the years ended 31 March 2020 and 2019.

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.

- Explosives trading and blasting services: manufacturing and sale of explosives and provision of blasting operations in the PRC and Tajikistan

- Bulk mineral trade: trading of non-ferrous metals and minerals in Hong Kong and the PRC

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' emoluments which are managed on group basis and 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, deferred tax assets, unallocated cash and cash equivalents 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, dividend payable, income tax payable, deferred tax liabilities 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 2020

	Explosives trading and blasting services RMB'000	Bulk mineral trade RMB'000	Total RMB'000
Segment revenue			
External sales	1,627,344	–	1,627,344
Segment profit/(loss)	462,897	(2,732)	460,165
Unallocated income			6,274
Unallocated corporate expenses			(10,222)
Profit before income tax			456,217

For the year ended 31 March 2019

	Explosives trading and blasting services RMB'000	Bulk mineral trade RMB'000	Total RMB'000
Segment revenue			
External sales	1,556,596	–	1,556,596
Segment profit/(loss)	364,368	(958)	363,410
Unallocated income			9,543
Unallocated corporate expenses			(13,511)
Profit before income tax			359,442

14. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment assets and liabilities

As at 31 March 2020

	Explosives trading and blasting services RMB'000	Bulk mineral trade RMB'000	Total RMB'000
Segment assets	1,485,994	23	1,486,017
Amounts due from related parties			22,942
Loan to a target company (note 24)			250,700
Unallocated cash and cash equivalents			6,868
Unallocated corporate assets			1,388
Consolidated total assets			1,767,915
Segment liabilities	557,667	55	557,722
Amounts due to related parties			92,635
Dividend payable			14,150
Income tax payable			7,689
Deferred tax liabilities			8,044
Unallocated corporate liabilities			3,297
Consolidated total liabilities			683,537

14. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment assets and liabilities (Continued)

As at 31 March 2019

	Explosives trading and blasting services RMB'000	Bulk mineral trade RMB'000	Total RMB'000
Segment assets	1,335,128	53	1,335,181
Amounts due from related parties			31,794
Tax recoverable			2,382
Deferred tax assets			1,487
Unallocated cash and cash equivalents			16,685
Unallocated corporate assets			2,558
Consolidated total assets			1,390,087
Segment liabilities	387,102	15	387,117
Amounts due to related parties			96,103
Dividend payable			14,150
Income tax payable			19,145
Deferred tax liabilities			5,714
Unallocated corporate liabilities			326
Consolidated total liabilities			522,555

14. SEGMENT INFORMATION (Continued)

Other segment information

Year ended/as at 31 March 2020

	Explosives trading and blasting services RMB'000	Bulk mineral trade RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to specified non-current assets	**180,260**	**–**	**1,230**	**181,490**
Interest income	**495**	**–**	**896**	**1,391**
Interest expenses	**6,300**	**–**	**18**	**6,318**
Depreciation and amortisation	**62,343**	**–**	**606**	**62,949**
Reversal of impairment loss on trade receivables	**2,526**	**–**	**–**	**2,526**
Share of profit of associates	**10,759**	**–**	**–**	**10,759**
Gain on disposal of a subsidiary	**10,188**	**–**	**–**	**10,188**
Interests in associates	**27,304**	**–**	**–**	**27,304**

Year ended/as at 31 March 2019

	Explosives trading and blasting services RMB'000	Bulk mineral trade RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to specified non-current assets	94,267	–	–	94,267
Interest income	1,782	1	568	2,351
Interest expenses	2,604	–	–	2,604
Depreciation and amortisation	48,079	4	–	48,083
Impairment loss on trade receivables	1,912	–	–	1,912
Share of profit of associates	12,390	–	–	12,390
Loss on disposal of a subsidiary	–	–	680	680
Interests in associates	7,045	–	–	7,045

14. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

For the year ended 31 March 2020

	Explosives trading and blasting services RMB'000	Bulk mineral trade RMB'000	Total RMB'000
Primary geographic market			
– The PRC	**1,552,015**	**–**	**1,552,015**
– Tajikistan	**75,329**	**–**	**75,329**
	1,627,344	**–**	**1,627,344**
Timing of revenue recognition			
– At a point in time	**840,166**	**–**	**840,166**
– Transferred over time	**787,178**	**–**	**787,178**
	1,627,344	**–**	**1,627,344**

For the year ended 31 March 2019

	Explosives trading and blasting services RMB'000	Bulk mineral trade RMB'000	Total RMB'000
Primary geographic market			
– The PRC	1,145,866	–	1,145,866
– Tajikistan	410,730	–	410,730
	1,556,596	–	1,556,596
Timing of revenue recognition			
– At a point in time	596,732	–	596,732
– Transferred over time	959,864	–	959,864
	1,556,596	–	1,556,596

14. SEGMENT INFORMATION (Continued)

Geographical information

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	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (country of domicile)	**1,552,015**	1,145,866	**312,481**	209,506
Hong Kong	**–**	–	**1,003**	3
Tajikistan	**75,329**	410,730	**94,563**	120,234
	1,627,344	1,556,596	**408,047**	329,743

Information about major customers

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

	2020	2019
	RMB'000	RMB'000
Explosive trading and blasting services		
– Customer A	**N/A**	407,254
– Customer B	**N/A**	360,844
– Customer C	**686,181**	209,795
– Customer D	**237,785**	166,831

