Pizu Group Holdings Limited

比 優 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8053

Annual Report 2021

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Xiong Zeke *(Chairman)*
Mr. Ma Tianyi *(Chief Executive Officer) (appointed as Chief Executive Officer on 1 May 2021)*
Mr. Liu Fali *(Chief Operating Officer) (re-designated from Chief Executive Officer to Chief Operating Officer on 1 May 2021)*
Mr. Ma Gangling *(resigned as Chief Operating Officer on 1 May 2021)*
Ms. Qin Chunhong
Ms. Ma Ye

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

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

COMPLIANCE OFFICER

Ms. Qin Chunhong

AUTHORISED REPRESENTATIVES

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

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

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COMPANY WEBSITE ADDRESS

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INDEPENDENT AUDITOR

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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKER

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3 Garden Road
Central, Hong Kong

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

STOCK CODE

8053

CHAIRMAN'S STATEMENT

Pizu Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") is grateful to our shareholders and the community for their trust, understanding and support during the year ended 31 March 2021 (the "Year"). I take the opportunity, on behalf of the board of Directors (the "Board") and all staff, to extend our sincere thanks to the shareholders and all sectors who have always been supporting the Group!

During the Year, the main business of our Group, namely, the production and sales of civilian explosives and the provision of blasting operation services have steadily grown compared with last year. The main reason for the decline in profit for the Year is that the mining company that the Group acquired in October 2020 is still in development stage and has not yet commence commercial production. Furthermore, according to the accounting policy of the Group, the Group recognised an impairment loss on goodwill arising from the said acquisition of approximately RMB89.76 million. However, the Board believes that as the mining company officially commences production in the second quarter of the financial year 2022, it will surely bring substantial profit to the Group.

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

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

Xiong Zeke
Chairman

25 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS 2020-2021

Business Review

During the Year, the primary income source of the Group came from civil explosive manufacturing and service business. After reviewing the business operation in recent years, the Group will focus on civil explosive business and provision of blasting operations due to the fact that this segment can generate substantial and sustainable profit for the Group.

On 28 June 2019, a wholly-owned subsidiary of the Company entered into a capital injection and cooperation agreement (the "Capital Injection and Cooperation Agreement") with Anhui Jinding Mining Co., Ltd.# (安徽省金鼎礦業有限公司) ("Anhui Jinding") and its shareholders, and the transaction was completed on 9 October 2020, for details, please refer to the Company's announcement dated 12 October 2020. Anhui Jinding is a mining company which is currently in the stage of development. The Company hopes to take this opportunity to extend the industrial chain to non-ferrous metals and precious metals mining industries.

On 8 July 2019, the Company resolved to adopt a share award scheme (the "Share Award Scheme") for the purpose of affirming and rewarding the contribution of the eligible participants to the growth and development of the Group and motivating eligible participants to retain them and continue to assist the Group's operations and development and attracting suitable personnel to promote further development of the Group. No share awards have been granted under the scheme during the Year.

Business Outlook

The Group will continue to focus on the development of civil explosive business, mining engineering business and mine development business.

FINANCIAL REVIEW

Revenue

The Group achieved a consolidated revenue from the operations of approximately RMB1,701.17 million, representing an increase of approximately 4.54% in comparison with the year ended 31 March 2020. The following table is the breakdown of revenue for the Year:

	RMB'000	**Approximately % attributable to the turnover of the Group**
Sales of explosives	835,281	49.10%
Provision of blasting operations	865,885	50.90%
	1,701,166	100.00%

Earnings per share

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

The decrease in the earnings per share is mainly due to the impairment loss on goodwill on the acquisition of Anhui Jinding (approximately RMB89.76 million). However the Boards believe that it is an one-off loss and Anhui Jinding will bring substantial profit to the Group after it commences commercial production in the coming financial year and that the earnings per share will then increase accordingly.

Segment Information

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

CAPITAL STRUCTURE

Movements in capital structure of the Group during the Year are set out in notes 27, 33 and 34 to the consolidated financial statements. The capital of the Group comprises equity plus debts raised by the Group net with cash and cash equivalents.

SIGNIFICANT INVESTMENTS

During the Year, the Group did not have any significant investments (2020: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

As announced by the Company in the announcement dated 28 June 2019, a wholly-owned subsidiary of the Company, entered into the Capital Injection and Cooperation Agreement with Anhui Jinding and its shareholders with a capital injection of RMB270 million. All the terms and conditions under the Capital Injection and Cooperation Agreement was completed on 9 October 2020, for details, please refer to the Company's announcement dated 12 October 2020. Upon completion of the Capital Injection and Cooperation Agreement, Anhui Jinding has become a 51% owned subsidiary of the Company. The details are covered in note 31 to the consolidated financial statements.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the equity of the Group amounted to approximately RMB1,167.27 million (2020: RMB1,084.38 million). Current assets amounted to approximately RMB1,043.30 million (2020: RMB1,359.87 million) of which approximately RMB232.01 million (2020: RMB165.18 million) were cash and cash equivalents and approximately RMB226.74 million (2020: RMB461.71 million) were inventories, other receivables and prepayments and deposits. The Group's current liabilities amounted to approximately RMB1,028.37 million (2020: RMB623.56 million).

GEARING RATIO

As at 31 March 2021, the Group's gearing ratio, calculated as total debts of approximately RMB875.22 million (2020: RMB325.00 million) divided by total assets of approximately RMB2,715.65 million (2020: RMB1,767.92 million) was 32.23% (2020: 18.38%). The increase in gearing ratio was due to the acquisition of Anhui Jinding and the Group's preferential capital policies to utilise low-interest loans in the region of the PRC to strengthen the Group's cash flows.

CHARGE OF ASSETS

The Group's bank loans are secured by the pledge of certain contract assets and trade receivables and property, plant and equipment amounting to RMB165,787,000 (2020: RMB247,422,000) and RMB27,793,000 (2020: RMB44,672,000) respectively; mining right of RMB149,465,000 (2020: Nil), guarantees provided by certain shareholders, an affiliate of shareholders, directors and a related party of a subsidiary and personal guarantee from Mr. Ma Qiang, the former executive Director and chairman of the Company.

CAPITAL COMMITMENT

As at 31 March 2021 and 2020, the Group's capital commitments are set out in note 36 to the consolidated financial statements.

FOREIGN CURRENCY RISK AND ANY RELEVANT ELIMINATION

Since most of the income and expenses as well as assets and liabilities of the Group are denominated in Renminbi and to a lesser extent in Tajikistani Somoni, the Board considers that the Group has no material foreign exchange exposure and no hedging policy has been taken.

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any material contingent liabilities (2020: Nil).

DIVIDEND

During the Year, an interim dividend of HK$0.010 per share (2020: HK$0.005) was declared and paid in May 2021.

The Board recommends the payment of final dividend of HK$0.010 per share (2020: HK$0.010) for the Year which is subject to shareholders' approval at the forthcoming annual general meeting.

