Pizu Group Holdings Limited

比優集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8053)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

This announcement, for which the directors of Pizu Group Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to 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 herein or this announcement misleading.

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

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Ma Qiang *(Chairman)*
(re-designated on 15 November 2016)
Mr. Xiong Zeke *(Chief Executive Officer)*
Mr. Liu Fali *(Chief Operating Officer)*
Mr. Ding Baoshan
Ms. Qin Chunhong
Mr. Ma Tianyi (appointed with effect from 1 March 2017)

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

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

REMUNERATION COMMITTEE
Ms. Zhang Lin *(Chairperson)*
Ms. Qin Chunhong
Ms. Liu Talin
Ms. Yao Yunzhu (appointed with effect from 1 June 2017)

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

COMPANY SECRETARY
Ms. Shen Tianwei (MAPAIS, HKICPA, CICPA)
Flat A, 11/F, Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

COMPLIANCE OFFICER
Ms. Qin Chunhong

AUTHORISED REPRESENTATIVES
Mr. Xiong Zeke
Flat A, 11/F, Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

Ms. Shen Tianwei (MAPAIS, HKICPA, CICPA)
Flat A, 11/F, Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

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

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

COMPANY WEBSITE ADDRESS
www.pizugroup.com

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

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

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

In the PRC
Bank of China
Wulatehouqi Branch
Bayan Town
Bayannur City
Inner Mongolia
PRC

STOCK CODE
8053

CHAIRMAN'S STATEMENT

Pizu Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") is grateful to our shareholders and the community for their trust, understanding and support during the past financial year 2016/2017. On behalf of the Board and all our staff, I would like to take this opportunity to express our sincere gratitude to our shareholders and the community for their care and support throughout the Year.

For the year ended 31 March 2017 (the "Year"), the profit of the Group increased substantially as compared with the same period last year, mainly attributable to two factors. With respect to its core business, the increase in production and sales of civil explosives and the rapid development in provision of blasting service have brought to the Company a segment profit of approximately RMB140,893,000. In addition, as of December, 2016, the zero coupon convertible bonds due in 2018 with a principal amount of HK$837,000,000 as consideration for the acquisition of business in manufacturing and sales of explosives and provision of blasting operations were entirely converted into shares. This not only increased the capital of the Group, but also helped save the carrying amount of finance expenses of the Group due to capital conversion, although such expenses had never affected the Group's cash flow.

During the Year, the Group carried out two business expansion projects concurrently, while at the same time maintaining stable development of the original civil explosive business. One of these was the acquisition of a large quantity of engineering equipment in Tibet, China, extending the Group's mining engineering business with blasting service as its core. Satisfactory operating results were obtained in the first year of acquisition, achieving an operating income of RMB177,810,000 and an after-tax profit of RMB25,750,000 during the Year. Secondly, taking advantage of the opportunity of "One Belt One Road Initiative", a subsidiary was set up in Tajikistan, Central Asia to manufacture civil explosives. Groundbreaking ceremony for the commencement of construction was held in May 2017.

The Group has also carried out streamlining of the existing trading business of mining products, with a view to gradually improving gross margins and reducing trading business for those with very low gross margins.

In addition, in view of the rapid growth of the Group's profits, the Group plans to distribute its first dividend. The Board of the Company will actively consider the gradual establishment of a stable dividend payout policy, in order to share the results of the Group with all the shareholders.

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

Ma Qiang
Chairman

16 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS 2016-2017

Business Review

During the Year, the primary income source of the Group mainly came from civil explosive business and the bulk mineral trade business. After reviewing the business operations in recent years, the Group has focused on civil explosive business due to the fact that this operation can generate substantial and sustainable profit for the Group. Also, the Group will continue to actively expand the provision of blasting operations.

As disclosed in the note 14 to the consolidated financial statements, the segment profit from explosives trading and blasting services amounted to RMB140.89 million.

Business Outlook

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

FINANCIAL REVIEW

Revenue

The Group achieved a consolidated revenue from the operations of approximately RMB3,031 million, representing a decrease of approximately 41.25% in comparison with year ended 31 March 2016. The following table is the breakdowns of revenue for the financial year ended 31 March 2017 (the "Year"):

	RMB'000	**Approximately % attributable to the turnover of the Group**
Sales of commodity goods	2,525,519	83.33%
Sales of explosives	314,700	10.38%
Provision of blasting operations	190,484	6.29%
	3,030,703	100%

Cost of goods sold and services provided

The consolidated cost of goods sold and services provided for the Year was approximately RMB2,815 million, representing a decrease of approximately 43.54% as compared to last year. The main reason is that the Group's major revenue derives from the bulk mineral trade business, which is an industry of low gross margin.

Earnings/Loss per share

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

MANAGEMENT DISCUSSION AND ANALYSIS

The increase in the earnings per share is mainly due to two reasons, (1) the business of manufacturing and sales of explosives and provision of blasting operation and related services brought steady growth in revenue; and (2) the convertible bonds holders converted all of their bonds into shares in December 2016, leading to the sharp decrease in finance costs.

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 26, 29, 30 and 31 to the consolidated financial statements. The capital of the Group comprises equity plus debts raised by the Group.

SIGNIFICANT INVESTMENTS

As at 31 March 2017, the Group did not have any significant investments (2016: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

On 11 May 2016, the Group entered into an acquisition agreement with an independent third party (the "Seller") pursuant to which the Group has conditionally agreed to acquire and the Seller have conditionally agreed to sell certain blasting assets including equipment, machinery, vehicles, buildings, mining facilities, inventories and accessories etc. at a cash consideration of RMB175,000,000 including tax. Such blasting assets are used/to be used for the provision of blasting and related services for the mining projects that the Group has successfully bid in early 2016. The acquisition was completed during the financial year, and is accounted for as acquisition of assets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the equity of the Group amounted to approximately RMB328.69 million. Current assets amounted to approximately RMB371.76 million of which approximately RMB98.81 million were cash and cash equivalents and approximately RMB112.66 million were inventories, other receivables, prepayments and deposits and finance lease receivables. The Group's current liabilities amounted to approximately RMB257.69 million.

GEARING RATIO

As at 31 March 2017, the Group's gearing ratio, calculated as total debts of approximately RMB141.74 million (2016: RMB78.86 million) divided by total assets of approximately RMB627.28 million (2016: RMB285.81 million) was 22.60% (2016: 27.59%). The decrease in gearing ratio was due to conversion of all outstanding convertible bonds into the shares of the Company during the Year and increase in profit generated for the year.

CHARGE OF ASSETS

As at 31 March 2017, certain trade receivables amounted to RMB23,238,000 (2016: nil), certain property, plant and equipment amounted to RMB141,779,000 (2016: nil), the certain leasehold lands amounted to RMB3,804,000 (2016: nil) and the certain bank deposits amounted to RMB13,150,000 (2016: nil) were pledged to secure the Group's bank loans.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

As at 31 March 2017 and 2016, the Group's capital commitments are set out in note 34 to the consolidated financial statements.

FOREIGN CURRENCY RISK AND ANY RELEVANT ELIMINATION

As the Group's operations are mainly conducted in the PRC and Hong Kong and the sales and purchases were denominated in the functional currencies of the respective subsidiaries, there is no significant foreign currency risk that would affect the Group's results of operations.

During the Year, the Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 31 March 2017, the Group did not have any material contingent liabilities (2016: nil).

DIVIDEND

The Board recommends the payment of special final dividend of HK$0.003 per share (2016: nil) for the Year which is subject to shareholders' approval at the forthcoming annual general meeting.

HUMAN RESOURCES

As at 31 March 2017, the Group employed a total of 411 full time employees and 4 part time employees in the PRC and Hong Kong. Staff remuneration packages are determined by reference to prevailing market rates. Staff benefits include Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong, and welfare schemes as required by the applicable laws and regulations in the PRC for PRC employees, personal insurance and discretionary bonus which are based on their performance and contribution to the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance by establishing formal and transparent procedure to protect the interests of the shareholders of the Company. The Company had throughout the Year complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs. It also explains the applications of the Code and deviations, if any.

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company (the "Directors") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry with all the Directors and all of them confirmed that they had fully complied with the required standards set out in the Company's code of conduct regarding directors' securities transactions during the Year.

BOARD OF DIRECTORS

The Board collectively oversees the management and operation of the Group and held meetings regularly during the Year to discuss the operation strategy and financial performance of the Group, while the senior management of the Group are responsible for the supervision and day-to-day management of operation of the Group and the execution of the plans of the Group as approved by the Board.

During the Year, the Board comprised nine members, comprising six executive Directors, Mr. Ma Qiang (Chairman), Mr. Xiong Zeke (Chief executive officer), Mr. Liu Fali (Chief Operations officer), Mr. Ding Baoshan, Ms. Qin Chunhong and Mr. Ma Tianyi (appointed with effect from 1 March 2017), and three independent non-executive Directors, Ms. Zhang Lin, Ms. Liu Talin and Mr. Enhe Bayaer.

Save that Mr. Ma Tianyi is the son of Mr. Ma Qiang, Mr. Liu Fali is the cousin of Mr. Ma. Qiang, there are no relationships, including financial, business, family or other material relationships, among members of the Board and between the Chairman and the chief executive officer.

The biographical details of the Directors and other senior management are set out on pages 15 to 18 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 8 Board meetings (excluding Board committee meetings) and 2 general meetings with an average attendance rate of 100% and 25% 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	8	2
Name of the Directors	**Attended/Eligible to attend**	
Executive Directors		
Mr. Ma Qiang *(Chairman)* (re-designated on 15 November 2016)	8/8	0/2
Mr. Xiong Zeke *(Chief Executive Officer)*	8/8	2/2
Mr. Liu Fali *(Chief Operating Officer)*	8/8	0/2
Mr. Ding Baoshan	8/8	2/2
Ms. Qin Chunhong	8/8	0/2
Mr. Ma Tianyi (appointed with effect from 1 March 2017)	0/0	0/0
Independent non-executive Directors		
Ms. Zhang Lin	8/8	0/2
Ms. Liu Talin	8/8	0/2
Mr. Enhe Bayaer	8/8	0/2

Independence of the Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their respective independence pursuant to Rule 5.09 of the GEM Listing Rules and accordingly, the Company considers that all of the independent non-executive Directors remain independent. As at the date of this report, the Company is not aware of the occurrence of any event which would cause it to believe that the Directors' independence has been impaired.

Directors' training is an ongoing process. During the Year, directors received regular updates on changes and developments of the Group's business and to the legislative and regulatory environments in which the Group operates. All directors are also encouraged to attend relevant training courses at the Group's expense.

During the Year, the Directors participated in the kinds of training in compliance with code provision A.6.5 of the Code as follows:

Name of the Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/or forums	Receiving briefings from Chief Financial Officer, Company Secretary and/or other executives
Mr. Ma Qiang	✓	✓	✓
Mr. Xiong Zeke	✓	✓	✓
Mr. Liu Fali	✓	✓	✓
Mr. Ding Baoshan	✓	✓	✓
Ms. Qin Chunhong	✓	✓	✓
Mr. Ma Tianyi (appointed with effect from 1 March 2017)	✓	✓	✓
Ms. Zhang Lin	✓	✓	✓
Ms. Liu Talin	✓	✓	✓
Mr. Enhe Bayaer	✓	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year, the role and duties of the chairman and the chief executive officer are separate and performed by different individuals.

The chairman of the Board, Mr. Ma Qiang is responsible for the strategic leadership and organization of the Board of Directors, whereas Mr. Xiong Zeke, the chief executive officer is in charge of management of the overall business operation of the Group.

As such, the Company had complied with Code provision A.2.1.

REMUNERATION OF DIRECTORS

A remuneration committee of the Company (the "Remuneration Committee") was formed with specific written terms of reference which deal clearly with its authority and duties with the requirements of the Code in December 2005. The Remuneration Committee is responsible for reviewing and developing the remuneration polices of the Directors and senior management to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management. The Remuneration Committee comprises of two independent non-executive Directors and one executive Director. The Board has adopted a set of the revised terms of reference of the Remuneration Committee which are aligned with the provisions set out in the Code. The terms of reference of the Committee setting out its authority, duties and responsibilities are available on both the websites of the Company and the Growth Enterprise Market ("GEM") of The Stock Exchange Hong Kong (the "Stock Exchange").

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

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 RMB1.78 million (2016: RMB1.60 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 services and other services (primarily review of interim financial information) provided by auditors, amounted to approximately RMB1,344,000 and RMB298,000 respectively.

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
Mr. Enhe Bayaer	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	2
Name of members	**Attended/Eligible to attend**
Mr. Enhe Bayaer *(Chairman of the Nomination Committee)*	2/2
Ms. Zhang Lin	2/2
Ms. Liu Talin	2/2

INTERNAL CONTROL

The Board has overall responsibility for the system of internal control of the Group and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interests of the Shareholders and the Group's assets.

The Board has conducted a review of the effectiveness of the internal control system of the Group for the Year. The senior management reviews and evaluates the internal control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's constitutional documents. Details of such rights to demand a poll and the poll procedures are included in all related circulars to the shareholders and are explained during the proceedings of meetings. There was not any significant change to the Company's constitutional documents during the Year.

Poll results will be posted on the websites of the Company and the Stock Exchange on the same day of the Shareholders' meeting.

The general meeting of the Company provides a forum for communication between the Shareholders and the Board.

Separate resolutions are proposed at Shareholders' meetings on each substantial issue, including election of individual directors.