Customers A and B contributed less than 10% of total revenue of the Group during the year ended 31 March 2020.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
As at 1 April 2018	107,182	160	138,325	4,273	114,661	24,418	389,019
Acquisition of a subsidiary	–	–	493	52	185	–	730
Additions	1,877	–	21,963	2,110	16,061	33,068	75,079
Transfers	35,777	–	18,865	–	1,417	(56,059)	–
Disposals	(870)	–	(38,758)	(367)	(3,201)	–	(43,196)
Exchange alignment	(756)	12	(392)	–	(633)	462	(1,307)
As at 31 March 2019	143,210	172	140,496	6,068	128,490	1,889	420,325
Additions	4,220	–	44,848	547	5,717	20,822	76,154
Transfers	21,835	–	212	156	68	(22,271)	–
Disposal of a subsidiary (note 31)	(1,336)	–	–	(147)	(38,070)	–	(39,553)
Disposals	(242)	–	(20,513)	(68)	(8,177)	–	(29,000)
Exchange alignment	(475)	10	(97)	6	1,164	(3)	605
As at 31 March 2020	167,212	182	164,946	6,562	89,192	437	428,531
Accumulated depreciation and impairment:							
As at 1 April 2018	35,279	160	56,349	3,689	27,606	–	123,083
Depreciation	7,232	–	16,283	499	23,774	–	47,788
Written back upon disposals	(160)	–	(8,905)	(367)	(1,777)	–	(11,209)
Exchange alignment	(39)	12	(24)	7	(195)	–	(239)
As at 31 March 2019	42,312	172	63,703	3,828	49,408	–	159,423
Depreciation	8,890	–	28,764	734	16,092	–	54,480
Disposal of a subsidiary (note 31)	(85)	–	–	(57)	(11,122)	–	(11,264)
Written back upon disposals	(140)	–	(10,425)	(66)	(5,359)	–	(15,990)
Exchange alignment	(81)	10	(41)	7	317	–	212
As at 31 March 2020	50,896	182	82,001	4,446	49,336	–	186,861
Net carrying amount:							
As at 31 March 2020	116,316	–	82,945	2,116	39,856	437	241,670
As at 31 March 2019	100,898	–	76,793	2,240	79,082	1,889	260,902

As at 31 March 2020, certain property, plant and equipment amounted to RMB44,672,000 (2019: RMB97,017,000) were pledged to secure the Group's bank loans (note 27).

16. FINANCE LEASE RECEIVABLES

During the prior year, the Group leased certain self-used machineries and motor vehicles to independent third parties. These leases had original lease terms of one to two years. At the end of the leases, the title of these assets would be passed to the independent third parties. The leases were classified as finance leases. Sale proceeds receivable from the counterparties for disposal of the assets represented 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 2020 RMB'000	**Present value of minimum lease payments 2020 RMB'000**	Minimum lease payments 2019 RMB'000	Present value of minimum lease payments 2019 RMB'000
Finance lease receivables:				
Within one year	**–**	**–**	18,444	17,949
Less: unearned finance income	**–**		(495)	
Total net finance lease receivables	**–**		17,949	

17. PREPAID LEASE PAYMENTS FOR LAND

	2020	2019
	RMB'000	RMB'000
Carrying amount at beginning of the year	**–**	5,873
Amortisation charged during the year (note 7)	**–**	(203)
Carrying amount at end of the year	**–**	5,670
Less: Amounts classified as current assets	**–**	(203)
Amounts classified as non-current assets	**–**	5,467

The prepaid lease payments for land represent the Group's interests in certain leasehold lands in the PRC. As at 31 March 2019, certain leasehold lands amounted to RMB3,628,000 were pledged to secure the Group's bank loans (note 27).

Upon the initial application of HKFRS 16 on 1 April 2019, the balance was reclassified to right-of-use assets as detailed in note 2.1.

18. LEASES

HKFRS 16 was adopted on 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see note 2.1. The accounting policies applied subsequent to the date of initial application, 1 April 2019, as disclosed in note 3.10.

(a) The Group as lessee

The Group has lease contracts for leasehold land, office premises, staff quarters, machineries and motor vehicles. Lump sum payments were made upfront to acquire the interests in the leasehold land in the PRC. Leases of office buildings and staff quarters generally have lease terms ranging from one to two years. One of the leases in relation to office premise contains early termination option where the Group is reasonably certain not to exercise at the inception of the lease. Leases of machineries and motor vehicles run for 6 to 24 months and the title of the machineries and motor vehicles will be passed to the Group at the end of the respective leases.

Lease payments of all of the leases above are fixed over the lease terms and do not include contingent rental.

For certain leases of office premises and staff quarters which have lease terms of 12 months, the Group did not capitalise these leases by applying the short-term lease recognition exemption.

(i) Right-of-use assets

The movements of the right-of-use assets in respect of the above leases during the year are set out below:

	Leasehold land	**Office premises and staff quarters**	**Machineries**	**Motor vehicles**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 April 2019 (note 2.1)	5,670	342	–	–	6,012
Additions	–	2,420	10,195	25,651	38,266
Depreciation expense	(203)	(921)	(2,447)	(4,831)	(8,402)
Exchange realignment	–	33	–	–	33
As at 31 March 2020	5,467	1,874	7,748	20,820	35,909

18. LEASES (Continued)

(a) The Group as lessee (Continued)

(ii) Lease liabilities

The movements of the lease liabilities in respect of the above leases are as follows:

	RMB'000
As at 1 April 2019 (note 2.1)	–
New leases	31,393
Interest expense	59
Payments	(9,732)
Exchange realignment	20
As at 31 March 2020	21,740
Classified under:	
Non-current portion	6,936
Current portion	14,804
	21,740

Future lease payments are due as follows:

	2020		
	Minimum lease payments RMB'000	**Interest RMB'000**	**Present value RMB'000**
Within 1 year	**14,851**	**47**	**14,804**
1 to 2 years	**6,949**	**13**	**6,936**
	21,800	**60**	**21,740**

18. LEASES (Continued)

(a) The Group as lessee (Continued)

(iii) Information in relation to short-term leases

	2020 RMB'000
Short-term lease expenses	**1,503**
Aggregate undiscounted commitments for short term leases	**94**

(iv) Disclosure regarding operating lease commitment as at 31 March 2019 under HKAS 17

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which were due as follows:

	2019 RMB'000
Within one year	401

(b) The Group 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 (2019: 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 2020 and 2019, the Group had no future minimum lease receivable under non-cancellable operating lease with its tenants.