HUMAN RESOURCES

As at 31 March 2021, the Group employed a total of 901 (2020: 628) full time employees in the PRC, Tajikistan and Hong Kong. The increase was due to the fact that the Group acquired Anhui Jinding during the Year. Staff remuneration packages are determined with reference to prevailing market rates. Staff benefits include Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong, welfare schemes as required by the applicable laws and regulations in the PRC and Tajikistan for PRC and Tajikistan employees respectively, personal insurance and discretionary bonus which are based on their performance and contribution to the Group. The Company has adopted the Share Award Scheme to provide remuneration to its employees and directors of the Group as detailed in the Company's announcement dated 8 July 2019.

RESOURCE AND RESERVE

INTRODUCTION

The Group completed the acquisition of 51% equity interest in Anhui Jinding in October 2020. Auhui Jinding holds 1 exploration permit and 1 mining permit of the Huangtun Pyrite Mine. The construction of the project on development of Huangtun Pyrite Mine (the "Project") was initiated at the end of 2014. After several years' construction, commissioning has been started in October 2020 and lasted three months to the December in 2020, then April in 2021. Totally, 116,817 tonnes by-products of mine driving have been fed to the processing plant during the commission.

Mine development system has been constructed with major works finished. Both the processing plant and the tailings storage facilities are in place and can be put into use at any time. Major infrastructures and public facilities have been put into use during commissioning period.

It is planned that the commercial production will be started in the third quarter of 2021.

UPDATING OF FEASIBILITY STUDIES

The Project has been and will be developed based on feasibility studies prepared by the Gocom Jinjian Engineering Design Co., Ltd. ("Jinjian"). The latest update is validated in May 2021. The major updates include:

- The original Secondary Shaft was renamed to the Down-cast, while the original Mixed Shaft was renamed to the Secondary Shaft. The functions of these two shafts were changed too.

- The production schedule was updated. The new schedule planned that the Cu-Au deposit in West Zone will be exploited simultaneously with the Pyrites in East Zone in the ramp-up period. The mining rates are 400ktpa and 600 ktpa for Cu-Au deposit and Pyrites, respectively.

- The processing flowsheet was updated. The Cu-Au ore will be mixed with the Pyrites to produce copper concentrates.

MINERAL RESOURCES

Mineral Resources estimates were reviewed based on the current price assumptions and technical assumptions. Little flaws were noted and modified. Mineral Resources statements are shown below:

Mineral Resources Statement of Huangtun Pyrite Mine (East Zone), as of 31 May 2021 by SRK Consulting China Ltd

Category	Tonnage (Mt)	TS (%)	TFe (%)	Cu (%)	Au (g/t)	TS (kt)	TFe (kt)	Cu (t)	Au (kg)
Indicated	25.7	16.48	10.12	0.06	0.08	4,236	2,600	15,206	2,017
Inferred	16.7	14.50	7.23	0.06	0.07	2,420	1,207	9,509	1,141

Cut-off grade: 12% total sulphur (TS)

RESOURCE AND RESERVE

The information in this Report which relates to Mineral Resources (East Zone) is based on information compiled by Mr Feng Li (Frank) and Mr Pengfei Xiao who are both full time employees of SRK Consulting China Ltd. They are both members of AusIMM and have sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code. Mr Pengfei Xiao consents to the reporting of this information in the form and context in which it appears.

Mineral Resources Statement of Huangtun Pyrite Mine (West Zone), as of 31 May 2021 by SRK Consulting China Ltd

Category	Tonnage (Mt)	Cu (%)	Au (g/t)	Cu (kt)	Au (t)
Indicated	9.3	0.29	0.86	26.5	8.0
Inferred	3.9	0.26	0.92	10.2	3.6

Cut-off grade: 0.3% Eq Cu. Assumptions of metal prices for gold and copper were US$1,400/oz and US$7,000/t, respectively.

The information in this Report which relates to Mineral Resources (West Zone) is based on information compiled by Ms Yanfang Zhao and Mr Pengfei Xiao who are both full time employees of SRK Consulting China Ltd. They are both members of AusIMM and have sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code. Ms Yanfang Zhao and Mr Pengfei Xiao consent to the reporting of this information in the form and context in which it appears.

ORE RESERVES

Ore Reserves were updated based on the Jinjian's updating of feasibility study and current price assumptions. Ore Reserves statement is shown below:

Ore Reserve Statement of Huangtun Pyrite Mine as of 31 May 2021 by SRK Consulting China Ltd

Section	Category	Cut-off Grade	Tonnage (Mt)	TS (%)	Cu (%)	Au (g/t)
East	Probable	EqS: 19%	7.9	17.8	0.1	/
West	Probable	EqCu: 0.7%	2.9	/	0.4	0.7
Total	Probable	/	10.8	/	/	/

The information in this Report which relates to Ore Reserve is based on information compiled by Mr Yonggang Wu who is a full time employee of SRK Consulting China Ltd. Mr Yonggang Wu is a member of AusIMM and has sufficient experience which is relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves", the JORC Code. Mr Yonggang Wu consents to the reporting of this information in the form and context in which it appears.

RESOURCE AND RESERVE

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Exploration

From March 2020 to March 2021, Anhui Jinding has drilled 40 underground drillholes for the purpose of production exploration (preparation for mining production and reconciliation), totalling 2,864.52m. Auhui Jinding's geologists performed logging and sampling, and the samples were all sent to Anhui Jinding's laboratory for chemical assay.

Development

Mine Design and Construction

Mine design update was finished in early 2020 and underground mine development was continued. To the date of this Report, the underground development system is completed. Construction of five underground levels of above sea level (ASL) at -110m, -140m, -190m, -240m and -290m were basically completed, and two deeper levels at -340m ASL and -380m ASL were under construction. Construction of mine facilities including systems for back-fill, ventilation, underground electricity, drainage and safety have been also completed. Underground water level has been lowered in 2020 and mining activities at the aforementioned levels are feasible. The underground mine is planned that the commercial production will be started in the third quarter of 2021.

Processing Plant

The processing plant construction was completed in the third quarter of 2020, consistent with the original plan. It is built on a flat site at the northwest side of the main and auxiliary shafts, about 100m direct distance from the mine office. The processing plant is with high level of automatic control and integration. The underground mined ores are lifted by the skip hoisting of the main shaft to the surface bin, and then feed to the processing plant. The plant was put into trial production in 2020 and proved to be a stable and satisfactory one. The plant is designed to process 1 million tonnes (metric ton) per annum (Mtpa) of ores and produce three types concentrates, namely copper concentrate, sulfur concentrate and iron concentrate. A continuous work system is designed, with an annual operating rate of 90.41%, that is, an effective working time of 330 days/year.

Commissioning and Trial Production

Commissioning has been started in October 2020 and continued three months to in 2020, a total of 30,996t ores were feed to the processing plant, 262.5t Copper concentrate with grade of 20.62% Cu, 34.95% S and 21.49 g/t Au; 7,007t Sulphur concentrate with grade of 47.93% S and 395t Iron concentrate with 54.36% TFe have been produced during the time.

Mining

Anhui Jinding has not carried out any mining activities during the Year.