The Company continues to enhance communication and relations with its investors. Enquires from investors are dealt within an informative and timely manner.

BOARD DIVERSITY POLICY

Pursuant to code provision A.5.6 of the Code, the Company has adopted a board diversity policy and the Nomination Committee is responsible for monitoring the achievement of the measurable objectives set out in the policy.

In designing the Board's composition, factors including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge will be taken into account by the Nomination Committee. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee shall develop measurable objectives for implementing this policy and make recommendations to the Board. The Nomination Committee shall also review the progress of achieving these objectives as may be adopted by the Board from time to time.

During the Year, the Company has achieved the following measurable objectives for the board diversity policy:

(a) To ensure the appropriate proportion of Board members shall be non-executive Directors or independent non-executive Directors. In particular, at least one-third of the number of members of the Board shall be independent non-executive Directors;

(b) To ensure at least one-third of the members of the Board members shall have attained bachelor's degree or above;

(c) To ensure at least two members of the Board shall have obtained accounting or other professional qualifications;

(d) To ensure at least two members of the Board shall have more than five years of experience in the industry he/she is specialized in; and

(e) To ensure at least two members of the Board shall have China-related work experience.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER'S RIGHTS

Procedure for the Shareholders to convene an extraordinary general meeting

Pursuant to Article 58 of the articles of association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquiries to be properly directed

The Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of Company in Hong Kong at Flat A, 11/F, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong by post for the attention of the Board.

Procedures and sufficient contact details for putting forward proposals at the Shareholders' meetings

The Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at the Shareholders' meeting. Proposal shall be sent to the Board by written requisition. Pursuant to the articles of association of the Company, the Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures as set out in paragraph headed "Procedure for the Shareholders to convene an extraordinary general meeting" above.

INVESTOR RELATIONS

The Company has established a number of channels for maintaining an on-going dialogue with the Shareholders as follows: (a) corporate communications such as announcements, annual reports, quarterly reports and circulars are published and available on the GEM website at www.hkgem.com and the Company's website at www.pizugroup.com; (b) corporate information is made available on the Company's website; (c) general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management, and the poll results of the general meetings are published on the websites of the Company and the GEM; and (d) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of the Shareholders' particulars and related matters.

The Company's memorandum of association and bye-laws are available on both the Company's website at www.pizugroup.com and the GEM website at www.hkgem.com. The Board is not aware of any significant changes in the Company's constitutional documents during the Year.

CONCLUSION

The Company believes that good corporate governance is significant in maintaining investor confidence and attracting investment. The management will devote considerate effort to strengthen and improve the standards of the corporate governance of the Group.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Ma Qiang (馬强), aged 49, was re-designated from a non-executive Director to an executive Director, and also was appointed as the chairman of the Company with effect from 15 November 2016. He joined the Group in 2 July 2013 as a non-executive Director. Mr. Ma graduated from Inner Mongolia Radio and Television University in July 1989 with a speciality in education. Mr. Ma was the chairman of the board of directors of Dongyitai Chemical from August 1993 to February 2006 and Shengshi Huaxuan from April 2008 to May 2013. He is a director and sole shareholder of Shiny Ocean, whose interest in the shares of the Company is disclosed under the paragraph headed "Directors' report – Directors' and chief executive's interest and short positions in shares, underlying shares and debentures of the Company and its associated corporations" and "Directors' report – Substantial shareholders and persons with discloseable interest and short position in shares under SFO" in this annual report.

Mr. Ma Qiang is the cousin of Mr. Liu Fali, and father of Mr. Ma Tianyi, both of them are executive Directors of the Company.

Mr. Xiong Zeke (熊澤科), aged 42, is an executive Director and chief executive officer of the Company. He joined the Group in 14 December 2012 as the chief executive officer and an executive director. Mr. Xiong obtained a bachelor's degree in economics from International Economics of the Peking University in July 1996. From July 1996 to March 2005, Mr. Xiong worked in various departments of the Shenzhen branch of China Construction Bank. Subsequently, he became the deputy general manager of 北京盛世華軒投資有限公司 (Beijing Shengshi Huaxuan Investment Co., Ltd) (a company which was principally engaged in the business of mineral related investment management) ("Shengshi Huaxuan") from September 2008 to November 2012 during which he was responsible for investment, financing and merger and acquisition of Shengshi Huaxuan. Mr. Xiong is (i) an executive Director of the Company; (ii) an independent director of 華東醫藥股份有限公司 (Huadong Medicine Co., Ltd.), a company listed on the Shenzhen Stock Exchange, since August 2009; 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. 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 and a director of Shiny Ocean 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" and "Directors' report – Substantial shareholders and persons with discloseable interest and short position in shares under SFO" in this annual report.

Mr. Liu Fali (劉發利), aged 41, is a senior blasting engineer. He is an executive Director of the Company with effect from 20 October 2015 and was appointed as Chief Operating officer of the Company with effect from 1 March 2017. Mr Liu is a director of certain subsidiaries of the Group. He graduated from 內蒙古糧食學校 (Inner Mongolia Foodstuff School). Mr. Liu has more than 17 years of experience in the civil explosives industry. From October 1997 to March 2000, he worked in 內蒙古東升廟化工廠 (Inner Mongolia Dong Sheng Miao Chemical Factory) (the predecessor of Dongyitai Chemical (as defined below) which was principally engaged in the manufacturing and sale of civil explosives). From March 2000 to April 2006, he was the manager of sales and procurement department of 東升廟伊泰化工有限責任公司 (Dong Sheng Miao Yitai Chemical Co., Ltd.) ("**Dongyitai Chemical**") in which he was responsible for the sales of civil explosives and procurement for production of civil explosives. From April 2006 to January 2008, he was promoted as the general manager of Dongyitai Chemical. Since January 2008, he worked in 內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited) ("**Shengan Chemical (Inner Mongolia)**") in which he was responsible for management, business operation and safety operation. Mr. Liu was the assistant general manager and office supervisor of Shengshi Huaxuan from February 2012 to July 2013. Since May 2015, he has been in charge of the Tibet branch of Juli Engineering Explosive Co. Ltd..

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

Mr. Ding Baoshan, aged 54, is an executive Director of the Company and resigned as chairman with effect from 15 November 2016. He joined the Group as an executive Director and chairman of the Board since 14 December 2012. He holds a Doctor of Philosophy in economics from China Social Science Institute. He is a senior economist. Mr. Ding is an independent director of Shanxi Guoxin Energy Corporation Limited (山西省國新能源股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 600617). Mr. Ding is an independent director of Qinghai Huading Industrial Co., Ltd. (青海華鼎實業股份有限公司), a company listed on the Shanghai Stock Exchange. Mr. Ding is also an independent non-executive director of Best Pacific International Holdings Limited (Stock Code: 2111). From October 2000 to August 2007, Mr. Ding had been an executive director of Denway Motors Limited, a company listed on the Main Board of the Stock Exchange prior to its withdrawal of listing on the Stock Exchange in August 2010. During the period between July 2000 and October 2007, Mr. Ding also held a senior position in Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司) and several of its group companies.

Ms. Qin Chunhong (秦春紅), aged 44, is an executive Director, compliance officer of the Company appointed pursuant to Rule 5.19 of the GEM Listing Rules, a member of Remuneration Committee and a director of certain subsidiaries of the Group. She joined the Group on 14 December 2012 as an executive director. Ms. Qin obtained a bachelor's degree in economics from Henan Institute of Finance and Economics in June 2003. In July 2009, she obtained a master's degree in business administration from the School of Business Administration in Peking University. She has been a member of the China Certified Tax Agents Association since September 2009 and a member of the Chinese Institute of Certified Public Accountants since December 2009. Ms. Qin was the chief financial officer of 內蒙古雙利資源(集團)有限責任公司 (Inner Mongolia Shuangli Resources Group Co., Limited) from 2006 to 2009 and the chief financial officer of Western Mining Group (Hong Kong) Company Limited from 2005 to 2006. Since March 2010, Ms. Qin has been the chief financial officer of Shengshi Huaxuan.

Mr. Ma Tianyi (馬天逸), age 22, is an executive Director. He joined the Group on 1 March 2017. He graduated from Dpwning College, University of Cambridge in June 2016 with a Bachelor's Degree in Arts, specializing in Natural Sciences Tripos. Mr. Ma Tianyi is the son of Mr. Ma Qiang (the executive director and chairman of the Company). Mr. Ma Tianyi is also the nephew of Mr. Liu Fali (the executive director and Chief Operating Officer of the Company).

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Ms. ZHANG Lin (張琳), aged 44, was appointed as an independent non-executive Director with effect from 14 December 2012. She is the chairperson of Audit Committee and Remuneration Committee of the Company and a member of Nomination Committee of the Company. She was licensed as a certified public accountant in the the state of California, the United States from June 2002 and the state of Georgia, the United States from October 2006.

Ms. LIU Talin (劉塔林), aged 49, was appointed as an independent non-executive Director with effect from 14 December 2012. She is a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company. She obtained a bachelor's degree from the Department of Chemistry of 內蒙古大學 (Inner Mongolia University) in July 1991. She worked in 內蒙古物資集團有限責任公司 (Inner Mongolia Resources Group Co., Ltd.*) from 1994 to 2003.

Mr. ENHE Bayaer (恩和巴雅爾), aged 64, was appointed as an independent non-executive Director with effect from 14 December 2012. He is a member of Audit Committee and the chairman of Nomination Committee. He obtained a bachelor's degree from the Department of Chinese of 內蒙古大學 (Inner Mongolia University) majoring in Mongolian translation in August 1976.

Ms. Yao Yunzhu (姚芸竹), aged 40, was appointed as an independent non-executive director with effect from 1 June 2017. She is a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company. She holds a Bachelor of Laws degree from Peking University and a master's degree from City University of Hong Kong. Ms. Yao has served as an assistant general manager of Huarong International Board of Directors since 2016. She has served as a director of policy and market research office of strategic planning and investment management department of Industrial and Commercial Bank of China (Asia) Limited, a senior manager of strategic development of COSCO Pacific Limited (COSCO Shipping Ports Limited), and was responsible for project planning, project review and strategic planning and other affairs. Ms. Yao has worked in the consular section of the Ministry of Foreign Affairs of the Peoples' Republic of China for 11 years. She has extensive experience in strategy, negotiation, operation, management and consular protection. During the above period, she has been awarded a Chevening Scholarship to study in Cambridge University.

SENIOR MANAGEMENT

Mr. Ma Gangling (馬綱領), aged 53, is the regional manager of the Group in the Republic of Tajikistan and the general manager of KM Muosir, LLC in charge of the operations in various companies. Mr. Ma obtained a college degree from Inner Mongolia Radio and Television University in July 1992, majoring in inorganic chemical engineering. From February 1992 to October 2008, he held various positions in 內蒙古烏拉山化肥有限責任公司 (Inner Mongolia Wulashan Fertilizer Co., Ltd.) (which is mainly engaged in the production of raw materials such as ammonium nitrate), including workshop director, synthetic ammonia factory manager, director of market supervision, director of sales and assistant to the general manager. He was an assistant to the general manager and the head of sales of 烏海市中榮實業有限責任公司 (Wuhai Zhongrong Industrial Co., Ltd.) from October 2008 to May 2011, which was then mainly engaged in coal production, processing, marketing and trade, and was the general manager of 烏海市西部煤化工有限責任公司 (Wuhai Western Coal Chemical Co., Ltd.) from May to November 2011, which was principally engaged in the production of coking coal. Mr. Ma also worked as the general manager and the chairman of Shengan Chemical (Inner Mongolia) from November 2011 to February 2017.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Yan Zhihe (閆志賀), aged 50, 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 41, has served as the chairman of Shengan Chemical (Inner Mongolia) since February 2017. In May 2015, he served as the general manager of 內蒙聚力工程爆破有限公司 (Inner Mongolia Juli Engineering Explosive Co., Ltd.) responsible for operational management. 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) 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 44, is the Chief Financial Officer, Company Secretary and one of the authorized representatives of the Group. Prior to joining the Group in August 2006, she has over 13 years of auditing, accounting and financial management experience in Big 4 and other sizable corporations. She has a Master degree in Professional accounting and information system from City University of Hong Kong and is an associate member of both the Hong Kong Institute of Certified Public Accountants and Chinese Institute of Certified Public Accountants.

DIRECTORS' REPORT

The directors present herewith their annual report and the audited consolidated financial statements of the Group for the Year.

BUSINESS REVIEW

Please refer to the section headed "Management Discussion and Analysis" of this annual report for a business review of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company continued to be investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 43 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 2017 are set out in the consolidated statement of financial position on pages 42 to 43.

The Board recommends the payment of special final dividend of HK$0.003 per share (2016: nil) 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 120 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 2017 and 2016, the Company's distributable reserves, subject to a solvency test, amounted to approximately RMB633 million and RMB511 million respectively.

DIRECTORS' REPORT

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in share capital and the Convertible Bonds of the Company during the Year are set out in notes 30 and 29 to the consolidated financial statements, respectively.

CHARITABLE DONATIONS

During the Year, the Group made charitable donations totalling RMB0.13 million (2016: RMB0.72 million).