19. INTANGIBLE ASSETS

	Permanent land use right RMB'000 (note)	Production permits RMB'000 (note)	Computer software RMB'000	Patents RMB'000	Production quotas RMB'000 (note)	Total RMB'000
Cost:						
As at 1 April 2018	3,060	29,551	309	298	–	33,218
Additions	–	–	–	–	16,245	16,245
Exchange realignment	(5)	(46)	–	–	–	(51)
As at 31 March 2019	3,055	29,505	309	298	16,245	49,412
Additions	–	–	–	–	53,000	53,000
Exchange realignment	(16)	(152)	–	–	–	(168)
As at 31 March 2020	3,039	29,353	309	298	69,245	102,244
Accumulated amortisation:						
As at 1 April 2018	–	–	71	175	–	246
Charge for the year	–	–	62	30	–	92
As at 31 March 2019	–	–	133	205	–	338
Charge for the year	–	–	37	30	–	67
As at 31 March 2020	–	–	170	235	–	405
Net carrying amount:						
As at 31 March 2020	3,039	29,353	139	63	69,245	101,839
As at 31 March 2019	3,055	29,505	176	93	16,245	49,074

Note:

The useful lives of the permanent land use right, the production permits in Tajikistan and the production quotas in the PRC are estimated by the Group's management to be indefinite. These assets are tested for impairment annually, and no impairment provision was recorded as at 31 March 2020 (2019: nil).

19. INTANGIBLE ASSETS (Continued)

Impairment testing of intangible assets with indefinite useful lives

Permanent land use right and production permits

The recoverable amount of the permanent land use right and production permits are determined based on the cash-generating unit ("CGU"), namely KM Muosir Limited Liability Company ("KM Muosir"), to which the permanent land use right and production permits belong on the value-in-use basis. The calculation is based on the most recent five-year financial forecasts approved by management. The following key assumptions have been made for the purpose of analysis:

(a) Average growth rate of 4% (2019: 7%)
(b) Average operating margin of 49% (2019: 47%)
(c) Pre-tax discount rate of 22% (2019: 30%)
(d) Growth rate in extrapolation of cash flows beyond five years of 3% (2019: 3%)

Production quotas

The recoverable amount of the production quotas are determined based on the CGUs, namely Otog Banner Shengan 929 Chemical Limited ("929") and Bayannur Shengan Chemcial Limited ("Bayannur Shengan") to which these quotas are assigned on the value-in-use basis. The calculations are based on the most recent five-year financial forecasts approved by management. The following key assumptions have been made for the purpose of analysis:

929
(a) Average growth rate of 0% (2019: 0%)
(b) Average operating margin of 56% (2019: 54%)
(c) Pre-tax discount rate of 9% (2019: 10%)
(d) Growth rate in extrapolation of cash flows beyond five years of 0% (2019: 0%)

Bayannur Shengan
(a) Average growth rate of 0%
(b) Average operating margin of 51%
(c) Pre-tax discount rate of 9%
(d) Growth rate in extrapolation of cash flows beyond five years of 0%

The discount rates used reflect specific risk relating to KM Muosir, 929 and Bayannur Shengan. Management determined the operating margins and growth rates within five-year period based on past experience in explosive business in Tajikistan and the PRC. The growth rates used in extrapolation of cash flows of KM Muosir, 929 and Baynnur Shengan beyond the five-year period have been determined with reference to the long term average growth rate of the explosive industry.

As at 31 March 2020 and 2019, the value in use of the respective CGUs exceeded their carrying amounts, and hence the permanent land use right and production permits and production quotas allocated to the respective CGUs were not regarded as impaired.

20. INTEREST IN A JOINT VENTURE

	2020 RMB'000	2019 RMB'000
Share of net assets	–	–

(a) 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 2020	2019
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#)	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%	51%

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

(b) Summarised financial information in respect of the Group's joint venture which is considered by the directors as immaterial is presented below:

	2020 RMB'000	2019 RMB'000
Share of the joint venture's loss for the year	–	–
Share of the joint venture's total comprehensive income for the year	–	–
Carrying amount of the Group's joint venture	–	–

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

21. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	**27,304**	7,045

(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 2020	2019
烏海市天潤爆破服務有限責任公司 (Wuhai City Tianrun Blasting Services Company Limited) ("Tianrun Blasting")#	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)#	Limited liability company	PRC	Trading of civil explosives	**20%**	20%
西藏保久控股有限公司 (Tibet Baojiu Holding Company Limited)#	Limited liability company	PRC	Inactive	**40%**	–

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

(b) Summarised financial information in respect of the Group's associates which are considered by the directors as immaterial is presented below:

	2020 RMB'000	2019 RMB'000
Share of the associates' profit from continuing operations	**10,759**	12,390
Share of the associates' total comprehensive income	**10,759**	12,390
Dividend received from the associates	**10,500**	10,500

(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 36(a).

22. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	**30,801**	73,153
Finished goods	**4,120**	2,969
	34,921	76,122

23. CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Contract assets	**124,797**	81,652
Trade receivables, net	**417,242**	395,476
	542,039	477,128
Bills receivables	**168,000**	144,422
	710,039	621,550

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. Bills receivables generally have credit terms ranging from 3 to 12 months.

Contract assets represent retention receivables arising from provision of blasting operations and related services. Typical payment terms which impact on the amount of contract assets are set out in note 3.15. The expected timing of recovery or settlement for contract assets at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
With one year	**52,250**	–
More than one year but within two years	**–**	52,250
More than two years	**72,547**	29,402
Total contract assets	**124,797**	81,652

23. CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES (Continued)

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

	2020 RMB'000	2019 RMB'000
0-30 days	**336,593**	293,794
31-90 days	**51,659**	76,700
91 days to 1 year	**74,386**	50,516
Over 1 year	**79,401**	56,118
	542,039	477,128

As at 31 March 2020 and 2019, all bills receivables are aged within 1 year.

The movement for the impairment loss of trade receivables is as follows:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	**8,075**	6,163
(Reversal of impairment loss)/impairment loss recognised for trade receivables arising from contracts with customers	**(2,526)**	1,912
At the end of the year	**5,549**	8,075

23. CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES (Continued)

The ageing analysis of net trade receivables and contract assets, based on due date, as of the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
Current	**376,762**	285,708
0-30 days past due	**57,147**	106,157
31-90 days past due	**23,520**	54,467
91 days to 1 year past due	**76,408**	22,716
Over 1 year past due	**8,202**	8,080
	542,039	477,128

No bills receivables as at 31 March 2020 and 2019 were past due or impaired.

The Group recognised impairment loss for contract assets and trade and bills receivables based on the accounting policies set out in note 3.13(ii). The Group's credit policy and credit risk arising from trade receivables, contract assets and bills receivables are set out in note 40(a).

Contract assets and trade receivables of RMB247,422,000 (2019: RMB60,000,000) were pledged to secure the Group's bank loans (note 27).

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2020 RMB'000	2019 RMB'000
Prepayments for purchase of property, plant and equipment	**1,325**	7,255
Other prepayments	**70,918**	98,548
Deposits and other receivables, net (note)	**355,872**	117,039
Total	**428,115**	222,842
Less: Current portion	**(426,790)**	(215,587)
Non-current portion (representing prepayments for purchase of property, plants and equipment)	**1,325**	7,255

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

The movement for the impairment loss of other receivables is as follows:

	2020 RMB'000	2019 RMB'000
At the beginning of the year and end of the year	**5,633**	5,633

Note:

Included in this balance is a loan receivable of RMB250,700,000 due from Anhui Jinding Mining Company Limited (the "Target Company"). The loan is secured and repayable in January 2021. Pursuant to the capital injection and cooperation agreements signed on 28 June 2019 which was supplemented on 20 November 2019, the Group has conditionally agreed to inject an aggregate amount of RMB270 million in cash into the capital of the Target Company (the "Capital Injection"). In return, the Group will own 51% equity interest of the Target Company. In addition, the Group has agreed to provide the Target Company with loan with limit of RMB270 million which is to be secured by 51% shares in the Target Company currently owned by certain of the existing shareholders of the Target Company together with written joint liability guarantees signed by those shareholders. Upon completion of the acquisition of the Target Company, the loan shall be automatically capitalised to become part of the Capital Injection, and in such case, no interest shall be charged on the loan. If the capital injection and cooperation agreement is terminated for reasons other than not being able to obtain the internal approval of the Group, interest is charged at the same interest rate as that of commercial bank loans for the same period. At the approval date of this consolidated financial statements, the transaction is still in progress.

The Group's credit policy and credit risk arising from other receivables and deposits are set out in note 40(a).

25. AMOUNTS DUE FROM/TO SHAREHOLDERS/RELATED COMPANIES

Amounts due from/to shareholders/related companies are interest-free, unsecured and repayable on demand. The amounts due from/to the parties mainly represented advances to/from these parties.

26. CASH AND CASH EQUIVALENTS

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 2020 were amounts of RMB156,200,000 (2019: RMB86,397,000) 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.

27. BORROWINGS

	2020 RMB'000	2019 RMB'000
Secured bank loans		
Current	**280,000**	40,000
Non-current	**45,000**	–
	325,000	40,000

As at 31 March 2020 and 2019, total current and non-current bank loans were scheduled to repay as follows:

	2020 RMB'000	2019 RMB'000
On demand or within one year	**280,000**	40,000
More than one year, but not exceeding two years	**45,000**	–
	325,000	40,000

Notes:

(a) The Group's bank loans are secured by the pledge of certain contract assets and trade receivables and property, plant and equipment amounting to RMB247,422,000 (2019: RMB60,000,000) and RMB44,672,000 (2019: RMB97,017,000) respectively; and personal guarantee from Mr. Ma, the former executive director and chairman of the Company.

As at 31 March 2019, one of the Group's bank loans was also secured by pledge of certain leasehold lands amounting to RMB3,628,000.

(b) For the years ended 31 March 2020 and 2019, all borrowings were denominated in RMB.

(c) The effective interest rate for the bank loans ranged from 2.35% to 2.75% per annum (2019: 2.75% to 5.82% per annum).