EXPLORATION, DEVELOPMENT AND MINING EXPENSES OF ANHUI JIDING

For the Year, the expenditures of exploration, development and mining activities are summarized in the following table:

Project	Exploration	Development	Mining
	RMB'000	RMB'000	RMB'000
Huangtun Pyrite Mine	12,902	15,021	Nil

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 GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs. It also explains the applications of the Code and deviations, if any.

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

As at 31 March 2021, the Board comprised nine members, comprising six executive Directors, Mr. Xiong Zeke (Chairman), Mr. Liu Fali (Chief Executive Officer), Mr. Ma Gangling (Chief Operating Officer), Ms. Qin Chunhong, Ms. Ma Ye and Mr. Ma Tianyi and three independent non-executive Directors, Ms. Zhang Lin, Ms. Liu Talin and Ms. Yao Yunzhu.

Save that Mr. Ma Tianyi is the son of Mr. Ma Qiang, who was the former executive Director and Chairman of the Company, Mr. Liu Fali is the cousin of Mr. Ma. Qiang, Ms. Ma Ye is the aunt of Mr. Ma Tianyi, the younger sister of Mr. Ma Qiang, the cousin of Mr. Liu Fali, there are no relationships, including financial, business, family or other material relationships, among members of the Board and between the Chairman and the chief executive officer.

The biographical details of the Directors and other senior management are set out on pages 21 to 24 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 Director 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 five Board meetings (excluding Board committee meetings) and 1 general meeting with an average attendance rate of 100% and 22% respectively. Details of the attendance of the Board of Directors for the Year are as follows:

	Board meeting	**General meeting**
Total number of Board meetings held	5	1
Name of the Directors	**Attended/Eligible to attend**	
Executive Directors		
Mr. Xiong Zeke *(Chairman)*	5/5	1/1
Mr. Liu Fali *(Chief Executive Officer)*	5/5	0/1
Mr. Ma Gangling *(Chief Operating Officer)*	5/5	0/1
Ms. Qin Chunhong	5/5	0/1
Ms. Ma Ye	5/5	0/1
Mr. Ma Tianyi	5/5	1/1
Independent non-executive Directors		
Ms. Zhang Lin	5/5	0/1
Ms. Liu Talin	5/5	0/1
Ms. Yao Yunzhu	5/5	0/1

Independence of the Independent Non-executive Directors

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

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

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

Name of the Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/or forums	Receiving briefings from Chief Financial Officer, Company Secretary and/or other executives
Executive Directors			
Mr. Xiong Zeke *(Chairman)*	✓	✓	✓
Mr. Liu Fali *(Chief Executive Officer)*	✓	✓	✓
Mr. Ma Gangling *(Chief Operating Officer)*	✓	✓	✓
Ms. Qin Chunhong	✓	✓	✓
Ms. Ma Ye	✓	✓	✓
Mr. Ma Tianyi	✓	✓	✓
Independent non-executive Directors			
Ms. Zhang Lin	✓	✓	✓
Ms. Liu Talin	✓	✓	✓
Ms. Yao Yunzhu	✓	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

REMUNERATION COMMITTEE

A remuneration committee of the Company (the "Remuneration Committee") was formed with specific written terms of reference which deal clearly with its authority and duties with the requirements of the Code in December 2005. The Remuneration Committee is responsible for reviewing and developing the remuneration polices of the Directors and senior management to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management. The Remuneration Committee comprises of three independent non-executive Directors and one executive Director. The Remuneration Committee is chaired by Ms. Zhang Lin, an independent non-executive Director of the Company. 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 Remuneration Committee setting out its authority, duties and responsibilities are available on both the websites of the Company and GEM.

During the Year, the Remuneration Committee held one meeting. Details of the attendance of the Remuneration Committee for the Year are as follows:

Total number of meetings held	1
Name of members	**Attended/Eligible to attend**
Ms. Zhang Lin *(Chairperson of the Remuneration Committee)*	1/1
Ms. Qin Chunhong	1/1
Ms. Liu Talin	1/1
Ms. Yao Yunzhu	1/1

The Remuneration Committee has considered and reviewed the existing terms of employment contracts of the executive Directors, senior management and appointment letters of independent non-executive Directors and is of opinion that their respective engagement matters are fair and reasonable.

DIRECTORS' REMUNERATION

During the Year, total Directors' remuneration amounted to approximately RMB2.53 million (2020: RMB2.58 million). Details of the remuneration of the Directors for the Year are set out in note 9 to the consolidated financial statements.

AUDITOR'S REMUNERATION

During the Year, the remuneration in respect of audit and other services (i.e. agreed-upon-procedures in respect of the Group's continuing connected transactions and acting as reporting accountant of the Group's major transaction) provided by auditor, amounted to approximately RMB3.99 million.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Each of the Directors understand and acknowledge his responsibility for the preparation of the consolidated financial statements, which give a true and fair view of the financial position and the financial performance of the Group in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622). The external auditor of the Company acknowledge their reporting responsibilities in the auditor's report on the consolidated financial statements for the Year.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and Code Provision C.3.1 to C.3.6 of the Code. The primary duties of the Audit Committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. During the Year, the Audit Committee consists of the three independent non-executive Directors of the Company. The Audit Committee is chaired by Ms. Zhang Lin who has appropriate professional qualifications and experience in financial matters.

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

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

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

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

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") with written terms of reference in compliance with D1.4 of the Code. The primary duties of the Nomination Committee are, among others, reviewing the structure, size and composition and diversity of the Board of Directors on a regular basis (at least once a year) and making recommendations regarding any proposed changes, identifying and recommending individuals suitably qualified to become board members, and assessing the independence of independent non-executive Directors. The Nomination Committee consists of the three independent non-executive Directors of the Company. During the Year, no meeting was held by the nomination committee.

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

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

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

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

INTERNAL CONTROL

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

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

COMPANY SECRETARY

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

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

DIVIDEND POLICY

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

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

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

BOARD DIVERSITY POLICY

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

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

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

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

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

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

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

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

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

SHAREHOLDER'S RIGHTS

Procedure for the Shareholders to convene an extraordinary general meeting

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

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

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

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

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

INVESTOR RELATIONS

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

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

CONCLUSION

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Xiong Zeke (熊澤科), aged 46, is an executive Director and chairman of the Board. He joined the Group in 14 December 2012 as the chief executive officer and an executive Director. Mr. Xiong obtained a bachelor's degree in economics from International Economics of the Peking University in July 1996. From July 1996 to March 2005, Mr. Xiong worked in various departments of the Shenzhen branch of China Construction Bank. Subsequently, he became the deputy general manager of 北京盛世華軒投資有限公司 (Beijing Shengshi Huaxuan Investment Co., Ltd) (a company which was principally engaged in the business of mineral related investment management) ("Shengshi Huaxuan") from September 2008 to November 2012 during which he was responsible for investment, financing and merger and acquisition of Shengshi Huaxuan. Mr. Xiong is (i) an executive Director of the Company; (ii) an independent director of 華東醫藥股份有限公司 (Huadong Medicine Co., Ltd.), a company listed on the Shenzhen Stock Exchange, since August 2009 to January 2016; and was (iii) an independent director of 盛屯礦業集團股份有限公司 (Chengtun Mining Group Co. Ltd.) (formerly known as 廈門雄震礦業集團股份有限公司 (Xiamen Eagle Mining Group Co. Ltd.)), a company listed on the Shanghai Stock Exchange, from August 2008 to March 2011; (iv) an independent non-executive director of Wanguo International Mining Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3939) since March 2018 to September 2019. He is also the sole director and sole shareholder of Fabulous Seeker Holdings Limited and a director of certain subsidiaries of the Group. The interest in the shares of the Company held by Fabulous Seeker Holdings Limited is disclosed under the paragraph headed "Directors' report – Directors' and chief executive's interest and short positions in shares, underlying shares and debentures of the Company and its associated corporations".