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS

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

Executive directors

Mr. Ma Qiang *(Chairman)* (re-designated on 15 November 2016)
Mr. Xiong Zeke *(Chief Executive Officer)*
Mr. Liu Fali *(Chief Operating Officer)*
Mr. Ding Baoshan
Ms. Qin Chunhong
Mr. Ma Tianyi (appointed with effect from 1 March 2017)

Independent non-executive directors

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

In accordance with articles 86(3) and 87(1) of the Company's Articles of Association, Mr. Ma Tianyi, Mr. Enhe Bayaer, 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	4

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

No emoluments have been paid to any of the Directors or any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Year and prior years.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the Year.

No contract of significance had been entered into between the Company, or any of its subsidiaries and the controlling shareholder (as defined in the GEM Listing Rules) of the Company, or any of its subsidiaries.

No contract of significance for the provision of services to the Group by any of the controlling shareholder of the Company or any of its subsidiaries was entered into.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Group within one year without payment of a compensation, other than the statutory compensation.

The appointment of each of the independent non-executive Directors for a continuous term unless terminated by either party serving not less than 2 month's written notice to the other.

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Year, except as disclosed in the section headed "Connected Transactions" in the directors' report and note 35 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company's holding company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

DIRECTORS' INTERESTS IN CONTRACTS

During the Year, except as disclosed in the section headed "Connected Transactions" in the directors' report and note 35 to the consolidated financial statements, none of the Directors is or was materially interested, directly or indirectly, in any contract or arrangement subsisting during the Year or as at 31 March 2017 which was significant in relation to the business of the Group.

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

As at 31 March 2017, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which is taken or deemed to have under such provisions of the SFO), or which were required, to be entered in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

The Company – interests in Shares and underlying Shares

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

Name of Director	Capacity/nature of interest	Number and class of securities held	Approximate percentage of shareholding
Mr. Xiong Zeke	Interest of a controlled corporation (Note 5)	80,811,927 ordinary shares (L)	2.27%
	Beneficial owner	9,933,333 ordinary shares (L)	0.28%
Ms. Qin Chunhong	Beneficial owner	34,024,908 ordinary shares (L)	0.96%
Mr. Liu Fali	Beneficial owner	240,215,854 ordinary shares (L)	6.75%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,657,167,368 ordinary shares (L) (Note 4)	46.57%

Notes:

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

2. The approximate percentage of shareholding is calculated based on the number of issued shares of the Company as at 31 March 2017.

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

Notes: (Continued)

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

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

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

5. These shares represented the interests of Fabulous Seeker Holdings Limited in 80,811,927 shares of the Company. As the entire issued share capital of Fabulous Seeker Holdings Limited was owned by Mr. Xiong Zeke, he was deemed to be interested in all the shares in which Fabulous Seeker Holdings Limited was interested by virtue of the SFO.

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any Director or chief executive of the Company, as at 31 March 2017, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares

Name of shareholder	Capacity/nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding (Note 2)
Shiny Ocean	Beneficial owner	1,209,329,665 ordinary shares (L)	33.98%
Mr. Ma Suocheng	Beneficial owner	151,666,666 ordinary shares (L)	4.26%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,745,716,556 ordinary shares (L) (Note 3)	49.05%
Ms. Ma Xia	Beneficial owner	172,166,037 ordinary shares (L)	4.84%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,725,217,185 ordinary shares (L) (Note 3)	48.48%

Name of shareholder	Capacity/nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding (Note 2)
Ms. Ma Ye	Beneficial owner	124,005,000 ordinary shares (L)	3.48%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,773,378,222 ordinary shares (L) (Note 3)	49.83%
Mr. Liu Fali (Note 4)	Beneficial owner	240,215,845 ordinary shares (L)	6.75%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,657,167,368 ordinary shares (L) (Note 3)	46.57%
Mr. Yang Tao	Beneficial owner	272,199,268 ordinary shares (L)	7.65%
Mr. Li Man	Beneficial owner	272,199,268 ordinary shares (L)	7.65%
Mr. Lv Wenhua	Beneficial owner	240,215,854 ordinary shares (L)	6.75%

Notes:

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

2. The approximate percentage of shareholding is calculated based on the number of issued shares of the Company as at 31 March 2017.

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.

4. Mr. Liu Fali is an executive director of the Company.

Save as disclosed herein, as at 31 March 2017, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had a discloseable interest or short position in the Shares as recorded in the register 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

In addition to the above, during the Year, the Company had issued certain Shares pursuant to the exercise of the conversion rights attached to the Convertible Bonds (details of which were disclosed in the Company's announcements dated 11 May 2015 and 28 July 2015 and the circular of the Company dated 28 June 2015) with details as follows:

Date of issue	Number of ordinary Shares issued	Reason for the issue	Issue price per Share
25 November 2016	78,552,222	The Shares were issued and allotted upon exercise of conversion rights attached to the Convertible Bonds in the principal amount of HK$28.3 million by Fabulous Seeker Holdings Limited	HK$0.36
29 November 2016	124,005,000	The Shares were issued and allotted upon exercise of conversion rights attached to the Convertible Bonds in the principal amount of HK$44.6 million by Ms. Ma Ye	HK$0.36
8 December 2016	50,000,000	The Shares were issued and allotted upon exercise of conversion rights attached to the Convertible Bonds in the principal amount of HK$18 million by an ex-shareholder	HK$0.36
29 December 2016	150,000,000	The Shares were issued and allotted upon exercise of conversion rights attached to the Convertible Bonds in the principal amount of HK$54 million by a public shareholder	HK$0.36

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.

DIRECTORS' REPORT

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Details of the remuneration of the Directors and the five highest paid individuals in the Group are set out in notes 9 and 10 respectively to the consolidated financial statements.

RETIREMENT BENEFIT COST

Particulars of retirement benefit cost of the Group are set out in note 8 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

During the Year and up to the date of this report, there was or is permitted indemnity provision (within the meaning in Section 469 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in the articles of association of the Company being in force.

CHANGES IN DIRECTORS' INFORMATION

Changes in the Directors' information in respect of the period between the publication date of the 2016/2017 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 Qiang has been re-designated from a non-executive Director to an executive Director of the Company with effect from 15 November 2016.

(2) Mr. Ma Qiang has been appointed as the Chairman of the Company in place of Mr. Ding Baoshan with effect from 15 November 2016. Mr Ding Baoshan will remain as an executive Director of the Company.

(3) Mr. Ma Tianyi has been appointed as an executive Director of the Company with effect from 1 March 2017;

(4) Mr. Liu Fali has been appointed as Chief Operating officer of the Company with effect from 1 March 2017; and

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

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 a transportation services framework agreement dated 22 June 2015 ("Transportation Framework Agreement") and entered into between 巴彥淖爾盛安運輸有限責任公司 (Bayannur Shengan Transportation Limited) ("Shengan Transport") as services provider and 鄂托克旗盛安九二九化工有限責任公司 (Otog Banner Shengan 929 Chemical Limited) ("Shengan Chemical (Otog Banner)"), 巴彥淖爾盛安化工有限責任公司 (Bayannur Shengan Chemical Limited) ("Shengan Chemical (Bayannur)"), 巴彥淖爾盛安化工有限責任公司烏拉特中旗分公司 (Bayannur Shengan Chemical Limited Urad Middle Banner Branch) ("Shengan Chemical (Urad Middle Banner)"), all being subsidiaries of the Company, as customers, Shengan Transport agreed to provide transportation services to Shengan Chemical (Otog Banner), Shengan Chemical (Bayannur) and Shengan Chemical (Urad Middle Banner) in respect of the transportation of civil explosives, blasting equipment and/or other production materials for a term of three years commencing from 22 June 2015, subject to the terms and conditions of the Transportation Framework Agreement and on such other terms (such as the time of service, types and weight of the goods to be transported, and the service fees) to be further agreed by the parties by entering into separate service contracts from time to time, provided that the terms of such separate service contracts shall be on normal commercial terms or better, and shall not contravene the terms of and conditions of the Transportation Framework Agreement.

As the pricing of the transportation fee of civil explosives is not subject to any laws or government regulations in the PRC, and there are no published reference price by any authority in the PRC, pursuant to the Transportation Framework Agreement, the service fees for each service 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 services, the types of goods to be transported, weight, transportation distance and time to be involved, fuel price and such other special circumstances, provided that the unit services fee per tonne and per kilometer offered to the Group shall not be less favourable than that offered by Shengan Transport to its independent third party customers for transportation of comparable products and distance.

Before 22 April 2016, as Shengan Transport was owned as to approximately 90.91% by Mr. Dong Haibin, who is the brother-in-law of Mr. Ma Qiang, being the Company's executive Director and substantial shareholder, Shengan Transport was a connected person of the Company and the transaction contemplated under the Transportation Framework Agreement constituted continuing connected transactions under the GEM Listing Rules for the Year.

As at the date of this report, as a result of the change in shareholding of Shengan Transport in April 2016, the shareholding percentage of Mr. Dong Haibin in Shengan Transport was reduced to 5%. As such, Shengan Transport is no longer a connected person of the Company as at the date of this report.

The services fees payable by the Group to Shengan Transport for the provision of transportation services for the Year was approximately RMB10.90 million, which did not exceed the annual cap of RMB19.8 million for the Year.

Please refer to the circular of the Company dated 28 June 2015 for further details of the continuing connected transaction contemplated under the Transportation Framework Agreement.

(2) pursuant to the framework agreement ("Ordos Beian Framework Agreement") dated 28 July 2015 entered into between Shengan Chemical (Otog Banner) as vendor and 鄂爾多斯市北安民爆器材有限責任公司鄂托克旗分公司 (Ordos City Beian Civil Explosive Products Limited Ordos Branch) ("Ordos Beian") as purchaser for the purchase of powder emulsion explosives and ANFO explosives for a term of three years commencing from the date thereof, subject to the terms and conditions of the Ordos Beian Framework Agreement and on such other terms (such as the category, volume, unit price of purchase, quality requirements, time and location of delivery of finished goods) to be further agreed by the parties by entering into separate purchase orders from time to time, provided that the terms of such purchase orders shall be on normal commercial terms or better, and shall not contravene the terms of and conditions of the Ordos Beian Framework Agreement.

As the pricing of sales of civil explosives is no longer subject to any laws or government regulations in the PRC, and there are no published reference price by any authority in the PRC, pursuant to the Ordos Beian Framework Agreement, the unit price for sale and purchase shall be from time to time agreed by the parties after arm's length negotiation and shall be determined with reference to the prevailing market price for comparable products, volume of purchase, transportation and delivery arrangement and such other special circumstances, provided that the unit price offered by the Group shall not be more favourable than that offered by the Group to its independent third party purchasers for purchase of comparable products and volume.

Ordos Beian was owned as to 55% by 內蒙古生力資源（集團）有限責任公司 (Inner Mongolia Shengli Resources Group Co., Limited), which held 40% of equity interest in 內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited), an indirect non-wholly owned subsidiary of the Company and was 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 RMB75.29 million, which did not exceed the annual cap of RMB115.25 million for the Year.

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

(3) pursuant to the framework agreement dated 2 June 2017 between 內蒙古聚力工程爆破有限公司 Inner Mongolia Juli Engineering and Blasting Services Limited (a subsidiary of the Group) ("Juli Engineering") as customer and 內蒙古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) as supplier ("Ordos Beian") relating to supply of civil explosive equipment, supplies, materials and other similar items for three years term from 1 April 2016 to 31 March 2019. 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 RMB8.052 million, which did not exceed the annual of RMB10 million for the Year.

Please refer to the announcement of the Company dated 2 June 2017 for further details of the continuing connected transactions.

Save as disclosed above, none of the related party transactions referred to in note 35 to the consolidated financial statements constituted a "connected transaction" or a "continuing connected transaction" subject to reporting requirements under Chapter 20 of the GEM Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the connected transactions or continuing connected transactions.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 20.54 of the GEM Listing Rules, the Board has engaged the auditor of the Company to perform certain agreed upon procedures in respect of the above continuing connected transactions. The auditor of the Company has confirmed that nothing has come to its attention that causes them to believe: (a) the continuing connected transactions have not been approved by the Company's Board of Directors; (b) the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group; (c) the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (d) the continuing connected transactions have exceeded their respective annual caps.

The independent non-executive Directors have, for the purpose of Rule 20.53 of the GEM Listing Rules, reviewed the above continuing connected transactions and the auditor's report on the continuing connected transactions. The independent non-executive Directors have confirmed that all of the above continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms, and (iii) in accordance with the agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

COMPETING INTERESTS

During the Year, none of the Directors or substantial shareholders or any of their respective associates (as defined in the GEM Listing Rules) had an interest in any business that compte or may compete with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and each of the Directors has confirmed that he/

she has complied with the required standard of dealings and the Company's code of conduct regarding securities transactions by directors during the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this annual report.

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the Year is set out in note 14 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases during the Year attributable by the Group's five largest customers and suppliers are as follows:

Sales	Percentage to total sales of the Group (%)
– The largest customer of the Group	36.19%
– Five largest customers in aggregate	80.28%

Purchases	Percentage to total purchases of the Group (%)
– The largest supplier of the Group	47.62%
– Five largest suppliers in aggregate	87.72%

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 2017 containing all information required by the GEM Listing Rules will be published on the respective websites of GEM and the Company in due course.

DIRECTORS' REPORT

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

There had been no change in the auditor of the Company, BDO Limited during the preceding three financial years.

The consolidated financial statements for the Year was audited by BDO Limited who will retire as the Company's auditor at the end of the forthcoming annual general meeting of the Company and being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ma Qiang
Chairman

China, 16 June 2017

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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 119, which comprise the consolidated statement of financial position as at 31 March 2017, 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 2017, 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 ("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.