28. 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:

	2020 RMB'000	2019 RMB'000
0-180 days	**110,459**	234,821
181-365 days	**19,391**	6,024
Over 1 year	**948**	770
	130,798	241,615

29. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Other payables and accruals	**72,096**	96,595
Contract liabilities (note)	**11,385**	9,233
	83,481	105,828

Note:

The contract liabilities primarily relate to the advances received from customers for sale of goods. The advances remain as contract liabilities until they are recognised as revenue when control of goods is transferred to the customers. Typical payment terms which impact on the amount of contract liabilities are set out in note 3.15.

29. OTHER PAYABLES AND ACCRUALS (Continued)

Note: (Continued)

Changes in the contract liabilities balances during the year are as follows:

	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**9,233**	3,302
Cash received	**11,442**	63,857
Recognised as revenue	**(9,247)**	(57,911)
Exchange realignment	**(43)**	(15)
At the end of the year	**11,385**	9,233

The contract liabilities of RMB9,233,000 as at 1 April 2019 were recognised as revenue for the year ended 31 March 2020 from performance obligations satisfied during the year.

The contract liabilities as at 31 March 2020 were expected to be recognised as revenue in the next 12 months. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contract which has an original expected duration of one year or less is not disclosed.

30. ACQUISITION OF A SUBSIDIARY

On 9 July 2018, the Group acquired the entire equity interest in 西藏廣旭實業有限公司 (Tibet Guangxu Industrial Company Limited)# ("Guangxu") 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 Guangxu as at the date of acquisition were:

	RMB'000
Property, plant and equipment	730
Cash and cash equivalents	1,742
Trade receivables	72,843
Other receivables, prepayments and deposits	3,804
Trade payables	(37,259)
Other payables and accruals	(40,668)
	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 cash equivalents acquired	1,742
	1,542

The fair value of trade and other receivables amounted to RMB72,843,000. The gross amount of these receivables is RMB72,843,000. None of these receivables were impaired and it is expected that the full contractual amounts could be collected.

The gain on bargain purchase is attributable to the Group's bargaining power and ability in negotiating the agreed terms of the transaction with the vendor.

Since the acquisition date, Guangxu has contributed RMB259,015,000 and RMB93,225,000 to Group's revenue and net profit respectively. If the acquisition had occurred on 1 April 2018, the Group's revenue and net profit would have been RMB1,646,535,000 and RMB316,712,000 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.

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

31. DISPOSAL OF A SUBSIDIARY

2020

During the year ended 31 March 2020, the Group disposed of its entire interest in Ample Ocean International Limited, together with its wholly-owned subsidiary B.U. Tojikiston Limited Liability Company (collectively "AOIL Group") to an independent third party at cash consideration of US$3,850,000 (equivalent to approximately RMB26,727,000).

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

	RMB'000
Property, plant and equipment	28,289
Deferred tax assets	1,536
Cash and cash equivalents	9
Trade receivables	35,817
Inventories	48,810
Trade payables	(74,361)
Other payables and accruals	(14,461)
Amount due to a shareholder of the Company	(8,640)
Net assets disposed of	16,999
Exchange reserve reclassified to profit or loss upon disposal	(460)
	16,539
Gain on disposal of a subsidiary	10,188
Total consideration	26,727

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of AOIL Group is as follows:

Cash consideration	26,727
Consideration received by a shareholder of the Company on behalf of the Group (note 37(i))	(26,727)
Cash and cash equivalents disposed of	(9)
Net cash outflows in respect of disposal of a subsidiary	(9)

31. DISPOSAL OF A SUBSIDIARY (Continued)

2019

During the year ended 31 March 2019, the Group disposed of its entire interest in Pizu Group Limited ("PGL") to an independent third party at nil consideration.

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

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

32. SHARE CAPITAL

	2020			2019		
	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 and end of the year	**3,558,725**	**35,586**	**40,259**	3,558,725	35,586	40,259

33. 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 losses 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 a substantial shareholder in the form of waiving the interest accrued of RMB1,427,000 on the loan from the substantial shareholder pursuant to the capitalisation and settlement agreement entered into by the Company and the substantial shareholder 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.

33. RESERVES (Continued)

(d) Restructuring reserve

The restructuring reserve arose from the restructuring transactions conducted within Ample Ocean Holdings Limited 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 in prior years. The acquisition was accounted for by applying principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations.

(f) Foreign currency translation reserve

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

(g) 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.

(h) 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.

34. 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 2020. The percentages of equity interest held by the NCIs were 40% (2019: 40%) and 49.99% (2019: 49.99%) as at 31 March 2020 respectively.

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

2020	**Shengan Chemical (Inner Mongolia) RMB'000**	**KM Muosir RMB'000**
Non-current assets	**292,617**	**94,563**
Current assets	**1,251,641**	**30,460**
Current liabilities	**(492,909)**	**(25,972)**
Non-current liabilities	**(51,656)**	**–**
Net assets	**999,693**	**99,051**
Accumulated NCI	**399,877**	**49,515**
Revenue	**1,550,896**	**65,058**
Profit for the year	**390,823**	**25,362**
Total comprehensive income	**390,823**	**24,252**
Profit allocated to NCI	**156,329**	**12,679**
Total comprehensive income allocated to NCI	**156,329**	**12,123**
Dividend declared to NCI	**120,000**	**9,971**
Capital contribution for NCI (note 37(ii))	**–**	**14,494**
Net cash inflows from operating activities	**303,041**	**35,496**
Net cash outflows from investing activities	**(64,655)**	**(14,260)**
Net cash outflows from financing activities	**(162,032)**	**(19,947)**