Mr. Ma Tianyi (馬天逸), age 26, is an executive Director during the Year. He joined the Group on 1 March 2017 as an executive Director and has been appointed as the chief executive officer of the Company on 1 May 2021. He is a director of Shiny Ocean Holdings Limited ("Shiny Ocean") since January 2018. He graduated from Downing College, University of Cambridge in June 2016 with a Bachelor's Degree in Arts, specializing in Natural Sciences Tripos and obtained the qualification on Master of Business Administration from the University of Hong Kong in 2020.

Mr. Ma Tianyi is the son of Mr. Ma Qiang, who was the former executive Director and former chairman of the Company. Mr. Ma Tianyi is also the nephew of Mr. Liu Fali, an executive Director and the chief operation officer of the Company and nephew of Ms. Ma Ye, an executive Director of the Company.

Mr. Liu Fali (劉發利), aged 45, is an executive Director and the chief executive officer of the Company during the Year. He has been re-designated as the chief operating officer of the Company on 1 May 2021. He is a senior blasting engineer. Mr Liu is a director of certain subsidiaries of the Group. He graduated from Jilin Art Institute 吉林藝術學院 with a bachelor's degree. Mr. Liu has more than 23 years of experience in the civil explosives industry. From October 1997 to March 2000, he worked in 內蒙古東升廟化工廠 (Inner Mongolia Dong Sheng Miao Chemical Factory) (the predecessor of Dongyitai Chemical (as defined below) which was principally engaged in the manufacturing and sale of civil explosives). From March 2000 to April 2006, he was the manager of sales and procurement department of 東升廟伊泰化工有限責任公司 (Dong Sheng Miao Yitai Chemical Co., Ltd.) ("**Dongyitai Chemical**") in which he was responsible for the sales of civil explosives and procurement for production of civil explosives. From April 2006 to January 2008, he was promoted as the general manager of Dongyitai Chemical. Since January 2008, he worked as a general manager, chairman of the Board 內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited) ("**Shengan Chemical (Inner Mongolia)**") in which he was responsible for management, business operation and safety operation. Mr. Liu was the assistant general manager and office supervisor of Shengshi Huaxuan from February 2012 to July 2013. Since May 2015, he has been a director and in charge of the Tibet branch of 內蒙聚力工程爆破有限公司 (Inner Mongolia Juli Engineering and Blasting Services Limited). From December 2015 to present, he served as Director of Inner Mongolia Juli Engineering and Blasting Services Limited.

Mr. Liu Fali is the cousin of Mr. Ma Qiang, who was the former executive Director and former chairman of the Company. Mr Liu Fali is also the uncle of Mr Ma Tianyi, an executive Director and the chief executive officer of the Company. He is also the cousin of Ms. Ma Ye, an executive Director of the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Ma Gangling (**馬綱領**), aged 57, is an executive Director and the chief operating officer of the Company during the Year. He has resigned as the chief operating officer of the Company on 1 May 2021. Mr. Ma is the regional manager of the Group in the Republic of Tajikistan and the general manager of KM Muosir, LLC in charge of the operations in various companies. Mr. Ma obtained a college degree from Inner Mongolia Radio and Television University in July 1992, majoring in inorganic chemical engineering. From February 1992 to October 2008, he held various positions in 內蒙古烏拉山化肥有限責任公司 (Inner Mongolia Wulashan Fertilizer Co., Ltd.) (which is mainly engaged in the production of raw materials such as ammonium nitrate), including workshop director, synthetic ammonia factory manager, director of market supervision, director of sales and assistant to the general manager. He was an assistant to the general manager and the head of sales of 烏海市中榮實業有限責任公司 (Wuhai Zhongrong Industrial Co., Ltd.) from October 2008 to May 2011, which was then mainly engaged in coal production, processing, marketing and trade, and was the general manager of 烏海市西部煤化工有限責任公司 (Wuhai Western Coal Chemical Co., Ltd.) from May to November 2011, which was principally engaged in the production of coking coal. Mr. Ma also worked as the general manager and the chairman of Shengan Chemical (Inner Mongolia) from November 2011 to February 2017.

Ms. Qin Chunhong (**秦春紅**), aged 48, is an executive Director, compliance officer of the Company appointed pursuant to Rule 5.19 of the GEM Listing Rules, a member of Remuneration Committee and a director of certain subsidiaries of the Group. She joined the Group on 14 December 2012 as an executive Director. Ms. Qin obtained a bachelor's degree in economics from Henan Institute of Finance and Economics in June 2003. In July 2009, she obtained a master's degree in business administration from the School of Business Administration in Peking University. She has been a member of the China Certified Tax Agents Association since September 2009 and a member of the Chinese Institute of Certified Public Accountants since December 2000. Ms. Qin was the chief financial officer of 內蒙古雙利資源(集團)有限責任公司 (Inner Mongolia Shuangli Resources Group Co., Limited) from 2006 to 2009 and the chief financial officer of Western Mining Group (Hong Kong) Company Limited from 2005 to 2006. Since March 2010, Ms. Qin has been the chief financial officer of Shengshi Huaxuan.

Ms. Ma Ye (**馬曄**), aged 46, is an executive Director of the Company. Ms. Ma graduated from Inner Mongolia Higher Education Self-study Examination Chinese Language and Literature Education in 1996. From November 2007 to July 2013, she served as the administrative manager of Shengshi Huaxuan, responsible for daily administrative management and human resources. Since July 2013, she has been the general manager of Shengshi Huaxuan. Since 2016, she has been the chairman of Shenzhen Boyang Electronics Co., Ltd (formerly known as Qinghai Boyang Electronics Co., Ltd).

Ms. Ma is the aunt of Mr. Ma Tianyi, an executive Director and chief executive officer of the Company. She is the younger sister of Mr. Ma Qiang, who was the former executive Director and former chairman of the company. And she is the cousin of Mr. Liu Fali, an executive Director and chief operation officer of the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Ms. Zhang Lin (張琳), aged 48, is an independent non-executive Director. She is the chairperson of each of Audit Committee and Remuneration Committee and a member of Nomination Committee. She was licensed as a certified public accountant in the state of California, the United States from June 2002 and the state of Georgia, the United States from October 2006.