Accounting for Acquisition of Blasting Assets

Refer to note 4.2(i) and note 15(i) to the consolidated financial statements

During the year, the Group acquired from an independent third party vendor certain blasting assets at a cash consideration amounting to RMB175 million (including tax) which comprise property, plant and equipment and inventories. To account for the acquisition of the blasting assets, management has to assess whether the acquisition of the blasting assets constitutes a business.

According to HKFRS 3 (Revised) *Business Combinations* ("HKFRS 3 (Revised)"), a business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to investors. HKFRS 3 (Revised) describes the components of a business as inputs and processes applied to those inputs that have the ability to create outputs. Following the requirements and guidance under HKFRS 3 (Revised), management has concluded that the transaction is acquisition of assets, not acquisition of business. In concluding whether the acquisition of the blasting assets constitutes a business, management has to assess whether process such as organised workforce is acquired with reference to relevant facts and circumstances. This involves the use of significant management judgments.

Our procedures in relation to management's assessment on accounting for the acquisition of the blasting assets mainly included:

(i) Evaluating the terms in the acquisition agreement;

(ii) Discussing with management their assessment and assessing reasonableness of the factors considered by the management in determining whether process is acquired;

(iii) Obtaining handover list of the acquired assets to identify the assets being transferred; and

(iv) Understanding and substantiating the processes being set up by the Group prior to the acquired assets being put into use for generating income.

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.

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

- 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.

- 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.

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

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, 16 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	5	**3,030,703**	5,158,972
Cost of goods sold and services provided		**(2,815,071)**	(4,985,525)
Gross profit		**215,632**	173,447
Other income	6	**2,564**	1,196
Selling and distribution expenses		**(16,137)**	(20,948)
Administrative and other operating expenses		**(57,727)**	(60,969)
Other (losses)/gains			
Change in fair value of derivative financial instruments		**–**	410
Gain on disposal of a subsidiary	36	**–**	14
Impairment loss on property, plant and equipment		**(6,894)**	–
Impairment loss on trade receivables		**(3,645)**	–
Operating profits	7	**133,793**	93,150
Finance costs	11	**(12,187)**	(32,766)
Share of losses of associates		**(33)**	(241)
Share of loss of a joint venture		**(2,700)**	–
Profit before income tax		**118,873**	60,143
Income tax expense	12	**(20,955)**	(17,864)
Profit for the year		**97,918**	42,279
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from			
– translation of foreign operations		**(4,729)**	(8,277)
– reclassification relating to disposal of subsidiaries		**–**	3
Other comprehensive income for the year		**(4,729)**	(8,274)
Total comprehensive income for the year		**93,189**	34,005

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 RMB'000	2016 RMB'000
Profit/(Loss) attributable to:			
Owners of the Company		**49,187**	(6,171)
Non-controlling interests		**48,731**	48,450
		97,918	42,279
Total comprehensive income attributable to:			
Owners of the Company		**44,458**	(14,445)
Non-controlling interests		**48,731**	48,450
		93,189	34,005
		RMB	RMB
Basic and diluted earnings/(loss) per share	13	**0.015**	(0.003)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	15	**233,581**	96,424
Prepaid lease payments for land	17	**5,873**	6,076
Prepayment for purchase of property, plant and equipment	23	**1,941**	44,432
Finance lease receivables	16	**10,485**	–
Intangible assets	18	**153**	183
Interest in a joint venture	19	**–**	–
Interests in associates	20	**3,494**	3,527
		255,527	150,642
Current assets			
Inventories	21	**21,640**	8,823
Trade and bills receivables	22	**141,740**	78,546
Other receivables, prepayments and deposits	23	**73,881**	8,223
Prepaid lease payments for land	17	**203**	203
Finance lease receivables	16	**17,143**	–
Amounts due from associates	20(c)	**1,973**	388
Amount due from a joint venture	19(c)	**2,800**	–
Amounts due from related companies	24	**–**	432
Amounts due from shareholders	24	**417**	324
Pledged deposits	25	**13,150**	–
Cash and cash equivalents	25	**98,810**	38,226
		371,757	135,165
Current liabilities			
Trade payables	27	**57,962**	27,084
Other payables and accruals	28	**30,238**	14,522
Borrowings	26	**101,736**	–
Dividend payable	37(i)	**14,150**	14,150
Amount due to a director	24	**823**	1,726
Amounts due to related companies	24	**45,941**	4,998
Income tax payable		**6,838**	2,979
		257,688	65,459

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 RMB'000	2016 RMB'000
Net current assets		**114,069**	69,706
Total assets less current liabilities		**369,596**	220,348
Non-current liabilities			
Borrowings	26	**40,000**	–
Convertible bonds – liability component	29	**–**	78,859
Deferred tax liabilities	12	**905**	–
		40,905	78,859
Net assets		**328,691**	141,489
Capital and reserves			
Share capital	30	**40,259**	36,757
Reserves	31	**148,094**	13,125
		188,353	49,882
Non-controlling interests	32	**140,338**	91,607
Total equity		**328,691**	141,489

On behalf of the Board

Ma Qiang
Director

Xiong Zeke
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Profit before income tax	**118,873**	60,143
Adjustments for:		
Amortisation of intangible assets	**30**	30
Amortisation of prepaid lease payments for land	**203**	203
Depreciation for property, plant and equipment	**27,122**	12,217
Change in fair value of derivative financial instruments	**–**	(410)
Finance costs	**12,187**	32,766
Gain on disposal of subsidiaries	**–**	(14)
(Gain)/Loss on disposal of property, plant and equipment	**(206)**	416
Impairment loss on property, plant and equipment	**6,894**	–
Impairment loss on trade receivables	**3,645**	–
Interest income	**(911)**	(207)
Gain on disposal of other financial assets	**–**	(40)
Share of loss of a joint venture	**2,700**	–
Share of losses of associates	**33**	241
Net exchange differences	**(1,496)**	(782)
Operating profit before working capital changes	**169,074**	104,563
(Increase)/Decrease in inventories	**(12,817)**	5,645
(Increase)/Decrease in trade and bills receivables	**(66,839)**	45,977
(Increase)/Decrease in other receivables, prepayments and deposits	**(70,602)**	748
Change in derivative financial instruments	**–**	(2,109)
Increase/(Decrease) in trade payables	**30,878**	(25,816)
Increase/(Decrease) in other payables and accruals	**15,716**	(2,058)
Increase/(Decrease) in amount due from associates	**(1,585)**	326
Cash generated from operations	**63,825**	127,276
Income tax paid	**(16,191)**	(24,160)
Net cash generated from operating activities	**47,634**	103,116

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 RMB'000	2016 RMB'000
Cash flows from investing activities		
Interest received	**911**	207
Proceeds from disposal of property, plant and equipment	**7,085**	516
Increase in amount due from a joint venture	**(2,800)**	–
Acquisition of a joint venture	**(2,700)**	–
Purchase of property, plant and equipment	**(158,245)**	(59,724)
Proceeds from disposal of other financial assets	**–**	1,820
Increase in pledged deposits	**(13,150)**	–
Decrease in amounts due from related companies	**432**	1,296
Net cash used in investing activities	**(168,467)**	(55,885)
Cash flows from financing activities		
Proceeds from borrowings	**141,736**	–
Dividend paid	**–**	(39,500)
Dividend paid to non-controlling interest of a subsidiary	**–**	(31,192)
Increase in amounts due to related companies	**40,943**	4,998
Interest paid for bank borrowings	**(833)**	–
(Decrease)/Increase in amount due to a director	**(903)**	1,653
(Increase)/Decrease in amounts due from shareholders	**(93)**	24
Net cash generated from/(used in) financing activities	**180,850**	(64,017)
Net increase/(decrease) in cash and cash equivalents	**60,017**	(16,786)
Cash and cash equivalents at beginning of the year	**38,226**	55,130
Effect of exchange rate changes on cash and cash equivalents	**567**	(118)
Cash and cash equivalents at end of the year	**98,810**	38,226

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Equity attributable to owners of the Company												
	Share capital RMB'000	Share premium* RMB'000 (note 31(a))	Capital distributable reserve* RMB'000 (note 31(b))	Contributed surplus* RMB'000 (note 31(c))	Restructuring reserve* RMB'000 (note 31(d))	Merger reserve* RMB'000 (note 31(e))	Convertible bonds – equity reserve* RMB'000 (note 31(f))	Foreign currency translation reserve* RMB'000 (note 31(g))	Statutory and other reserves* RMB'000 (notes 31(h) and (i))	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 April 2015	21,186	72,452	25,141	933	31,230	107	–	(17,459)	18,142	(133,909)	17,823	108,277	126,100
Profit for the year	–	–	–	–	–	–	–	–	–	(6,171)	(6,171)	48,450	42,279
Other comprehensive income:													
Exchange differences from													
– translation of foreign operations	–	–	–	–	–	–	–	(8,277)	–	–	(8,277)	–	(8,277)
– reclassification relating to disposal of subsidiaries (note 36)	–	–	–	–	–	–	–	3	–	–	3	–	3
Total comprehensive income for the year	–	–	–	–	–	–	–	(8,274)	–	(6,171)	(14,445)	48,450	34,005
Transactions with owners:													
Dividend declared to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(31,192)	(31,192)
Issue of convertible bonds for common control combination (notes 29 and 31(e))	–	–	–	–	–	(613,910)	280,915	–	–	–	(332,995)	–	(332,995)
Issue of shares upon conversion of convertible bonds (notes 29 and 30)	15,571	562,277	–	–	–	–	(232,277)	–	–	–	345,571	–	345,571
	15,571	562,277	–	–	–	(613,910)	48,638	–	–	–	12,576	(31,192)	(18,616)
De-recognition of non-controlling interests of Ample Ocean previously recognised from Mr. Ma's perspective upon completion of the Acquisition (note 3.2)	–	–	–	–	57,997	199	–	58	17,918	(42,244)	33,928	(33,928)	–
Transfer to statutory and other reserves	–	–	–	–	–	–	–	–	3,997	(3,997)	–	–	–
Utilisation of other reserves	–	–	–	–	–	–	–	–	(2,045)	2,045	–	–	–
At 31 March 2016	36,757	634,729	25,141	933	89,227	(613,604)	48,638	(25,675)	38,012	(184,276)	49,882	91,607	141,489

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Equity attributable to owners of the Company												
	Share capital RMB'000	Share premium* RMB'000 (note 31(a))	Capital distributable reserve* RMB'000 (note 31(b))	Contributed surplus* RMB'000 (note 31(c))	Restructuring reserve* RMB'000 (note 31(d))	Merger reserve* RMB'000 (note 31(e))	Convertible bonds – equity reserve* RMB'000 (note 31(f))	Foreign currency translation reserve* RMB'000 (note 31(g))	Statutory and other reserves* RMB'000 (notes 31(h) and (i))	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 April 2016	36,757	634,729	25,141	933	89,227	(613,604)	48,638	(25,675)	38,012	(184,276)	49,882	91,607	141,489
Profit for the year	–	–	–	–	–	–	–	–	–	49,187	49,187	48,731	97,918
Other comprehensive income:													
Exchange differences from													
– translation of foreign operations	–	–	–	–	–	–	–	(4,729)	–	–	(4,729)	–	(4,729)
Total comprehensive income for the year	–	–	–	–	–	–	–	(4,729)	–	49,187	44,458	48,731	93,189
Transactions with owners:													
Issue of shares upon conversion of convertible bonds (notes 29 and 30)	3,502	139,149	–	–	–	–	(48,638)	–	–	–	94,013	–	94,013
	3,502	139,149	–	–	–	–	(48,638)	–	–	–	94,013	–	94,013
Transfer to statutory and other reserves	–	–	–	–	–	–	–	–	3,994	(3,994)	–	–	–
Utilisation of other reserves	–	–	–	–	–	–	–	–	(4,159)	4,159	–	–	–
At 31 March 2017	40,259	773,878	25,141	933	89,227	(613,604)	–	(30,404)	37,847	(134,924)	188,353	140,338	328,691

* The total of these equity accounts as at reporting date represents "reserves" in the consolidated statement of financial position.

1. CORPORATE INFORMATION

Pizu Group Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Royal Bank House, 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, the Cayman Islands. The address of its principal place of business is Flat A, 11/F., Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 August 2004.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in bulk mineral trade, manufacturing and sale of explosives and provision of blasting operation and related services.

The directors consider its ultimate parent to be Shiny Ocean Holdings Limited ("Shiny Ocean"), a company incorporated in the British Virgin Islands ("BVI").

The consolidated financial statements for the year ended 31 March 2017 were approved for issue by the board of directors on 16 June 2017.

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

2.1 Adoption of new/revised HKFRSs – effective on 1 April 2016

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2016:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The adoption of these amendments has no material impact on the Group's financial statements.

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

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

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

HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycles[5]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[2]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 The amendments were originally intended to be effective for the periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continued to be permitted.

5 The amendments to HKFRS 1 and HKAS 28 are effective for annual periods beginning on or after 1 January 2018; whereas the amendments to HKFRS 12 are effective for annual periods beginning on or after 1 January 2017.

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

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

Amendments to HKAS 7 – Disclosure Initiative

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

The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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

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

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

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.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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

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

HKFRS 9 – Financial Instruments (Continued)

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts recognised in respect of impairment of receivables with the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect until the directors of the Company performs a detailed review. Except for aforementioned, the directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 March 2017.