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

2019	Shengan Chemical (Inner Mongolia) RMB'000	KM Muosir RMB'000
Non-current assets	209,507	92,689
Current assets	1,006,162	15,657
Current liabilities	(306,800)	(42,594)
Net assets	908,869	65,752
Accumulated NCI	363,547	32,870
Revenue	1,145,867	24,626
Profit for the year	303,374	2,661
Total comprehensive income	303,374	2,507
Profit allocated to NCI	121,350	1,330
Total comprehensive income allocated to NCI	121,350	1,253
Net cash inflows from operating activities	91,351	5,563
Net cash inflows/(outflows) from investing activities	10,386	(31,508)
Net cash (outflows)/inflows from financing activities	(132,591)	24,359

35. CAPITAL COMMITMENTS

	2020 RMB'000	2019 RMB'000
Acquisition of property, plant and equipment	**129**	8,921
Capital contribution to investee companies	**19,300**	65,000

36. 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 2020 RMB'000	Transaction amount 2019 RMB'000
(i)	內盛安保安有限責任公司 (Inner Mongolia Shengan Security Limited) (note)	Entity under common control of Mr. Ma	Security services provided by the related party	**1,657**	1,207
(ii)	Tianrun Blasting	Associate	Sales to the related party	**27,637**	25,562

Note:

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:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**4,011**	3,379

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) During the year ended 31 March 2020, a shareholder of the Company has received the proceeds from disposal of AOIL Group (note 31) of RMB26,727,000 directly from the purchaser of AOIL Group as settlement of the current account between the shareholder and the Group.

(ii) During the year ended 31 March 2020, an amount due from KM Muosir to its immediate holding company, Pizu International Limited, of RMB28,994,000 was capitalised as shareholder's contribution and include in the equity of KM Muosir. This resulted in an increase in the NCI's share of the net assets by RMB14,494,000.

(iii) During the year ended 31 March 2019, the Group leases certain machineries and motor vehicles to independent third parties under finance leases. These assets with carrying amounts of RMB30,214,000 were derecognised during the year and the difference between the carrying amounts and the present value of the future minimum lease payments of RMB30,190,000 was recorded as loss on disposal of property, plant and equipment. During the year ended 31 March 2019, lease payments of RMB34,754,000 (including interest income on finance lease of RMB1,782,000) was received from the lessees.

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

(iv) Reconciliation of liabilities arising from financing activities:

	Lease liabilities (note 18) RMB'000	Borrowings (note 27) RMB'000	Amounts due to related companies (note 25) RMB'000	Amount due to a shareholder (note 25) RMB'000
At 1 April 2018	–	80,000	98,000	25,920
Changes from cash flows:				
Interest paid	–	(2,604)	–	–
Proceeds from new borrowings	–	20,000	–	–
Fund transfer, net	–	–	(64,950)	35,189
Repayment of bank loans	–	(60,000)	–	–
	–	(42,604)	(64,950)	35,189
Other changes:				
Interest expenses	–	2,604	–	–
Exchange realignment	–	–	–	1,944
	–	2,604	–	1,944
At 31 March 2019	–	40,000	33,050	63,053
Changes from cash flows:				
Interest paid	–	(6,259)	–	–
Proceeds from new borrowings	–	350,000	–	–
Lease payments	(9,732)	–	–	–
Fund transfer, net	–	–	(17,550)	45,555
Repayment of bank loans	–	(65,000)	–	–
	(9,732)	278,741	(17,550)	45,555
Other changes:				
Disposal of a subsidiary (note 31)	–	–	–	(8,640)
Proceeds from disposal of a subsidiary received by a shareholder (note 37 (i))	–	–	–	(26,727)
New leases	31,393	–	–	–
Interest expenses	59	6,259	–	–
Exchange realignment	20	–	–	3,894
At 31 March 2020	21,740	325,000	15,500	77,135

38. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Interim dividend declared and paid during the year:		
2019: HK$0.005 per share	–	16,370
2020: HK$0.005 per share	16,193	–
Final dividend proposed after the end of reporting period:		
2019: HK$0.01 per share	–	32,384
2020: HK$0.01 per share	32,384	–
	48,577	48,754

The interim dividend of HK$0.005 per share (2019: HK$0.005 per share) totalling RMB16,193,000 (equivalent to HK$17,794,000) (2019: RMB16,370,000 (equivalent to HK$17,794,000)) for the six-month period ended 30 September 2019 was declared and paid in March 2020.

The directors recommend the payment of final dividend of HK$0.01 per share (2019: HK$0.01 per share), amounting to RMB32,384,000 (equivalent to HK$35,587,000) (2019: RMB32,384,000 (equivalent to HK$35,587,000)) for the year ended 31 March 2020 which is subject to shareholders' approval at the forthcoming annual general meeting.

The final dividend declared subsequently to 31 March 2020 has not been recognised as a liability as at 31 March 2020.

39. 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.

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at FVOCI		
– bills receivables	168,000	144,422
Financial assets at amortised cost		
– cash and cash equivalents	165,176	93,270
– trade receivables	417,242	395,476
– deposits and other receivables	345,432	107,756
– finance lease receivables	–	17,949
– amounts due from shareholders	355	335
– amounts due from associates	9,629	18,443
– amount due from a joint venture	12,958	13,016
	1,118,792	790,667
Financial liabilities		
Financial liabilities at amortised cost		
– trade payables	130,798	241,615
– other payables and accruals	70,513	78,622
– dividend payable	14,150	14,150
– amounts due to related companies	15,500	33,050
– amount due to a shareholder	77,135	63,053
– lease liabilities	21,740	–
– borrowings	325,000	40,000
	654,836	470,490

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

(a) Financial instruments not measured at fair value

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

(b) Financial instruments measured at fair value

The fair value of bills receivables was measured based on recent transaction prices at the end of the year, which was a level 2 fair value measurement.