Ms. Liu Talin (劉塔林), aged 53, is an independent non-executive Director. She is a member of each of Audit Committee and Remuneration Committee and the chairperson of Nomination Committee. She obtained a bachelor's degree from the Department of Chemistry of 內蒙古大學 (Inner Mongolia University) in July 1991. She worked in 內蒙古物資集團有限責任公司 (Inner Mongolia Resources Group Co., Ltd.) from 1994 to 2003.

Ms. Yao Yunzhu (姚芸竹), aged 44, is an independent non-executive Director. She is a member of each of Audit Committee, Nomination Committee and Remuneration Committee. She holds a Bachelor of Laws degree from Peking University and a master's degree from City University of Hong Kong. Ms. Yao has served as an executive director of Victory Securities (Holdings) Company Limited, a company listed on GEM of the Stock Exchange (Stock code: 8540) from 26 October 2018 to 21 May 2019. Ms. Yao has served as an assistant general manager of Huarong International Board of Directors since 2016. She has served as a director of policy and market research office of strategic planning and investment management department of Industrial and Commercial Bank of China (Asia) Limited, a senior manager of strategic development of COSCO Pacific Limited (COSCO Shipping Ports Limited), and was responsible for project planning, project review and strategic planning and other affairs. Ms. Yao has worked in the consular section of the Ministry of Foreign Affairs of the Peoples' Republic of China for 11 years. She has extensive experience in strategy, negotiation, operation, management and consular protection. During the above period, she has been awarded a Chevening Scholarship to study in Cambridge University.

SENIOR MANAGEMENT

Mr. Yan Zhihe (閆志賀), aged 54, 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 45, has served as the chairman of Shengan Chemical (Inner Mongolia) since February 2017. He served as the general manager of Inner Mongolia Juli Engineering and Blasting Services Limited responsible for operational management from May 2015 to March 2018. Mr. Zhang obtained a college degree in finance and accounting from 內蒙古財經學院 (Inner Mongolia Finance and Economics College) in July 1997, and an intermediate accounting title in July 2008. From March 2006 to December 2007, he was the chief executive of 內蒙古雙利鐵礦有限公司 (Inner Mongolia Shuangli Iron Ore Co., Ltd.), which was then mainly engaged in iron concentrate. From January 2008 to November 2011, he held the positions such as the chief financial officer and the executive deputy general manager of 烏海市西部煤化工有限公司 (Wuhai Western Coal Chemical Co., Ltd.), which was mainly engaged in the production of coking coal. Mr. Zhang worked as the assistant general manager of Inner Mongolia Juli Engineering Explosive Co., Ltd. from December 2011 to January 2012, and the general manager of 內蒙古鄂托克旗盛安九二九化工有限責任公司 (Inner Mongolia Otog Banner Shengan 929 Chemical Limited) ("**Shengan Chemical (Otog Banner)**") from February 2012 to April 2015. From December 2011 to August 2016, he was also the assistant general manager of Shengan Chemical (Inner Mongolia) in charge of supply and sales.

COMPANY SECRETARY

Ms. Shen Tianwei (MAPAIS, HKICPA, CICPA) (沈天蔚), aged 48, is the chief financial officer, company secretary and one of the authorized representatives of the Company. Prior to joining the Group in August 2006, she has over 13 years of auditing, accounting and financial management experience in Big 4 and other sizable corporations. She has a Master degree in Professional accounting and information system from City University of Hong Kong and is an associate member of both the Hong Kong Institute of Certified Public Accountants and Chinese Institute of Certified Public Accountants.

DIRECTORS' REPORT

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

BUSINESS REVIEW

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

PRINCIPAL ACTIVITIES

The principal activity of the Company continued to be investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 44 to the consolidated financial statements. With the acquisition of Anhui Jinding in October 2020, the Group's business expanded to mining operation. Save as disclosed herein, 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 44 to 45.

The financial position of the Group as at 31 March 2021 are set out in the consolidated statement of financial position on pages 46 to 47.

The interim dividend of HK$0.01 per share for the six-month period ended 30 September 2021 (six-month period ended 30 September 2020: HK$0.005) was declared and paid in May 2021.

The Board recommends the payment of final dividend of HK$0.01 per share (2020: HK$0.01 per share) in respect of the Year (the "**Proposed Final Dividend**"). The Proposed Final Dividend, if approved, shall be payable on Friday, 3 December 2021 and is subject to the approval of the shareholders of the Company at the annual general meeting of the Year ("**2021 AGM**"). The shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 6 October 2021 will be entitled to the Proposed Final Dividend.

CLOSURE OF REGISTER OF MEMBERS

a. For determining the entitlement of the shareholders to attend and vote at the 2021 AGM

The register of members of the Company will be closed from Monday, 20 September 2021 to Friday, 24 September 2021 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the 2021 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 September 2021.

b. For determining the entitlement to the Proposed Final Dividend

The register of members of the Company will be closed from Monday, 4 October 2021 to Wednesday, 6 October 2021 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to qualify to receive the Proposed Final Dividend, they must ensure that all transfers accompanied by the relevant share certificates are lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 30 September 2021.

DIRECTORS' REPORT

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 142 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 50 to 51.

DISTRIBUTABLE RESERVES

As at 31 March 2021 and 2020, the Company's distributable reserves, subject to a solvency test, amounted to approximately RMB503 million and RMB573 million respectively.

SHARE CAPITAL

Details of movements in share capital of the Company during the Year are set out in note 33 to the consolidated financial statements.

CHARITABLE DONATIONS

During the Year, the Group made charitable donations totalling RMB4.46 million (2020: RMB1.76 million).

TAX RELIEF AND EXEMPTION

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

DIRECTORS

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

Executive Directors

Mr. Xiong Zeke *(Chairman)*
Mr. Ma Tianyi *(Chief Executive Officer) (appointed as Chief Executive Officer on 1 May 2021)*
Mr. Liu Fali *(Chief Operating Officer) (re-designated from Chief Executive Officer to Chief Operating Officer on 1 May 2021)*
Mr. Ma Gangling *(resigned as Chief Operating Officer on 1 May 2021)*
Ms. Qin Chunhong
Ms. Ma Ye

Independent non-executive Directors

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

DIRECTORS' REPORT

In accordance with articles 86(3) and 87(1) of the Company's Articles of Association, Mr. Xiong Zeke, Mr. Liu Fali, Mr. Ma Gangling and Ms. Ma Ye will retire as Directors by rotation at the forthcoming annual general meeting, and being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

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

DIRECTORS' AND SENIOR MANAGEMENTS' REMUNERATION

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

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

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

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

MANAGEMENT CONTRACTS

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Year, except as disclosed in the section headed "Connected Transactions" in this directors' report and note 37 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the 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 this directors' report and note 37 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 2021 which was significant in relation to the business of the Group.