HKFRS 15 – Revenue from Contracts with Customers and amendments to HKFRS 15 Clarification to HKFRS 15

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

In 2016, the HKICPA issued clarifications to HKFRS 15. The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company anticipates that the application of HKFRS 15 in the future may have an impact on the amounts of revenue reported in particulars for the business to provide blasting services as the timing of revenue recognition and allocation of total consideration to respective performance obligations based on relative fair values may be affected. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

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

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases* and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 33, total operating lease commitment of the Group in respect of premises and motor vehicles leased by the Group under operating lease arrangements as at 31 March 2017 amounted to HK$667,000. The directors of the Company have performed a preliminary assessment and consider that these arrangements will meet the definition of a lease under HKFRS 16, but since these leases are with term of 12 months or less, the Group is not required under HKFRS 16 to recognise a right-to-use asset and a corresponding lease liability in respect of these leases. In addition, more quantitative and qualitative disclosures about the leases will be made following the requirements of HKFRS 16. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

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

HK(IFRIC)-Int 22 clarifies the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

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

It should be noted that accounting estimates and assumptions are used in preparation of these consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 4.

3.2 Basis of presentation

On 28 July 2015, the Company announced that the purchase of (i) the entire issued share capital of Ample Ocean Holdings Limited ("Ample Ocean") (the "Sale Shares"); and (ii) the amount equals to 100% of face value of all debts and liabilities owing by Ample Ocean to Shiny Ocean arising from a loan agreement dated 23 July 2014 and a loan purchase agreement dated 28 September 2014 (the "Sale Loan") at the aggregate nominal consideration of HK$837 million (the "Acquisition") was completed on 28 July 2015. Ample Ocean and its subsidiaries ("Ample Ocean Group") are principally engaged in manufacturing and sales of explosives and provision of blasting operations and related services. The above-mentioned sale and purchase agreement and the loan agreements are collectively referred to as "the Acquisition Agreements".

As the Company and Ample Ocean were ultimately controlled by a substantial and controlling shareholder of the Company, Mr. Ma Qiang ("Mr. Ma"), the Acquisition was a business combination under common control. The Acquisition was accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations ("AG 5") issued by the HKICPA as if the Acquisition had occurred on the date when the combining entities, i.e. the Company and Ample Ocean first came under the control of Mr. Ma.

Ample Ocean Group is founded and controlled by Mr. Ma. Mr. Ma held less than half of the voting rights of Ample Ocean. However, through influencing the close family members of Mr. Ma who also held equity interests in Ample Ocean and directing the family votes in the shareholders' meetings of Ample Ocean by virtue of the contractual arrangement existed among Mr. Ma and his close family members, Mr. Ma effectively has majority voting power over Ample Ocean. As to the Company, it was acquired by Shiny Ocean (wholly owned by Mr. Ma) in December 2012 and has since then been under the control of Mr. Ma. Accordingly, the financial statements of the Company and its then subsidiaries are included in the consolidated financial statements of the combined entity from the date when Mr. Ma obtained control over the Company using acquisition values recognised at that date.

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

3.2 Basis of presentation (Continued)

By applying merger accounting, the financial statements were prepared using existing book values of the combining entities from the controlling party's (i.e. Mr. Ma's) perspective. Accordingly, the fair value of the identifiable assets and liabilities of the Company and its then subsidiaries on the date of acquisition by Shiny Ocean together with the goodwill arising thereon are combined with the carrying values of the assets and liabilities of the Ample Ocean Group since its establishment. In addition, the equity interests in Ample Ocean Group not held by Mr. Ma before the completion of the Acquisition had been recognised as non-controlling interests. Upon completion of the Acquisition, any non-controlling interests recognised which represent the equity interests in Ample Ocean Group not owned by Mr. Ma were derecognised.

3.3 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.

3.4 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (see note 3.5 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)

3.4 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.

3.5 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)

3.6 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	3-5 years
Motor vehicles	4-5 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 (note 3.12).

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.

3.7 Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as expenses.

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

3.8 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 (note 3.12).

3.9 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.

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

3.9 Joint arrangement (Continued)

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 interest in a joint venture in the same manner as investments in associates (i.e. using the equity method – see note 3.8).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in a joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets (note 3.12).

3.10 Intangible assets (other than goodwill)

Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses (note 3.12).

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

Acquired computer software	3 years
Patents	10 years

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

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

3.10 Intangible assets (other than goodwill) (Continued)

Internally generated intangible assets (research and development costs)

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

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

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

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

3.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as an integrated part of the total rental expenses, over the term of the lease.

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

3.12 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Prepaid lease payments for land;
- Goodwill arising on acquisition of investee;
- Intangible assets (other than goodwill);
- Interests in associates; and
- Interest in a joint venture.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

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 of disposal 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, to which goodwill has been allocated, is credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's or CGU's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

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

3.13 Inventories

Inventories held for explosives business are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sales.

3.14 Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, financial market, economic or legal environment that have an adverse effect on the debtor.

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

3.14 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. The carrying amount of loans and receivables is reduced through the use of an allowance account. Loan and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

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

3.14 Financial instruments (Continued)

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, amounts due to related parties, and the liability component of convertible bonds issued by the Group (note (iv)) are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss (note 3.21).

(iv) Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the fair value of the convertible bonds as a whole and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

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

3.14 Financial instruments (Continued)

(iv) Convertible bonds (Continued)

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the fair value. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

A substantial modification of the terms of convertible bonds shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

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

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

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

3.15 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with original maturities of three months or less than that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents which are repayable on demand and form an integral part of the Group's cash management.

3.16 Recognition of revenue and other income

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

(i) Bulk mineral trade

Revenue from the sale of minerals (mainly commodity) is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of the significant risks and rewards to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. This is generally when title passes, which for the majority of commodity sales is the date when the shipment or warehouse document is released confirming the title of commodity is transferred from the Group to the customer.

(ii) Sale of explosives

Revenue from sales of explosives is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

(iii) Provision of blasting operations

Revenue from the provision of blasting operations is recognised when the services are rendered.

(iv) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate. Interest income from finance leases is set out in note 3.11.

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

3.17 Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

3.18 Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

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

3.18 Foreign currency (Continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign currency translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss to the extent attributable to owners of the Company as part of the profit or loss on disposal.

3.19 Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

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

3.19 Employee benefits (Continued)

(ii) Defined contribution retirement plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's PRC operations participate in defined contribution retirement plans managed by the local municipal government in the locations in which it operates. The relevant authorities of the local municipal government in the PRC are responsible for the retirement benefit obligations payable to the Group's retired employees. The Group has no obligation for payment of retirement benefits beyond the annual contribution. The contribution payable is charged as an expense to profit or loss as and when incurred.

(iii) Termination benefits

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

3.20 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognised as income over the periods necessary to match them with the costs for which they intended to compensate, on a systematic basis. Government grants that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

3.22 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.

3.23 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a party, provides key management services to the Group or to the Company's parent.

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

3.23 Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3.24 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.

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:

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

4.1 Estimation uncertainty (Continued)

(i) *Useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(ii) *Impairment of loans and receivables*

Recoverability of loans and receivables are reviewed by management based on the aging characteristics of the loans or receivables, and the current creditworthiness and past collection history of customers or debtors. Significant estimation and judgment is required in assessing the ultimate realisation of these loans and receivables, and the financial conditions of these customers or debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers or debtors were to deteriorate, resulting in an impairment as to their ability to make payments, additional provision may be required in future accounting periods.

(iii) *Current tax and deferred tax*

Estimation and judgement is required in determining the amount of the provision for taxes and the timing of payment of the related taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

4.2 Critical judgement in applying accounting policies

(i) Acquisition of blasting assets

When assessing whether the blasting assets acquired by the Group during the year as disclosed in note 15(i) constitute an integrated set of activities and assets which are capable of being conducted and managed for generating return, the management has exercised significant judgement on determining whether process is acquired with reference to relevant facts and circumstances, including workforce not being part of the transferred assets and the necessary processes applied to the assets acquired in generating return being set up by the Group.

(ii) Lease arrangements

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

5. REVENUE

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

	2017 RMB'000	2016 RMB'000
Sales of commodity goods	**2,525,519**	4,858,771
Sales of explosives	**314,700**	291,918
Provision of blasting operations	**190,484**	8,283
	3,030,703	5,158,972

6. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Bank interest income	**122**	207
Interest income on finance leases	**789**	–
Gain on disposal of property, plant and equipment, net	**206**	–
Gain on disposal of other financial assets	**–**	40
Net foreign exchange gain	**727**	693
Sundry income	**720**	256
	2,564	1,196

7. OPERATING PROFITS

Operating profits are arrived at after charging/(crediting) the followings:

	2017 RMB'000	2016 RMB'000
Amortisation of prepaid lease payments for land	**203**	203
Amortisation of intangible assets	**30**	30
Auditor's remuneration:		
– annual audit	**1,344**	768
– other services	**298**	81
	1,642	849
Costs of inventories recognised as expenses	**2,657,207**	4,976,652
Depreciation for property, plant and equipment	**27,122**	12,217
Net foreign exchange gain	**(727)**	(693)
Lease payments under operating lease	**1,120**	1,994
(Gain)/Loss on disposal of property, plant and equipment, net	**(206)**	416
Research and development costs	**12,865**	14,807
Impairment loss on property, plant and equipment (note 15(iii))	**6,894**	–
Impairment loss on trade receivables (note 22)	**3,645**	–
Staff costs (including directors' emoluments) (note 8)	**42,179**	34,382

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits	**38,634**	30,357
Contributions to defined contribution retirement plans (note)	**3,545**	4,025
	42,179	34,382

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.

As at 31 March 2017, the Group had no forfeited contributions available for reducing contributions to retirement plans in future years (2016: 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 2017				
Executive directors				
Ding Baoshan	296	–	–	296
Qin Chunhong	209	–	–	209
Xiong Zeke	470	266	–	736
Liu Fali	104	–	–	104
Ma Tianyi (appointed on 1 March 2017)	26	–	–	26
Ma Qiang (re-designated on 15 November 2016)	96	–	–	96
Independent non-executive directors				
Enhe Bayaer	104	–	–	104
Liu Talin	104	–	–	104
Zhang Lin	104	–	–	104
	1,513	266	–	1,779
For the year ended 31 March 2016				
Executive directors				
Ding Baoshan	292	–	–	292
Qin Chunhong	194	–	–	194
Xiong Zeke	437	243	–	680
Liu Fali (appointed on 20 October 2015)	43	–	–	43
Non-executive director				
Ma Qiang	97	–	–	97
Independent non-executive directors				
Enhe Bayaer	97	–	–	97
Liu Talin	97	–	–	97
Zhang Lin	97	–	–	97
	1,354	243	–	1,597

No directors waived any emoluments during the year and no incentive payment or compensation for loss of office was paid or payable to any directors during the year ended 31 March 2017 (2016: nil).

10. FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT EMOLUMENTS

During the year ended 31 March 2017, two (2016: two) of the directors whose emoluments are disclosed in note 9 were among the five individuals of the Group with the highest emoluments. The emoluments of the remaining three (2016: three) highest paid non-director individuals for the current year are as follows:

	2017	2016
	RMB'000	RMB'000
Salaries, allowances and other benefits in kind	**1,422**	1,350
Contributions to defined contribution retirement plans	**16**	28
	1,438	1,378

The emoluments of each of the three (2016: three) highest paid non-director individuals are within the following band:

	2017	2016
	No. of individuals	No. of individuals
Nil to HK$1,000,000	**3**	3

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

	2017	2016
	No. of individuals	No. of individuals
Nil to HK$1,000,000	**4**	4

11. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Imputed interest on convertible bonds (note 29)	11,354	31,767
Interests charge on:		
– amount due to a shareholder	–	999
– bank loan and other borrowings	833	–
Total interest expense for financial liabilities not at fair value through profit or loss	12,187	32,766

12. INCOME TAX EXPENSE

Income tax expense comprises:

	2017 RMB'000	2016 *RMB'000*
Current tax for the year		
Hong Kong profits tax		
– over-provision in respect of previous years	–	(8)
PRC Enterprise Income Tax ("EIT")		
– provision for the year	20,171	16,870
– (over)/under-provision in respect of previous years	(121)	1,002
	20,050	17,872
Deferred tax for the year	905	–
	20,955	17,864

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for a year. EIT is calculated at the applicable EIT rate of 25%, except that:

(i) two PRC subsidiaries which have obtained the New and Hi-tech Enterprise recognition are entitled to enjoy preferential EIT rate. One of the subsidiaries is entitled to preferential tax rate of 15% for a period of 3 years from 20 August 2013 and such period is further extended for 3 years to 28 November 2019 after the review by the tax authority on 29 November 2016. Another subsidiary is entitled to preferential tax rate of 15% for a period of 3 years from 29 August 2014.

(ii) a branch which is located in the Tibet Autonomous Region of the PRC is entitled to preferential tax rate of 9%. Based on the tax ruling announced by the PRC central tax authorities, the EIT rate of Lhasa is 9% for the period from 1 January 2015 to 31 December 2017. The EIT rate will resume to 15% from 31 December 2017 onwards if no further announcement of preferential tax treatment is made.

12. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong profits tax is made for the current year as there is no assessable profits arising in Hong Kong for the year. No provision for Hong Kong profits tax was made for prior year as the assessable profits had been fully offset by unused tax losses brought forward from previous years.

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

	2017 RMB'000	2016 RMB'000
Profit before income tax	**118,873**	60,143
Tax calculated at the rates applicable to the tax jurisdictions concerned	**31,645**	18,542
Tax effect of exemptions granted to PRC subsidiaries	**(15,523)**	(11,404)
Tax effect of non-deductible expenses	**5,399**	7,419
Tax effect of non-taxable income	**(710)**	(235)
Tax effect of share of results of associates	**8**	60
Tax effect of share of result of a joint venture	**675**	–
Tax loss not recognised	**416**	2,668
Utilisations of tax loss previously not recognised	**(1,739)**	(180)
(Over)/Under-provision in respect of previous years	**(121)**	994
Effect of withholding tax on the undistributed profits of the Group's PRC subsidiaries	**905**	–
Income tax expense	**20,955**	17,864

As at 31 March 2017, the Group had unused tax losses arising in the PRC and Hong Kong of RMB14,259,000 (2016: RMB17,077,000) and RMB6,726,000 (2016: RMB4,427,000) respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profits streams. The unused tax losses arising in the PRC will expire in five years from the year in which the losses arose whereas the unused tax losses arising in Hong Kong can be carried forward indefinitely.

Pursuant to the 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 liability of RMB905,000 (2016: nil) has been recognised in respect of temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounting to RMB18,103,000 (2016: nil). No deferred tax liability has been recorded on the remaining temporary differences of RMB214,549,000 (2016: RMB122,900,000) 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.

13. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the following data:

	2017	2016
	RMB'000	RMB'000
Profit/(Loss) for the year attributable to owners of the Company	**49,187**	(6,171)

	2017	2016
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**3,279,123**	1,838,611

Diluted earnings/(loss) per share

For the years ended 31 March 2017 and 2016, no adjustment has been made to basic earnings/(loss) per share as the convertible bonds (note 29) outstanding during both years had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

14. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provide information about components of the Group. The information are reported to and reviewed by the board of directors, the chief operating decision-makers for the purpose of resource allocation and performance assessment.

The Group has identified and presented the segment information for the following reportable operating segments. These segments are managed separately.

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

Segment revenue, results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the board of directors monitor the results, assets and liabilities attributable to each reportable operating segment on the following bases:

Revenue and expenses are allocated to the operating segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Head office and corporate expenses including directors' emolument and finance costs incurred for convertible bonds and amount due to a shareholder which are managed on group basis are not allocated to individual segments. Segment profit/loss also exclude tax, other income and other operating expenses which are not directly attributable to the operating segments.

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment and exclude amounts due from related parties 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 convertible bonds which are managed on group basis, amounts due to related parties and unallocated corporate liabilities.

14. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment revenue and segment results

For the year ended 31 March 2017

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

14. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment revenue and segment results (Continued)

For the year ended 31 March 2016

	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	Total RMB'000
Segment revenue			
External sales	4,858,771	300,201	5,158,972
Segment profit	341	101,535	101,876
Other income			1,196
Unallocated corporate expenses			(10,177)
Gain on disposal of a subsidiary			14
Finance costs			(32,766)
Profit before income tax			60,143

14. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment assets and liabilities

For the year ended 31 March 2017

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

14. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment assets and liabilities (Continued)

For the year ended 31 March 2016

	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	Total RMB'000
Segment assets	4,500	273,866	278,366
Amounts due from related parties			1,144
Unallocated corporate assets			6,297
Consolidated total assets			285,807
Segment liabilities	21	44,267	44,288
Convertible bonds – liability component			78,859
Amount due to related parties			6,724
Dividend payable			14,150
Unallocated corporate liabilities			297
Consolidated total liabilities			144,318

14. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2017

	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to specified non-current assets	**3**	**158,242**	**–**	**158,245**
Depreciation and amortisation	**8**	**27,346**	**1**	**27,355**
Impairment loss on property, plant and equipment	**–**	**6,894**	**–**	**6,894**
Impairment loss on trade receivables	**–**	**3,645**	**–**	**3,645**
Share of loss of a joint venture	**–**	**2,700**	**–**	**2,700**
Share of losses of associates	**–**	**33**	**–**	**33**

For the year ended 31 March 2016

	Bulk mineral trade RMB'000	Explosives trading and blasting services RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to specified non-current assets	5	59,719	–	59,724
Depreciation and amortisation	1	12,438	11	12,450
Share of losses of associates	–	241	–	241

14. SEGMENT INFORMATION (Continued)

Geographical information

The Company is an investment company incorporated in the Cayman Islands where the Group does not have any activities. The Group's operations are conducted in Hong Kong and the PRC.

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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (country of domicile)	**505,184**	306,495	**245,028**	150,623
Hong Kong	**2,525,519**	4,852,477	**14**	19
	3,030,703	5,158,972	**245,042**	150,642

Information about major customers

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

	2017	2016
	RMB'000	RMB'000
Bulk mineral trade		
– Customer A	**1,096,882**	2,232,997
– Customer B	**711,744**	1,362,222
– Customer C	**352,040**	1,187,844

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Furniture and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
As at 1 April 2015	61,969	167	48,852	3,374	8,064	9,868	132,294
Additions	1,274	–	916	173	4,514	19,398	26,275
Transfer	11,701	–	16,480	486	–	(28,667)	–
Disposal	–	–	–	–	(1,227)	–	(1,227)
Exchange alignment	7	–	–	6	–	–	13
As at 31 March 2016	74,951	167	66,248	4,039	11,351	599	157,355
Acquisition of blasting assets (note (i))	23,895	–	62,416	–	67,527	–	153,838
Other additions	255	–	14,885	33	26,222	5,503	46,898
Transfer	5,169	–	599	–	–	(5,768)	–
Disposal	–	–	(15,315)	(18)	(18,942)	–	(34,275)
Exchange alignment	–	11	–	9	–	–	20
As at 31 March 2017	104,270	178	128,833	4,063	86,158	334	323,836
Accumulated depreciation and impairment:							
As at 1 April 2015	18,611	167	22,588	1,972	5,659	–	48,997
Depreciation	3,680	–	6,507	710	1,320	–	12,217
Written back upon disposal	–	–	–	–	(295)	–	(295)
Exchange alignment	7	–	–	5	–	–	12
As at 31 March 2016	22,298	167	29,095	2,687	6,684	–	60,931
Depreciation	4,303	–	13,087	601	9,131	–	27,122
Impairment loss (note (iii))	3,955	–	2,848	91	–	–	6,894
Written back upon disposal	–	–	(3,419)	(5)	(1,288)	–	(4,712)
Exchange alignment	–	11	–	9	–	–	20
As at 31 March 2017	30,556	178	41,611	3,383	14,527	–	90,255
Net carrying amount:							
As at 31 March 2017	73,714	–	87,222	680	71,631	334	233,581
As at 31 March 2016	52,653	–	37,153	1,352	4,667	599	96,424

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(i) On 11 May 2016, the Group entered into an acquisition agreement with an independent third party (the "Seller") pursuant to which the Group has conditionally agreed to acquire and the Seller have conditionally agreed to sell certain blasting assets including equipment, machinery, vehicles, buildings, mining facilities, inventories and accessories etc. at a cash consideration of RMB175,000,000 or RMB159,743,000, net of tax. Such blasting assets are used/to be used for the provision of blasting and related services for the mining projects that the Group has successfully bid in early 2016. The acquisition was completed during the financial year. The acquisition is accounted for as acquisition of assets. On the date of the acquisition, those blasting assets classified as property, plant and equipment amounted to RMB153,838,000 (net of tax).

(ii) As at 31 March 2017, certain property, plant and equipment amounted to RMB141,779,000 (2016: nil) were pledged to secure the Group's bank loans (note 26).

(iii) During the year, certain production lines from the explosive trading and blasting services segment of RMB6,894,000 (2016: nil) were fully impaired because the Group has ceased to use them for production. The recoverable amount of these assets is determined based on the fair values less costs of disposal. The fair value less cost of disposal is determined with reference to scrap values of these assets which are considered minimal. The fair value measurement is a level 2 fair value measurement.

16. FINANCE LEASE RECEIVABLES

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

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

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

17. PREPAID LEASE PAYMENTS FOR LAND

	2017	2016
	RMB'000	RMB'000
Carrying amount at beginning of the year	**6,279**	6,482
Charged to profit or loss during the year (note 7)	**(203)**	(203)
Carrying amount at end of the year	**6,076**	6,279
Less: Amounts classified as current assets	**(203)**	(203)
Amounts classified as non-current assets	**5,873**	6,076

The prepaid lease payments for land represent the Group's interests in certain leasehold lands in the PRC. As at 31 March 2017, certain leasehold lands amounted to RMB3,804,000 (2016: nil) were pledged to secure the Group's bank loans (note 26).

18. INTANGIBLE ASSETS

	Computer software	**Patents**	**Total**
	RMB'000	RMB'000	RMB'000
Cost:			
As at 1 April 2015, 31 March 2016 and 31 March 2017	9	298	307
Accumulated amortisation:			
As at 1 April 2015	9	85	94
Charge for the year	–	30	30
As at 31 March 2016	9	115	124
Charge for the year	–	30	30
As at 31 March 2017	9	145	154
Net carrying amount:			
As at 31 March 2017	–	153	153
As at 31 March 2016	–	183	183

19. INTEREST IN A JOINT VENTURE

	2017	2016
	RMB'000	RMB'000
Share of net assets	**–**	–

(a) Acquisition of a joint venture

On 18 August 2016, the Group completed the acquisition from a third party (the "Vendor") 50% equity interest in a PRC entity, 陝西小山川礦產資源開發建設有限公司 (Shaanxi Xiaoshan Chuan Mineral Resources Development and Construction Co., Ltd) (Note) ("Shaanxi Mining") and entered into joint arrangement with the Vendor regarding the management and operations of Shaanxi Mining. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence. The Group's interest in Shaanxi Mining is accounted for as joint venture.

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
Shaanxi Mining	Limited liability company	RMB90 million	PRC	Construction of mining trails, tunnels, public and residential buildings; mechanical and electrical equipment engineering installation; prefabricated components of the experiment; sale of ready-mixed concrete	50%

Note:

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

19. INTEREST IN A JOINT VENTURE (Continued)

(a) Acquisition of a joint venture (Continued)

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

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

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

	2017 RMB'000	2016 RMB'000
Share of joint venture's loss for the year	**(2,700)**	–
Share of joint venture's total comprehensive income for the year	**(2,700)**	–
Carrying amount of the Group's joint venture	**–**	–

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

20. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Share of net assets	**3,494**	3,527

(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 2017	2016
烏海市天潤爆破服務有限責任公司 (Wuhai City Tianrun Blasting Services Company Limited) ("Tianrun Blasting") (note)	Limited liability company	PRC	Provision of blasting operation and related services	**35%**	35%
巴彥淖爾市安泰民爆器材有限責任公司 (Bayannur City Antai Explosives Equipment Company Limited) (note)	Limited liability company	PRC	Trading of civil explosives	**20%**	20%

Note:

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

20. INTERESTS IN ASSOCIATES (Continued)

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

	2017 RMB'000	2016 RMB'000
Loss for the year	**(157)**	(835)
Total comprehensive income for the year	**(157)**	(835)

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

21. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials, at cost	**19,653**	7,429
Finished goods, at cost	**1,987**	1,394
	21,640	8,823

22. TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**83,526**	61,496
Bills receivables	**58,214**	17,050
	141,740	78,546

The Group endorsed certain bills receivables with full recourse to certain creditors for settlement. In the event of default by the debtors, the Group is obliged to pay the creditors the amount in default. The Group is therefore exposed to the risks of credit losses and late payment in respect of its endorsed bills receivables. The endorsement transactions do not meet the requirements for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the endorsed bills receivables. As at 31 March 2017, bills receivables of RMB45,364,000 (2016: RMB12,083,000) continued to be recognised in the consolidated financial statements although they have been legally transferred to the creditors. The settlement amount of the endorsement transactions were included in trade payables and other payables until the related bills receivables are collected or the Group settles any losses suffered by the creditors.

Details of bills receivables endorsed to respective creditors are set out below:

	2017 RMB'000	2016 RMB'000
Trade payables (note 27)	**45,014**	11,583
Other payables (note 28)	**350**	500
	45,364	12,083

As the bills receivables have been legally transferred to the creditors, the Group does not have the authority to determine the disposition of the bill receivables.

Bills receivables generally have credit terms ranging from three to six months. Customers of bulk mineral trade are usually required to pay upon good delivery. Trade receivables of sales of explosives are due upon presentation of invoices, while the Group grants credit period ranging from 0-30 days to its customers of provision of blasting operations.

22. TRADE AND BILLS RECEIVABLES (Continued)

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

	2017 RMB'000	2016 RMB'000
0-30 days	**47,841**	18,196
31-90 days	**16,962**	10,626
91 days to 1 year	**14,896**	29,517
Over 1 year	**3,827**	3,157
	83,526	61,496

As at 31 March 2017 and 2016, all bills receivables are aged within 1 year.