40. 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

The Group's credit risk is primarily attributable to its contract assets, trade and bills receivables, deposits and other receivables from debtors. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis and the Group does not hold any collateral over these balances.

Contract assets, trade and bills receivables at the end of the reporting period are 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 56% (2019: 82%) of the total trade receivables was due from the Group's five largest customers in that segment.

Cash and cash equivalents are mainly deposited with registered banks in the PRC, Hong Kong and Tajikistan. The Group has policies to limit its credit exposure to any financial institution. The directors consider the credit risk on bills receivables is low since the issuers or the banks which guarantee payments of bills receivables are of high credit rating.

Accordingly, the ECLs for cash and cash equivalents and bills receivables were expected to be minimal.

The carrying amounts of contract assets, trade and bills receivables, deposits and other receivables and cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets which carry significant exposure to credit risk.

40. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment of trade receivables and contract assets

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on days past due for groupings of customer segments that have similar loss patterns.

The following tables provide information about the Group's exposure to credit risk and ECLs for the trade receivables and contract assets at the end of the reporting period:

	2020		
	Expected loss rate (%)	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current	**0.0**	**376,762**	**–**
0-30 days past due	**0.4**	**57,402**	**255**
31-90 days past due	**1.8**	**23,941**	**421**
91 days to 1 year past due	**2.4**	**78,308**	**1,900**
Over 1 year past due	**26.6**	**11,175**	**2,973**
		547,588	**5,549**

	2019		
	Expected loss rate (%)	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	0.0	285,708	–
0-30 days past due	0.5	106,722	565
31-90 days past due	2.0	55,574	1,107
91 days to 1 year past due	11.5	25,656	2,940
Over 1 year past due	30.0	11,543	3,463
		485,203	8,075

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

During the year ended 31 March 2019, increase in gross carrying amounts of the trade receivables in the band of over 1 year past due resulted in an increase in loss allowance of RMB2,134,000.

For the year ended 31 March 2020, the ECL rate for each age group decreased in general which has resulted in decrease in loss allowance.

40. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Impairment of other receivables and deposits

The Group measures loss allowances for other receivables and deposits using the general approach under HKFRS 9. Impairment of these receivables and deposits was provided based on the "three-stage" model by referring to the changes in credit quality since initial recognition.

These receivables and deposits that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group. The ECL is measured on a 12-month basis.

– If a significant increase in credit risk (as defined in accounting policy note 3.13(ii)) since initial recognition is identified, the financial asset is moved to "Stage 2" but it not yet deemed to be credit-impaired. The ECL is measured on lifetime basis.

– If the financial asset is credit-impaired (as defined in accounting policy note 3.13(ii)), the financial asset is then moved to "Stage 3". The ECL is measured on lifetime basis.

– At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables and deposits at the end of the reporting period:

	2020				
	Expected loss rate (%)	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000
Other receivables and deposits	0.5~8.7%	286,350	64,715	351,065	5,633

40. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Impairment of other receivables and deposits (Continued)

	2019				
	Expected loss rate (%)	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000
Other receivables and deposits	0.5~5.7%	13,908	99,481	113,389	5,633

Change in gross carrying amounts of the other receivables and deposits during the year did not result in significant change in the loss allowance.

(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 borrowings 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 (other than lease liabilities which are disclosed in note 18) 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.

40. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	2020			
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**Total contractual undiscounted cash flow RMB'000**	**Carrying amount RMB'000**
Non-derivative financial liabilities				
Trade payables	**130,798**	**–**	**130,798**	**130,798**
Other payables and accruals	**70,513**	**–**	**70,513**	**70,513**
Dividend payable	**14,150**	**–**	**14,150**	**14,150**
Amounts due to related companies	**15,500**	**–**	**15,500**	**15,500**
Amount due to a shareholder	**77,135**	**–**	**77,135**	**77,135**
Borrowings	**282,082**	**47,160**	**329,242**	**325,000**
	590,178	**47,160**	**637,338**	**633,096**

	2019			
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities				
Trade payables	241,615	–	241,615	241,615
Other payables and accruals	78,622	–	78,622	78,622
Dividend payable	14,150	–	14,150	14,150
Amounts due to related companies	33,050	–	33,050	33,050
Amount due to a shareholder	63,053	–	63,053	63,053
Borrowings	40,492	–	40,492	40,000
	470,982	–	470,982	470,490

40. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's interest rate risk mainly arises from cash and cash equivalents and borrowings as disclosed in notes 26 and 27 respectively. The directors of the Company consider that interest rate exposure on bank 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.

(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 explosives trading and 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:

	2020	2019
	RMB'000	RMB'000
Net monetary assets		
RMB	**626**	932

41. 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 2020.