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

As at 31 March 2021, the interests or short positions of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which is taken or deemed to have under such provisions of the SFO), or which were required, to be entered in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

The Company – interests in Shares and underlying Shares

Name of Director	**Capacity/nature of interest**	**Number and class of securities held** *(Note 1)*	**Approximate percentage of shareholding** *(Note 2)*
Mr. Xiong Zeke	Interest of a controlled corporation *(Note 4)*	80,811,927 ordinary shares (L)	2.27%
	Beneficial owner	11,813,333 ordinary shares (L)	0.33%
Ms. Qin Chunhong	Interest of a controlled corporation *(Note 5)*	34,024,908 ordinary shares (L)	0.96%
	Beneficial owner	540,000 ordinary shares (L)	0.02%

Name of Director	Capacity/nature of interest	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Mr. Liu Fali	Beneficial owner	240,415,854 ordinary shares (L)	6.76%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,657,167,368 ordinary shares (L) *(Note 3)*	46.57%
Mr. Ma Tianyi	Interest of a controlled corporation *(Note 6)*	3,660,000 ordinary shares (L)	0.10%
Ms. Ma Ye	Beneficial owner	124,005,000 ordinary shares (L)	3.48%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,774,098,222 ordinary shares (L) *(Note 3)*	49.85%
Mr. Ma Gangling	Beneficial owner	34,024,908	0.96%

Notes:

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

2. The percentage of shareholding is calculated based on the number of issued shares of the Company as at 31 March 2021.

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

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

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

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

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any Director or chief executive of the Company, as at 31 March 2021, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares

Name of shareholder	**Capacity/nature of interest**	**Number and class of securities held** *(Note 1)*	**Approximate percentage of shareholding** *(Note 2)*
Shiny Ocean	Beneficial owner	1,361,516,331 ordinary shares (L)	38.25%
Ma Family Holdings Co. Limited	Interest of a controlled corporation	1,361,516,331 ordinary shares (L) *(Note 3)*	38.25%
Equity Trustee Limited	Trustee (other than a bare trustee)	1,361,516,331 ordinary shares (L) *(Note 3)*	38.25%

Name of shareholder	Capacity/nature of interest	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Mr. Ma Suocheng	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,898,103,222 ordinary shares (L) *(Note 4)*	53.33%
Ms. Ma Xia	Beneficial owner	172,166,037 ordinary shares (L)	4.84%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,725,417,185 ordinary shares (L) *(Note 4)*	48.50%
Mr. Ma Qiang	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,898,103,222 ordinary shares (L) *(Note 4)*	53.33%
Mr. Yang Tao	Beneficial owner	274,919,268 ordinary shares (L)	7.73%
Mr. Li Man	Beneficial owner	272,039,268 ordinary shares (L)	7.64%
Mr. Lv Wenhua	Beneficial owner	240,415,854 ordinary shares (L)	6.76%

Notes:

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

2. The percentage of shareholding is calculated based on the number of issued shares of the Company as at 31 March 2021.

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

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

Save as disclosed herein, as at 31 March 2021, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had a discloseable interest or short position in the Shares as recorded in the register which was required to be kept under section 336 of the SFO concerning persons carrying rights to vote in all circumstances at general meetings of any other members of the Group.

ISSUE OF SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws in Cayman Islands.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or its subsidiaries during the Year, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 30,680,000 shares at a total consideration of approximately HK$26 million (equivalent to approximately RMB22 million).

EMOLUMENT POLICY

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

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

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

RETIREMENT BENEFIT COST

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

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on 8 July 2019 for the purpose of affirming and rewarding the contribution of the eligible participants to the growth and development of the Group. The trustee of the Share Award Scheme has acquired 30,680,000 shares of the Company at the total consideration of approximately HK$26 million (equivalent to approximately RMB22 million) during the Year under the instructions of the Board. No shares have been awarded to the participants of the Share Award Scheme and all the 30,680,000 shares were held in trust by the trustee under the Share Award Scheme as at 31 March 2021. Further details are disclosed in note 33 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 2019/2020 annual report and this report, which are required to be disclosed pursuant to the requirement of Rule 17.50A(1) of the GEM Listing Rules are set out below:

(1) Mr. Ma Tianyi has been appointed as Chief Executive Officer with effect from 1 May 2021.

(2) Mr. Liu Fali has been re-designated from the Chief Executive Officer to the Chief Operating Officer with effect from 1 May 2021.

(3) Mr. Ma Gangling has been resigned as the Chief Operating Officer with effect from 1 May 2021 and continue to act as executive Director.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Year, none of the Directors had rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor (natural or adopted), or if such rights exercised by them; none of the Company or any of the subsidiaries of the Company was a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS

The following sets out a summary of the connected transactions of the Company subject to the reporting requirements under Chapter 20 of the GEM Listing Rules for the Year:

(1) Pursuant to the framework agreements ("**Ordos Beian Framework Agreement**") dated 9 October 2017 and 20 January 2020 entered into between Otog Banner Shengan 929 Chemical Limited* (鄂托克旗盛安九二九化工有限責任公司) and Bayannur Shengan Chemical Limited* (巴彥淖爾盛安化工有限責任公司) ("**Bayannur Shengan**") (each an indirect non-wholly owned subsidiary of the Company) as vendors and Ordos City Beian Civil Explosive Products Limited Ordos Branch* (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 Beian**") as purchaser for the purchase of powder emulsion explosives and ANFO explosives for a term of three years commencing from the date thereof, subject to the terms and conditions of the Ordos Beian Framework Agreement and on such other terms (such as the category, volume, unit price of purchase, quality requirements, time and location of delivery of finished goods) to be further agreed by the parties by entering into separate purchase orders from time to time, provided that the terms of such purchase orders shall be on normal commercial terms or better, and shall not contravene the terms of and conditions of the Ordos Beian Framework Agreement.

Pursuant to the Ordos Beian Framework Agreement, the unit price for sale and purchase shall be from time to time agreed by the parties after arm's length negotiation and shall be determined with reference to the prevailing market price for comparable products, volume of purchase, transportation and delivery arrangement and such other special circumstances, provided that the unit price offered by the Group shall not be less favourable than that offered by the Group to its independent third party purchasers for purchase of comparable products and volume.

Ordos Beian is owned as to 55% by Inner Mongolia Shengli Civil Explosives Co., Ltd* (內蒙古生力民爆股份有限公司), which indirectly holds 40% of equity interest in Inner Mongolia Shengan Chemical Limited* (內蒙古盛安化工有限責任公司), an indirect non-wholly owned subsidiary of the Company and is 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 RMB245.94 million, which did not exceed the annual cap of RMB300 million for the Year.

Please refer to the announcements dated 9 October 2017, 11 October 2017 and 20 January 2020 for further details of the continuing connected transaction contemplated under the Ordos Beian Framework Agreement.

(2) Pursuant to the framework agreements dated 2 June 2017, 9 October 2017 and 15 February 2019, between Inner Mongolia Juli Engineering and Blasting Services Limited ("**Juli Engineering**") (an indirect non-wholly owned subsidiary of the Company) as customer and Ordos Beian as supplier relating to supply of civil explosive equipment, supplies, materials and other similar items for three years. Juli Engineering purchases from Ordos Beian civil explosives at prices determined on an arm's length basis, comparable to the prevailing market rates and on terms no less favourable to the Group than those available to any independent third party.