The ageing analysis of net trade receivables base on due date are as follows:

	2017 RMB'000	2016 RMB'000
Current	**18,950**	–
0-30 days past due	**28,891**	18,196
31-90 days past due	**16,962**	10,626
91 days to 1 year past due	**14,896**	29,517
Over 1 year past due	**3,827**	3,157
	83,526	61,496

During the year, full impairment provision was recognised for trade receivables amounting to RMB3,645,000 (2016: nil) which were past due for over 1 year as based on the recent communication with the relevant customers, and having these receivables are long overdue, management considers that it is unlikely these receivables are recoverable.

22. TRADE AND BILLS RECEIVABLES (Continued)

Other trade receivables that were past due but no impairment provision is recognised as these receivables related to a number of independent customers that have maintained a good track record of credit with the Group. Based on past credit history, management believed that no impairment allowance was necessary in respect of these balances as there has not been a significant change in credit quality and the balances were still considered fully recoverable.

No bills receivables as at 31 March 2017 and 2016 were past due.

Trade receivables of RMB23,238,000 (2016: Nil) were pledged to secure the Group's bank loan (note 26).

23. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2017	2016
	RMB'000	RMB'000
Prepayments	**46,827**	44,858
Deposits and other receivables	**28,995**	7,797
	75,822	52,655
Less: Amounts classified as current assets	**(73,881)**	(8,223)
Amounts classified as non-current assets	**1,941**	44,432

Included in prepayments as at 31 March 2016 was an amount of RMB43,000,000 paid to the seller in relation to the proposed acquisition of certain property, plant and equipment and inventories to be used in mining projects. The acquisition was completed during the year (note 15(i)).

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

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

The amounts due from/to the parties mainly represented advances to/from these parties except for an amount due from a company of which a close family member of Mr. Ma was a director and controlling shareholder, which was included in amounts due from related companies. Details of the amount due from the related company are as follows:

Name of related company	Type of transaction giving rise to the balance	Outstanding balance as at		Maximum balance outstanding during the year ended	
		31 March 2017 RMB'000	31 March 2016 RMB'000	**31 March 2017 RMB'000**	31 March 2016 RMB'000
巴彥卓爾盛安運輸有限責任有限公司 (Bayannur Shengan Transportation Limited) ("Shengan Transportation") (note (i))	Service fees prepaid for provision of freight services	**–**	432	**432**	2,568

Notes:

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

(ii) The close family member of Mr. Ma ceased to be the controlling shareholder and resigned as the director of Shengan Transportation on 22 April 2016. Shengan Transportation has ceased to be a related party of the Group since that date. Related party transaction with the entity for the period from 1 April 2016 to 22 April 2016 is set out in note 35(a)(iii).

25. CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Deposits placed with commodity brokers	–	16
Cash at banks and on hand	111,960	38,210
	111,960	38,226
Less:		
Deposits pledged for bank loans	(13,150)	–
	98,810	38,226

The deposits with brokers as at 31 March 2016 were non-interest bearing. 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 2017 were amounts of RMB73,180,000 (2016: RMB37,552,000) which are denominated in RMB. RMB is not a freely convertible currency. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

26. BORROWINGS

	2017 RMB'000	2016 RMB'000
Secured bank loans		
Current	101,736	–
Non-current	40,000	–
	141,736	–

26. BORROWINGS (Continued)

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

	2017 RMB'000	2016 RMB'000
On demand or within one year	**101,736**	–
More than one year, but not exceeding two years	**20,000**	–
More than two years, but not exceeding five years	**20,000**	–
	141,736	–

Notes:

(a) The Group's bank loans are secured by:

(i) the pledge of certain trade receivables and property, plant and equipment amounting to RMB23,238,000 (2016: nil) and RMB141,779,000 (2016: nil) respectively;

(ii) the pledge of certain leasehold land amounting to RMB3,804,000 (2016: nil); and

(iii) the pledge of certain bank deposits amounting to RMB13,150,000 (2016: nil).

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

27. TRADE PAYABLES

The Group has been granted by its suppliers a credit period of 30 to 180 days in general. Ageing analysis of trade payables, based on the invoice dates, is as follows:

	2017 RMB'000	2016 RMB'000
0-180 days	**55,485**	25,756
181-365 days	**1,262**	855
Over 1 year	**1,215**	473
	57,962	27,084

As at 31 March 2017, bills receivables amounted to RMB45,014,000 (2016: RMB11,583,000) were endorsed to trade creditors for settlement which do not meet the de-recognition requirement. The corresponding financial assets are included in bills receivables (note 22).

28. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Other payables and accruals	**25,291**	12,931
Receipt in advance	**4,947**	1,591
	30,238	14,522

As at 31 March 2017, bills receivables amounted to RMB350,000 (2016: RMB500,000) were endorsed to other creditors for settlement which do not meet the de-recognition requirement. The corresponding financial assets are included in bills receivables (note 22).

Included in other payables and accruals as at 31 March 2017 is an amount due to the non-controlling interests of the Group amounting to RMB6,000,000 (2016: nil) which is interest-free, unsecured and repayable on demand.

29. CONVERTIBLE BONDS

Pursuant to the Acquisition Agreement (as defined in note 3.2), the Company issued zero coupon convertible bonds due on 28 July 2018 with a principal amount denominated in HK$ of HK$837,000,000 as consideration for the acquisition of the entire issue share capital of Ample Ocean. Details about the acquisition are set out in note 3.2. The bonds are convertible into ordinary shares of the Company at an initial conversion price of HK$0.36 per conversion share (subject to adjustments in accordance with the terms of the convertible bonds) at any time during the period commencing from the date of issue of the convertible bonds up to the seventh business day prior to the maturity date, provided such conversion will not result in the Company breaching the minimum public float requirement under the GEM Listing Rules or trigger a mandatory general offer under the Takeovers Code.

The fair value of the convertible bonds is determined based on the valuation conducted by Asset Appraisal Limited, a firm of independent professional valuers, on the convertible bonds as at 28 July 2015. The bonds contain two components – the liability and equity components. The fair value of the convertible bonds as a whole of HK$834 million (equivalent to RMB666,853,000) is determined by using the Binomial Option Pricing Model. The fair value of the liability component of the bonds is calculated using cash flows discounted at a rate based on an equivalent market interest rate for equivalent non-convertible bonds. The initial carrying amount of the equity component is determined by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole and is included in equity as convertible bonds equity reserve.

During the year, all outstanding convertible bonds with principal amount of HK$144,920,600 (2016: HK$692,079,400) had been converted at the conversion price of HK$0.36 into 402,557,222 (2016: 1,922,442,770) ordinary shares of the Company. The conversion has resulted in derecognition of the liability component of the convertible bonds to the extent of RMB94,013,000 (2016: RMB345,571,000) and transfer of convertible bond equity reserve amounting to RMB48,638,000 (2016: RMB232,777,000) to the share premium account.

29. CONVERTIBLE BONDS (Continued)

The movements of the liability component and equity component of the convertible bonds during the years ended 31 March 2016 and 2017 are set out below:

	Liability component RMB'000	**Equity component** RMB'000	**Total** RMB'000
As at 1 April 2015	–	–	–
Value on initial recognition	385,938	280,915	666,853
Imputed interest expense (note 11)	31,767	–	31,767
Conversion into ordinary shares	(345,571)	(232,277)	(577,848)
Exchange realignment	6,725	–	6,725
As at 31 March 2016 and 1 April 2016	78,859	48,638	127,497
Imputed interest expense (note 11)	11,354	–	11,354
Conversion into ordinary shares	(94,013)	(48,638)	(142,651)
Exchange realignment	3,800	–	3,800
As at 31 March 2017	–	–	–

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

30. SHARE CAPITAL

	2017			2016		
	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 of the year	5,000,000	50,000		1,500,000	15,000	
Increase in authorised share capital (note (i))	–	–		3,500,000	35,000	
At end of the year	5,000,000	50,000		5,000,000	50,000	
Issued and fully paid:						
Ordinary shares of HK$0.01 each						
At beginning of the year	3,156,168	31,561	36,757	1,233,725	12,337	21,186
Issue of shares upon conversion of convertible bonds (note (ii))	402,557	4,025	3,502	1,922,443	19,224	15,571
At end of the year	3,558,725	35,586	40,259	3,156,168	31,561	36,757

Notes:

(i) In order to accommodate the allotment and issue of the conversion shares upon exercise of the conversion right under the convertible bonds (note 29) and the future expansion and growth of the Group, the board of directors increased the authorised share capital of the Company to HK$50,000,000 divided into 5,000,000,000 ordinary shares of HK$0.01 each, by creation of an additional 3,500,000,000 ordinary shares of HK$0.01 each during the year ended 31 March 2016.

(ii) As mentioned in note 29, 402,557,222 (2016: 1,922,442,770) ordinary shares were issued to certain bond holders upon the conversion of the convertible bonds, which has resulted to the increase in share capital and share premium of approximately RMB3,502,000 (2016: RMB15,571,000) and RMB139,149,000 (2016: RMB562,277,000) respectively.

31. RESERVES

The Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity. The nature and purpose of the reserves are as follows:

(a) Share premium

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

(b) Capital distributable reserve

Capital distributable reserve arose from share premium cancellation. Upon the capital reorganisation becoming effective on 17 January 2012, the amount standing to the credit of the share premium account has been cancelled and the credit arising from the share premium cancellation has been used to eliminate the accumulated loss of the Company. It may be utilised by the Directors in accordance with the Company's memorandum and article of association and all applicable laws.

It also represented capital contribution from Shiny Ocean in the form of waiving the interest accrued of RMB1,427,000 on the loan from Shiny Ocean pursuant to the capitalisation and settlement agreement entered into by the Company and Shiny Ocean on 8 July 2013.

(c) Contributed surplus

The contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the Company's shares issued in exchange therefor.

(d) Restructuring reserve

The restructuring reserve arose from the restructuring transactions conducted within Ample Ocean Group in previous years prior to the completion of the acquisition of Ample Ocean Group.

(e) Merger reserve

Merger reserve arose upon completion of acquisition of Ample Ocean Group by the Company. On 28 July 2015, pursuant to the Acquisition Agreements as mentioned in note 3.2, the Company issued convertible bonds with nominal value of HK$837 million (note 29) as consideration for the Acquisition.

31. RESERVES (Continued)

(e) Merger reserve (Continued)

As mentioned in note 3.2, the Acquisition was accounted for by applying principles of merger accounting in accordance with AG 5 as the Company and Ample Ocean were under the common control of Mr. Ma. According to AG 5, no amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interests. Accordingly, upon the completion of the Acquisition, the difference arising from the acquisition of the Sale Shares, being the consideration given by the Company for the acquisition of the Sale Shares as adjusted for the elimination of the share capital of Ample Ocean, was accounted for in equity as merger reserve.

Merger reserve arising from the Acquisition completed on 28 July 2015 is as follows:

	RMB'000
Fair value of liability component (note 29)	385,938
Fair value of equity component (note 29)	280,915
Total consideration, at fair value	666,853
Less: consideration for Sale Loan (note (i))	(52,943)
Consideration for the Sale Shares, at fair value (note (ii))	613,910
Less: elimination of the share capital of Ample Ocean	(306)
Merger reserve	613,604

Notes:

(i) The carrying amount of the Sale Loan at 28 July 2015 was HK$66,179,000 (equivalent to RMB52,943,000), which represented the outstanding principal amount of the Sale Loan and the accrued interest thereon at that date.

(ii) The fair value of the consideration for the Sale Shares was taken as the total consideration for the Acquisition at fair value less the carrying amount of the Sale Loan at 28 July 2015 which approximated its fair value on that date.

(f) Convertible bonds equity reserve

The convertible bonds equity reserve comprised the carrying value of equity component of unconverted convertible bonds issued by the Company which were recognised in accordance with the accounting policy adopted for convertible bonds as disclosed in note 3.14(iv).

31. RESERVES (Continued)

(g) Foreign currency translation reserve

The foreign currency translation reserve comprises exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3.18.

(h) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are required to appropriate 10% of its profit after income tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Subject to certain restrictions, such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital of the PRC subsidiaries.

(i) Other reserve

In accordance with the relevant laws and regulations of the PRC, entities engaged in explosives related businesses are required to provide for safety fund at certain percentage of revenue generated by the entities. This fund can be utilised for safety measures related to the production of the entities.

32. NON-CONTROLLING INTERESTS ("NCI")

內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited) ("Shengan Chemical (Inner Mongolia)"), a partially owned subsidiary of the Company, has material NCI as at 31 March 2017. The percentage of equity interest held by the NCI was 40% (2016: 40%) as at 31 March 2017.

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

	2017 **RMB'000**	2016 RMB'000
Non-current assets	**255,514**	107,622
Current assets	**318,930**	170,662
Non-current liabilities	**(40,000)**	–
Current liabilities	**(183,598)**	(49,266)
Net assets	**350,846**	229,018
Accumulated NCI (note)	**140,338**	91,607

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

	2017 RMB'000	2016 RMB'000
Revenue	**505,184**	300,201
Profit for the year	**121,828**	83,840
Total comprehensive income	**121,828**	83,840
Profit allocated to NCI (note)	**48,731**	33,536
Dividend paid to NCI	**–**	31,192
Net cash inflows from operating activities	**116,494**	76,066
Net cash outflows from investing activities	**(206,431)**	(16,001)
Net cash inflows/(outflows) from financing activities	**128,484**	(77,979)

Note:

Profit attributable to non-controlling interests in the consolidated statement of comprehensive income for the year ended 31 March 2016 included non-controlling interests of Ample Ocean from Mr. Ma's perspective before completion of the Acquisition amounting to RMB14,914,000. Further details are set out in note 3.2.