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

	2020	2019
	RMB'000	RMB'000
Debts	**325,000**	40,000
Less: cash and cash equivalents	**(165,176)**	(93,270)
Net debts	**159,824**	(53,270)
Total equity	**1,084,378**	867,532
Net debt to equity ratio	**14.7%**	N/A

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

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**1**	3
Right-of-use assets		**72**	–
Investments in subsidiaries		**59,456**	59,456
		59,529	59,459
Current assets			
Amounts due from subsidiaries		**9,987**	12,819
Other receivables, prepayments and deposits		**44**	384
Cash and cash equivalents		**1,891**	2,366
		11,922	15,569
Current liabilities			
Other payables and accruals		**2,284**	259
Amount due to subsidiaries		**40,867**	25,693
Amount due to a shareholder		**77,135**	63,053
		120,286	89,005
Net current liabilities		**(108,364)**	(73,436)
Net liabilities		**(48,835)**	(13,977)
Capital and reserves			
Share capital	32	**40,259**	40,259
Reserves	42(b)	**(89,094)**	(54,236)
Capital deficiency		**(48,835)**	(13,977)

On behalf of the Board

Mr. Xiong Zeke
Director

Mr. Ma Tianyi
Director

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

(b) Reserves of the Company

	Share premium	Capital distributable reserve	Contributed surplus	Merger reserve	Foreign currency translation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 April 2018	756,796	25,141	(18,702)	(613,910)	(26,974)	(146,067)	(23,716)
Loss for the year	–	–	–	–	–	(1,153)	(1,153)
Dividend paid	(30,605)	–	–	–	–	–	(30,605)
Exchange difference from translation to presentation currency	–	–	–	–	1,238	–	1,238
As at 31 March 2019	726,191	25,141	(18,702)	(613,910)	(25,736)	(147,220)	(54,236)
Profit for the year	–	–	–	–	–	17,593	17,593
Dividend paid	(48,577)	–	–	–	–	–	(48,577)
Exchange difference from translation to presentation currency	–	–	–	–	(3,874)	–	(3,874)
As at 31 March 2020	677,614	25,141	(18,702)	(613,910)	(29,610)	(129,627)	(89,094)

43. SHARE AWARD SCHEME

On 8 July 2019, the Company adopted a share award scheme (the "Scheme") to enable the Company to recognise and reward the contribution of any employee or director of any member of the Group (the "Eligible Participants") to the growth and development of the Group, provide incentives to the Eligible Participants in order to retain them for the continual operation and development of the Group and attract suitable personnel for further development of the Group.

Subject to any early termination as may be determined by the board of directors of the Company (the "Board"), the Scheme shall be valid and effective for a term of 5 years commencing from the adoption date.

The Board may select any Eligible Participant (other than Excluded Person as defined in the Scheme) for participation in the Scheme and determine the number of shares of the Company to be awarded to the selected Eligible Participants. The Board is entitled to impose any conditions (including a period of continued service within the Group), as it deems appropriate with respect to the entitlement of the selected Eligible Participants to the awarded shares.

The Board shall not make any further award of the Company's shares which will result in the number of shares of the Company awarded by the Board under the Scheme (the "Awarded Shares") exceeding 200,000,000 shares of the Company (representing approximately 5.62% of the issued share capital of the Company as at the adoption date).

Prior to the vesting of any Awarded Shares, a selected Eligible Participant is not entitled to any rights attaching to the unvested Awarded Shares, including but not limited to voting rights and rights to dividends or distributions.

No shares of the Company have been awarded to any Eligible Participants under the Scheme during the year.

44. NOVEL CORONAVIRUS OUTBREAK

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the business environment in the PRC. Up to the date of this report, COVID-19 has not resulted in material impact to operating activities or financial performance and financial position of the Group. The provision of blasting operations and related services were not suspended during the pandemic and production of explosives has been fully resumed in March 2020. However, as COVID-19 continue to evolve, depending on the subsequent development and spread of COVID-19, it may have significant impact to the Group. The Group will continue to pay close attention to the development of COVID-19 and evaluate its impact arising.

45. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2020 are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital	Percentage of ownership interests/ voting rights/profit share held by the Company		Principal activities
			Directly	Indirectly	
Perfect Start Development Limited	BVI	50,000 ordinary shares of US$1 each	100%	–	Investment holding
Pizu International Limited	Hong Kong	HK$71,200,000	–	100%	Investment holding
KM Muosir (note (iv))	Tajikistan	TJS45,800,000	–	50.01%	Manufacture and sale of explosives
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) and (ii))	PRC	RMB10,000,000	–	100%	Trading of bulk minerals in the PRC
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
Ample Ocean Global Limited	BVI	HK$50,000	100%	–	Investment holding
西藏福德圓工貿有限公司 (Tibet Fudeyuan Trading Limited) (notes (i) and (ii))	PRC	RMB10,000,000	–	100%	Investment holding

45. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 March 2020 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
Shengan Chemical (Inner Mongolia)(note (iii))	PRC	RMB200,000,000	–	60%	Investment holding and sourcing of production materials for group companies
Bayannur Shengan (note (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	–	60%	Sale of civil explosives and provision of blasting operations and related services
西藏廣旭實業有限公司 (Tibet Guangxu Industrial Company Limited) (notes (i) and (iii))	PRC	RMB50,000,000	–	60%	Provision of mining and subcontracting 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.

FIVE YEARS FINANCIAL SUMMARY

The consolidated statements of comprehensive income of the Group for the financial years 2016 to 2020 and the consolidated statements of financial position of the Group as at 31 March 2016, 2017, 2018, 2019 and 2020 are as follows:

	Year ended 31 March				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**1,627,344**	1,556,596	1,124,581	3,030,703	5,158,972
Profit before income tax	**456,217**	359,442	304,108	118,873	60,143
Income tax expense	**(57,582)**	(51,469)	(43,586)	(20,955)	(17,864)
Profit for the year	**398,635**	307,973	260,522	97,918	42,279

	As at 31 March				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**1,767,915**	1,390,087	994,948	627,284	285,807
Total liabilities	**(683,537)**	(522,555)	(392,214)	(298,593)	(144,318)
Total equity	**1,084,378**	867,532	602,734	328,691	141,489