As mentioned above, 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 RMB94.95 million, which did not exceed the annual of RMB120 million for the Year.

Please refer to the announcements of the Company dated 2 June 2017, 9 October 2017, 11 October 2017, 15 February 2019 and 25 February 2021 for further details of the continuing connected transactions.

Save as disclosed above, none of the related party transactions referred to in note 37 to the consolidated financial statements constituted a "connected transaction" or a "continuing connected transaction" subject to reporting requirements under Chapter 20 of the GEM Listing Rules.

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

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

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

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

COMPETING INTERESTS

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

SUFFICIENCY OF PUBLIC FLOAT

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

SEGMENT INFORMATION

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	**Percentage to total sales of the Group (%)**
– The largest customer of the Group	47%
– Five largest customers in aggregate	72%

Purchases	**Percentage to total purchases of the Group (%)**
– The largest supplier of the Group	21%
– Five largest suppliers in aggregate	71%

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 2021 containing all information required by the GEM Listing Rules will be published on the respective websites of GEM and the Company in due course.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's business is mainly operated by its subsidiaries in the British Virgin Islands, Hong Kong, the PRC and Tajikistan and the Company is incorporated in the Cayman Islands and is a listed company on the GEM of the Stock Exchange. Therefore, the Group should comply with relevant laws and regulations of Cayman Islands, British Virgin Islands, PRC, Tajikistan and Hong Kong. The Group will seek for professional legal opinions from its external legal advisors when necessary to ensure that the Group's transactions and business are in conformity with all applicable laws and regulations.

AUDITOR

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

On behalf of the Board

Xiong Zeke
Chairman

China, 25 June 2021

* *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT

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To the members of Pizu Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Pizu Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 44 to 141, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Acquisition of a subsidiary – Anhui Jinding Mining Co., Ltd.

Refer to notes 3.3 and 31 to the consolidated financial statements

On 9 October 2020, the Group acquired 51% equity interest in Anhui Jinding Mining Co., Ltd. ("Anhui Jinding") which principal activity is mining, processing of pyrite, iron ore and copper and the sales of the said mineral products, through capital injection of RMB270,000,000 (the "Acquisition").

The Acquisition is accounted for using acquisition method following the requirements under Hong Kong Financial Reporting Standards 3 (Revised) *Business Combinations*, pursuant to which the identifiable assets and liabilities of Anhui Jinding are measured at fair value at the date of the Acquisition. Management, assisted by external specialists in relation to mine reserve and valuation, determined the fair values of the mining right recognised as an intangible asset and property, plant and equipment which are the major identifiable assets of Anhui Jinding.

We have identified the accounting for the Acquisition as a key audit matter as the Acquisition has significant impact to the Group by its nature, size and cash flows involved, and that considerable amount of estimation and judgement is required in determining the fair values of the above identifiable assets.

Our procedures in relation to the Acquisition mainly included:

(i) assessing the fair values of the mining right and property, plant and equipment including:

- engaging our own specialists to assist in evaluating the valuations conducted by the management to support the fair values of the mining right and property, plant and equipment.
- evaluating the competence, capabilities and objectivity of the specialists;
- assessing appropriateness of the valuation technique and key inputs and assumptions adopted in the valuation; we discussed the valuation technique and key inputs and assumptions used directly with the specialists;
- validating key inputs and assumptions used in the valuations to source documents or market information such as checking to technical report and checking to the market prices of commodities and where available, the forward contract prices of commodities;
- checking arithmetic accuracy of the calculations supporting the valuation; and

(ii) considering adequacy of the disclosures for the Acquisition to enable the users of the financial statements to understand the significance of the Acquisition to the Group.

KEY AUDIT MATTERS (Continued)

Impairment assessment of goodwill and mining right

Refer to notes 3.11, 4.1(ii), 18 and 19 to the consolidated financial statements

At the reporting date, management performed an impairment assessment on goodwill with gross carrying amount of RMB132,394,000 and mining right with gross carrying amount of RMB149,465,000. Goodwill is allocated to the cash-generating unit (the "CGU") of mining operation and assessed for impairment together with the mining right and other non-current assets related to this mining operation CGU. Based on the result of the impairment assessment, management recognised an impairment loss on goodwill of RMB89,762,000.

In carrying out the impairment assessment, management, assisted by external specialists in relation to the mine reserve and valuation, determined the recoverable amount of the mining operation CGU using value-in-use basis which comprises cash flow projections prepared based on the CGU's production plan. The preparation of the cash flow projections involves the exercise of significant judgement and estimates by the management in adoption of assumptions, including estimation of mineral reserves, product volume, long-term commodity price, production costs, discount rate as well as capital expenditure.

We have identified the impairment assessment of the Assets as a key audit matter as considerable amount of judgement and estimation being required for the impairment assessment in the current economic climate.

Our procedures in relation to management's impairment assessment of goodwill and mining right included:

(i) evaluating the competence, capabilities and objectivity of the specialists;

(ii) checking the mathematical accuracy of the cash flow projections;

(iii) evaluating the value-in-use methodology adopted by the management;

(iv) challenging the reasonableness of key assumptions used in the cash flow projections including deployment of mineral resources and reserves, long-term commodity prices, future sales and operating costs and discount rates applied with the assistance of our specialists;

(v) validating key inputs and assumptions adopted in the cash flow projections to supporting evidences such as checking to technical report and checking to the market prices of commodities and where available, the forward contract prices of commodities; and

(vi) assessing adequacy of the disclosures in the consolidated financial statements in respect of the impairment assessment.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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, 25 June 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	**1,701,166**	1,627,344
Cost of goods sold and services provided		**(1,113,826)**	(1,048,930)
Gross profit		**587,340**	578,414
Other income	6	**24,302**	22,027
Selling and distribution expenses		**(46,658)**	(56,081)
Administrative and other operating expenses		**(144,427)**	(105,298)
Other (losses)/gains			
Impairment loss on goodwill	18	**(89,762)**	–
Gain on disposal of a subsidiary	32	**–**	10,188
Reversal of impairment loss on trade receivables	23	**1,622**	2,526
Profit from operations	7	**332,417**	451,776
Finance costs	11	**(12,752)**	(6,318)
Share of profit of associates	21	**9,878**	10,759
Profit before income tax		**329,543**	456,217
Income tax expense	12	**(51,452)**	(57,582)
Profit for the year		**278,091**	398,635
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising from:			
– translation of foreign operations		**(17,655)**	(2,781)
– reclassification relating to disposal of a subsidiary	32	**–**	(460)
Other comprehensive income for the year		**(17,655)**	(3,241)
Total comprehensive income for the year		**260,436**	395,394

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	2021 RMB'000	2020 RMB'000
Profit attributable to:			
Owners of the Company		**122,482**	229,627
Non-controlling interests		**155,609**	169,008
		278,091	398,635
Total comprehensive income attributable to:			
Owners of the Company		**114,581**	226,942
Non-controlling interests		**145,855**	168,452
		260,436	395,394
		RMB	RMB
Basic and diluted earnings per share	13	**0.034**	0.065