33. OPERATING LEASE COMMITMENT

As at 31 March 2017, the total future minimum lease payments payable by the Group under non-cancellable operating lease are as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**667**	1,080
In the second to fifth year inclusive	**–**	285
	667	1,365

The Group leases certain of its office premises and motor vehicles under operating lease arrangements. The leases run for a lease term of 1 to 2 years (2016: 1 to 2 years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and the respective landlord. None of the lease includes contingent rental.

34. CAPITAL COMMITMENTS

	2017	2016
	RMB'000	RMB'000
Acquisition of property, plant and equipment	**9,146**	1,730

35. RELATED PARTY TRANSACTIONS

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

	Name of related party	Related party relationship	Type of transaction	Transaction amount 2017 RMB'000	Transaction amount 2016 RMB'000
(i)	內盛安保安有限責任公司 (Inner Mongolia Shengan Security Limited) ("Shengan Security") (note)	Entity under common control of Mr. Ma	Security services provided by the related party	**1,030**	945
(ii)	Tianrun Blasting	Associate	Sales to the related party	**3,825**	2,313
(iii)	Shengan Transportation (note 24)	Entity of which a close family member of Mr. Ma is a director and controlling shareholder	Freight services provided by the related party	**56**	13,166

Note:

The English name above is for identification purpose only. The official name of the entity is 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:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	**3,308**	2,989

36. DISPOSAL OF A SUBSIDIARY

On 5 August 2015, the Group disposed of its entire equity interest of Dragon Era Investments Limited ("Dragon Era"). Dragon Era was inactive at the time of disposal. The disposal was completed on 5 August 2015.

The gain on disposal of the above subsidiary is calculated as follows:

	2016 RMB'000
Consideration	–
Net liabilities disposed of (note)	17
Reclassification from foreign currency translation reserve upon disposal	(3)
Gain on disposal	14
Consideration satisfied by:	
Cash	–
Net cash (outflow)/inflow arising on disposal:	
Cash consideration	–
Cash and bank balances disposed of	–
	–

Note:

Net liabilities of the above subsidiary disposed of are set out as follows:

	2016 RMB'000
Amount due to intermediate holding company	17

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) During the year ended 31 March 2014, Shengan Chemical (Inner Mongolia) and 青海福德圓工貿有限公司 (Qianghai Fudeyuan Trading Limited) declared dividend of RMB312,703,000 and RMB57,000,000 respectively, out of which RMB275,348,000 was settled as at 31 March 2014. During the year ended 31 March 2016, such outstanding dividend was partially settled by cash payment of RMB39,500,000. No further settlement was made by the Group during the year ended 31 March 2017.

(ii) During the year, the Group leases certain machineries and motor vehicles to independent third parties under finance leases. These assets with carrying amounts of RMB29,384,000 were derecognised during the year and the difference between the carrying amounts and the present value of the future minimum lease payments of RMB29,536,000 (net of value-added tax of RMB4,944,000) was recorded as gain on disposal of property, plant and equipment. During the year, lease payments of RMB7,641,000 (including interest income from the finance leases of RMB789,000) was received from the lessees.

(iii) As mentioned in notes 29 and 30, increase in share capital and share premium of RMB3,502,000 and RMB139,149,000 respectively were resulted from conversion of all outstanding convertible bonds with principal amount of HK$144,290,600 during the year that led to derecognition of liability component of the convertible bonds of RMB94,013,000 and transfer of convertible bonds equity reserve amount to RMB48,638,000 to the share premium account.

38. DIVIDEND

	2017 **RMB'000**	2016 RMB'000
Proposed special final dividend	**9,502**	–

The directors recommend the payment of special final dividend of HK$0.003 per share (2016: nil), amounting to RMB9,502,000 (equivalent to HK$10,676,000) (2016: nil) for the year ended 31 March 2017 which is subject to shareholders' approval at the forthcoming annual general meeting.

The special final dividend declared subsequent to 31 March 2017 has not been recognised as a liability as at 31 March 2017.

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

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables		
– cash and cash equivalents	98,810	38,226
– pledged deposits	13,150	–
– trade and bills receivables	141,740	78,546
– other receivables and deposits	12,548	7,797
– finance lease receivables	27,628	–
– amounts due from shareholders	417	324
– amounts due from associates	1,973	388
– amount due from a joint venture	2,800	–
– amounts due from related companies	–	432
	299,066	125,713
Financial liabilities		
Financial liabilities at amortised cost		
– trade payables	57,962	27,084
– other payables and accruals	20,835	12,931
– dividend payable	14,150	14,150
– amount due to a director	823	1,726
– amounts due to related companies	45,941	4,998
– borrowings	141,736	–
– convertible bonds – liability component	–	78,859
	281,447	139,748

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and bills receivables, other receivables and deposits, trade payables, other payables and accruals, amounts due from/to related parties, borrowings, convertible bonds – liability component and dividend payable. Due to their short term nature, the carrying value of these financial instruments approximates fair value.

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

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, currency risk and commodity price risk. These risks are managed according to the Group's financial management policies and practices described below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of merely dealing with creditworthy counterparties, as a mean of mitigating the risk of financial loss from defaults.

The Group does not have any significant credit risk exposure to customers in bulk mineral trade segment as they are usually required to pay deposits or make provisional payments before delivery of commodities. Trade and bills receivables at the end of the reporting period are mainly due from customers in explosive trading and blasting services segment. The Group has a certain concentration of credit risk in respect of trade receivables from customers in explosive trading and blasting services segment as 59% (2016: 48%) of the total trade receivables was due from the Group's five largest customers in that segment.

In order to minimise credit risk in respect of trade receivables, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Besides, credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not obtain collateral from customers.

The credit risk on bank balances is low as these balances are placed with reputable financial institutions.

40. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and other payables, including amounts due to related parties and also in respect of its cash flow management. Each entity within the Group is responsible for its own cash management.

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturity for its financial liabilities as at the end of the reporting period, which are based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	2017				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 3 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade payables	57,962	–	–	57,962	57,962
Other payables and accruals	20,835	–	–	20,835	20,835
Dividend payable	14,150	–	–	14,150	14,150
Amount due to a director	823	–	–	823	823
Amounts due to related companies	45,941	–	–	45,941	45,941
Borrowings	105,135	20,832	20,282	146,249	141,736
	244,846	20,832	20,282	285,960	281,447

40. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	2016				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 3 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade payables	27,084	–	–	27,084	27,084
Other payables and accruals	12,931	–	–	12,931	12,931
Dividend payable	14,150	–	–	14,150	14,150
Amount due to a director	1,726	–	–	1,726	1,726
Amounts due to related companies	4,998	–	–	4,998	4,998
Convertible bonds – liability component	–	–	120,284	120,284	78,859
	60,889	–	120,284	181,173	139,748

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

40. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates in Hong Kong and the PRC. 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 are denominated and settled in RMB. As these group companies mostly transact in their respective functional currencies and HK$ is pegged to USD, the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates. 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:

	2017	2016
	RMB'000	RMB'000
Net monetary assets		
RMB	**777**	59

(e) Commodity price risk

The Group engages in the trading of non-ferrous metals including mainly copper cathodes and zinc. As the commodity market is influenced by global as well as PRC supply and demand conditions, any unexpected price change in the market might affect the Group's result and performance. To mitigate this risk, the Group closely monitors any significant exposures, and may enter into commodity derivative contracts from time to time in accordance with the policies approved by the directors of the Company to manage the exposure with respect to its forecast sell or firm sell commitments mainly includes copper and certain other metal products. Occasionally, the Group also enters into commodity derivative contracts for speculative purposes. As at 31 March 2017, the Group does not have any open commodity derivative contract.

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 convertible bonds – liability component and 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 2017.

The net debt to equity ratio at the end of the reporting period is as follows:

	2017 **RMB'000**	2016 RMB'000
Debts	**141,736**	78,859
Less: cash and cash equivalents	**(98,810)**	(38,226)
Net debts	**42,926**	40,633
Total equity	**328,691**	141,489
Net debt to equity ratio	**13%**	29%

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	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**12**	16
Investments in subsidiaries		**45**	–
		57	16
Current assets			
Amounts due from subsidiaries		**60,574**	55,849
Cash and cash equivalents		**2,184**	114
		62,758	55,963
Current liabilities			
Other payables and accruals		**7**	272
Amount due to a director		**–**	1,675
Amounts due to subsidiaries		**19,627**	8,359
		19,634	10,306
Net current assets		**43,124**	45,657
Non-current liabilities			
Convertible bonds – liability component		**–**	78,859
Net assets/(liabilities)		**43,181**	(33,186)
Capital and reserves			
Share capital	30	**40,259**	36,757
Reserves	42(b)	**2,922**	(69,943)
Total equity/(deficit)		**43,181**	(33,186)

On behalf of the Board

Ma Qiang
Director

Xiong Zeke
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	Convertible bonds equity reserve	Foreign currency translation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 April 2015	72,452	25,141	(18,702)	–	–	(17,531)	(74,953)	(13,593)
Loss for the year	–	–	–	–	–	–	(48,585)	(48,585)
Exchange difference from translation to presentation currency	–	–	–	–	–	(4,770)	–	(4,770)
Recognition of equity component of convertible Bonds (notes 29 and 3.2)	–	–	–	(613,910)	280,915	–	–	(332,995)
Issue of shares upon conversion of convertible bonds (notes 29 and 30)	562,277	–	–	–	(232,277)	–	–	330,000
As at 31 March 2016	634,729	25,141	(18,702)	(613,910)	48,638	(22,301)	(123,538)	(69,943)
Loss for the year	–	–	–	–	–	–	(17,016)	(17,016)
Exchange difference from translation to presentation currency	–	–	–	–	–	(630)	–	(630)
Issue of shares upon conversion of convertible bonds (notes 29 and 30)	139,149	–	–	–	(48,638)	–	–	90,511
As at 31 March 2017	773,878	25,141	(18,702)	(613,910)	–	(22,931)	(140,554)	2,922

43. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2017 are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital	Percentage of ownership interests/ voting rights/profit share held by the Company Directly	Indirectly	Principal activities
Perfect Start Development Limited	BVI	50,000 ordinary shares of US$1 each	100%	–	Investment holding
Pizu International Limited	Hong Kong	HK$10,000	–	100%	Inactive
KM Muosir Limited Liability Company (note (iv))	Republic of Tajikistan ("Tajikistan")	TJS22,904,580	–	50.01%	Manufacture and sale of civil explosives
Pizu Group Limited	Hong Kong	HK$10,000,000	–	100%	Trading of bulk minerals in Hong Kong
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 International Limited	BVI	HK$50,000	100%	–	Investment holding
B. U. Tojikiston Limited Liability Company (note (iv))	Tajikistan	TJS100,000	–	100%	Provision of blasting operations and related services
Ample Ocean Holdings Limited	BVI	US$50,000	100%	–	Investment holding
Ample Ocean Group Limited	Hong Kong	HK$1,000,000	–	100%	Investment holding
青海福德圓工貿有限公司 (Qianghai Fudeyuan Trading Limited) (notes (i) and (ii))	PRC	RMB10,000,000	–	100%	Investment holding

43. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 March 2017 are as follows: (Continued)

Name	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital	Percentage of ownership interests/ voting rights/profit share held by the Company Directly	Indirectly	Principal activities
內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited) (notes (i) and (iii))	PRC	RMB88,030,000	–	60%	Investment holding and sourcing of production materials for group companies
巴彥淖爾盛安化工有限責任公司 (Bayannur Shengan Chemical Limited) (notes (i) and (iii))	PRC	RMB20,000,000	–	60%	Manufacturing and sale of civil explosives
內蒙聚力工程爆破服務有限責任公司 (Inner Mongolia Juli Engineering and Blasting Services Limited) (notes (i) and (iii))	PRC	RMB100,000,000	–	60%	Sale of civil explosives and provision of blasting operations and related services
鄂托克旗盛安九二九化工有限責任公司 (Otog Banner Shengan 929 Chemical Limited) (notes (i) and (iii))	PRC	RMB30,000,000	–	60%	Manufacturing and sale of civil explosives
內蒙古烏拉特中旗盛安工貿有限責任公司 (Inner Mongolia Urad Middle Banner Shengan Trading Limited) (notes (i) and (iii))	PRC	RMB10,000,000	–	60%	Inactive

Notes:

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

(ii) The company is a wholly-foreign owned enterprise in the PRC.

(iii) The company is a limited liability company in the PRC.

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

FIVE YEARS FINANCIAL SUMMARY

The consolidated statements of comprehensive income of the Group for the financial years 2013 to 2017 and the consolidated statements of financial position of the Group as at 31 March 2013, 2014, 2015, 2016 and 2017 are as follows:

	Year ended 31 March				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**3,030,703**	5,158,972	1,540,059	1,011,265	426,033
Profit before income tax	**118,873**	60,143	146,788	137,035	105,016
Income tax expense	**(20,955)**	(17,864)	(21,800)	(25,449)	(22,551)
Profit for the year	**97,918**	42,279	124,988	111,586	82,465

	As at 31 March				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**627,284**	285,807	314,190	412,368	736,771
Total liabilities	**(298,593)**	(144,318)	(188,090)	(345,752)	(323,244)
Total equity	**328,691**	141,489	126,100	66,616	413,527