

Pizu Group Holdings Limited

比優集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8053)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE QUARTER ENDED 30 JUNE 2020

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

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

HIGHLIGHTS

- Turnover of the Group for the quarter ended 30 June 2020 (the “Quarterly Period”) was approximately RMB424.07 million, representing an increase of approximately 9.06% as compared to corresponding period in the previous fiscal year.
- The Group recorded a profit attributable to Owners approximately RMB67.21 million for the Quarterly Period.
- The Group recorded a total comprehensive income attributable to Owners approximately RMB68.34 million for the Quarterly Period.
- Basic and diluted earnings per share of the Group was approximately RMB0.019 for the Quarterly Period.
- The Board does not recommend the payment of any dividend for the Quarterly Period.

UNAUDITED RESULTS FOR THE QUARTER ENDED 30 JUNE 2020

The board of directors (the “Board”) of Pizu Group Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the Quarterly Period, together with the unaudited comparative figures for the corresponding period in 2019, as follows:

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

		Three months ended	
		30 June	
	<i>Notes</i>	2020	2019
Revenue	2	424,073	388,831
Cost of goods sold and services provided		<u>(261,177)</u>	<u>(260,123)</u>
Gross profit		162,896	128,708
Other income and gain		7,635	609
Share of profit of associates		2,683	3,680
Selling and distribution expenses		(11,119)	(11,270)
Administrative expenses		<u>(27,530)</u>	<u>(23,444)</u>
Profit from operating		134,565	98,283
Finance costs	3	<u>(1,841)</u>	<u>(329)</u>
Profit before income tax		132,724	97,954
Income tax	4	<u>(18,565)</u>	<u>(11,386)</u>
Profit for the period		<u>114,159</u>	<u>86,568</u>

		Three months ended	
		30 June	
	<i>Notes</i>	2020	2019
Other comprehensive loss for the period			
Exchange differences arising from translation of foreign operation		<u>571</u>	<u>2,279</u>
Total comprehensive income for the period (net of tax)		<u>114,730</u>	<u>88,847</u>
Profit attributable to:			
– Owners of the Company		67,215	51,368
– Non-controlling interest		<u>46,944</u>	<u>35,200</u>
		<u>114,159</u>	<u>86,568</u>
Total comprehensive income attributable to:			
– Owners of the Company		68,339	53,647
– Non-controlling interest		<u>46,391</u>	<u>35,200</u>
		<u>114,730</u>	<u>88,847</u>
		RMB (Yuan)	RMB (Yuan)
Earnings per share	6		
Basic and diluted		<u>0.019</u>	<u>0.014</u>

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited quarterly report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2020.

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

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

2. REVENUE

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

	Three months ended 30 June	
	2020	2019
Sales of civil explosive	171,663	165,394
Provision of blasting operations	252,410	223,437
	<u>424,073</u>	<u>388,831</u>

3. FINANCE COST

	Three months ended 30 June	
	2020	2019
Interest charge on bank borrowing	1,826	329
Interest on lease liabilities	15	–
	<u>1,841</u>	<u>329</u>

4. INCOME TAX

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.

Income tax represents:

	Three months ended	
	30 June	
	2020	2019
Current tax		
PRC Enterprise Income Tax	18,565	11,256
Tajikistan Corporation Income Tax	–	130
	<u>18,565</u>	<u>11,386</u>

5. DIVIDENDS

The Board does not recommend payment of any dividend for the Quarterly Period (Three months ended 30 June 2019: Nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share are based on profit attributable to the owners of the Company and the ordinary shares in issue during the period of 3,558,724,852 (2019: 3,558,724,852).

	Three months ended	
	30 June	
	2020	2019
Profit attributable to the owners of the Company	<u>67,215</u>	<u>51,368</u>

For the period ended 30 June 2020 and 2019, there is no potentially dilutive share in issue during the period and thus the diluted earnings per share is also the same as the basic earnings per share.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The turnover of the Group for the three months ended 30 June 2020 increased by approximately 9.06% as compared with the same period in 2019. The increase was mainly due to the Group has recently developed Tajikistan market and Tibet market which has continued to generate the enormous revenue.

The other income and gain for the three months ended 30 June 2020 increased by approximately 11.54 times as compared with the same period in 2019. The main reason is that a subsidiary of the Group received a special reward fund of RMB6.35 million from the local government.

CHARGE OF ASSETS

As at 30 June 2019, certain property, plant and equipment amounted to RMB66,105,400 (2019: 97,331,000) were pledged to secure the Group's bank loans.

BUSINESS REVIEW AND PROSPECTS

Business Review

For the period ended 30 June 2020, the primary income source of the Group came from sales of civil explosives and provision of blasting services. Especially, the business of provision of blasting operations has been bringing in sustainable revenue for the Group.

Prospect and outlook

On June 29, 2020, a wholly-owned subsidiary of the Company entered into a Capital Injection and Cooperation Agreement with a company engaged in the mining and processing of pyrite, iron ore and copper ore and the sale of the above mineral products, and the relevant announcement was issued. The company hopes to take this opportunity to extend the industrial chain to non-ferrous metals and precious metals mining and development industries.

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

As at 30 June 2020, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which is taken or deemed to have under such provisions of the SFO), or which were required, to be entered in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

The Company – interests in Shares and underlying Shares

Name of Director	Capacity/nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. 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%
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	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 ordinary shares (L)	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 30 June 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.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any Director or chief executive of the Company, as at 30 June 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%
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	Founder of a discretionary trust (Note 3)	1,898,103,222 ordinary shares (L)	53.33%
Mr. Yang Tao	Beneficial owner	274,919,268 ordinary shares (L)	7.73%

Name of shareholder	Capacity/nature of interest	Number and class of securities held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
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 30 June 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 30 June 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.

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

During the three months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares (three months ended 30 June 2019: nil).

COMPETING INTERESTS

For the three months ended 30 June 2020, none of the Directors or the controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause any significant competition with the business of the Group.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 30 June 2020, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout the three months ended 30 June 2020.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of three Independent Non-Executive Directors of the Company, namely Ms. Zhang Lin, Ms. Liu Talin and Ms. Yao Yunzhu.

The Group's unaudited financial statements for the three months ended 30 June 2020 have been reviewed by the audit committee.

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

Executive directors:

Mr. Xiong Zeke (*Chairman*)

Mr. Liu Fali (*Chief Executive Officer*)

Mr. Ma Gangling (*Chief Operating Officer*)

Mr. Ma Tianyi

Ms. Qin Chunhong

Ms. Ma Ye

Independent non-executive directors:

Ms. Zhang Lin

Ms. Liu Talin

Ms. Yao Yunzhu

By order of the Board
Pizu Group Holdings Limited
Xiong Zeke
Chairman

China, 5 August 2020

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