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,108,946**	241,670
Right-of-use assets	16(a)(i)	**69,035**	35,909
Prepayments	24	**83,265**	1,325
Deferred tax assets	17	**93,361**	–
Goodwill	18	**42,632**	–
Other intangible assets	19	**244,931**	101,839
Interest in a joint venture	20	**–**	–
Interests in associates	21	**30,181**	27,304
		1,672,351	408,047
Current assets			
Inventories	22	**38,213**	34,921
Contract assets and trade and bills receivables	23	**563,991**	710,039
Other receivables, prepayments and deposits	24	**188,528**	426,790
Amounts due from associates	21(c)	**11,474**	9,629
Amount due from a joint venture	20(c)	**8,751**	12,958
Amounts due from shareholders	25	**328**	355
Cash and cash equivalents	26	**232,010**	165,176
		1,043,295	1,359,868
Current liabilities			
Trade payables	28	**438,998**	130,798
Other payables and accruals	29	**102,704**	83,481
Borrowings	27	**404,514**	280,000
Dividend payable		**35,482**	14,150
Lease liabilities	16(a)(ii)	**20,548**	14,804
Amount due to an associate	21(c)	**18,000**	–
Amount due to a related company	25	**–**	15,500
Amount due to a shareholder	25	**–**	77,135
Income tax payable		**8,125**	7,689
		1,028,371	623,557

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 RMB'000	2020 RMB'000
Net current assets		**14,924**	736,311
Total assets less current liabilities		**1,687,275**	1,144,358
Non-current liabilities			
Borrowings	27	**470,703**	45,000
Lease liabilities	16(a)(ii)	**55**	6,936
Amount due to a shareholder	25	**28,774**	–
Deferred tax liabilities	17	**8,590**	8,044
Provisions	30	**11,886**	–
		520,008	59,980
Net assets		**1,167,267**	1,084,378
Capital and reserves			
Share capital	33	**40,259**	40,259
Treasury shares	33	**(21,835)**	–
Reserves	34	**649,673**	594,727
		668,097	634,986
Non-controlling interests	35	**499,170**	449,392
Total equity		**1,167,267**	1,084,378

On behalf of the Board

Mr. Xiong Zeke
Director

Mr. Ma Tianyi
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 RMB'000	2020 RMB'000
Cash flows from operating activities		
Profit before income tax	**329,543**	456,217
Adjustments for:		
Amortisation of intangible assets	**49**	67
Depreciation for property, plant and equipment	**61,769**	54,480
Depreciation for right-of-use assets	**31,759**	8,402
Gain on disposal of a subsidiary	**–**	(10,188)
Loss/(gain) on disposal of property, plant and equipment, net	**582**	(6,490)
Impairment loss on goodwill	**89,762**	–
Reversal of impairment loss on trade receivables	**(1,622)**	(2,526)
Interest income	**(487)**	(1,391)
Finance costs	**12,752**	6,318
Share of profit of associates	**(9,878)**	(10,759)
Net exchange differences	**(2,517)**	583
Operating profit before working capital changes	**511,712**	494,713
Decrease/(increase) in inventories	**25,857**	(7,609)
Decrease/(increase) in contract assets and trade and bills receivables	**146,574**	(121,780)
Decrease in other receivables, prepayments and deposits	**10,457**	39,155
Decrease in trade payables	**(11,872)**	(36,456)
Increase/(decrease) in other payables and accruals	**12,710**	(7,886)
(Increase)/decrease in amounts due from associates	**(1,845)**	8,814
Increase in amount due to an associate	**18,000**	–
Cash generated from operations	**711,593**	368,951
Income tax paid	**(60,470)**	(64,326)
Net cash generated from operating activities	**651,123**	304,625

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from investing activities			
Interest received		**487**	1,391
Proceeds from disposal of property, plant and equipment		**1,955**	37,449
Purchase of right-of-use assets		**(3,557)**	(6,873)
Investment in an associate		**–**	(20,000)
Decrease in amount due from a joint venture		**4,207**	58
Increase in an other receivable		**–**	(250,700)
Acquisition of a subsidiary	31	**5,050**	–
Disposal of a subsidiary	32	**–**	(9)
Purchase of property, plant and equipment		**(170,506)**	(76,154)
Decrease in prepayments for purchase of property, plant and equipment and land use right		**24,858**	5,930
Purchase of other intangible assets		**(17,500)**	(53,000)
Dividend received from associates		**7,000**	10,500
Net cash used in investing activities		**(148,006)**	(351,408)
Cash flows from financing activities			
Dividend paid		**(28,843)**	(48,577)
Dividend paid to non-controlling interests		**(308,287)**	(129,971)
Contribution from non-controlling interests		**80,000**	–
Proceeds from borrowings	38(d)	**208,370**	350,000
Repayment of borrowings	38(d)	**(297,690)**	(65,000)
Interest paid for bank borrowings	38(d)	**(11,421)**	(6,259)
Lease payments	38(d)	**(34,452)**	(9,732)
Increase/(decrease) in amount due to a related company	38(d)	**21,040**	(17,550)
(Decrease)/increase in amount due to a shareholder	38(d)	**(43,943)**	45,555
Repurchase of shares		**(21,835)**	–
Net cash (used in)/generated from financing activities		**(437,061)**	118,466
Net increase in cash and cash equivalents		**66,056**	71,683
Cash and cash equivalents at beginning of the year		**165,176**	93,270
Effect of exchange rate changes on cash and cash equivalents		**778**	223
Cash and cash equivalents at end of the year		**232,010**	165,176

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Equity attributable to owners of the Company											Non-controlling interests	Total
	Share capital RMB'000	Treasury shares RMB'000	Share premium* RMB'000 (note 34(a))	Capital distributable reserve* RMB'000 (note 34(b))	Contributed surplus* RMB'000 (note 34(c))	Restructuring reserve* RMB'000 (note 34(d))	Merger reserve* RMB'000 (note 34(e))	Foreign currency translation reserve* RMB'000 (note 34(f))	Statutory and other reserves* RMB'000 (notes 34(g) and (h))	Retained profits* RMB'000	Total RMB'000	RMB'000	RMB'000
At 1 April 2020	40,259	–	677,614	25,141	933	89,227	(613,604)	(38,153)	33,016	420,553	634,986	449,392	1,084,378
Profit for the year	–	–	–	–	–	–	–	–	–	122,482	122,482	155,609	278,091
Other comprehensive income:													
Exchange differences from:													
– translation of foreign operations	–	–	–	–	–	–	–	(7,901)	–	–	(7,901)	(9,754)	(17,655)
Total comprehensive income for the year	–	–	–	–	–	–	–	(7,901)	–	122,482	114,581	145,855	260,436
Transactions with owners:													
Dividends declared	–	–	(59,635)	–	–	–	–	–	–	–	(59,635)	–	(59,635)
Acquisition of a subsidiary (note 31)	–	–	–	–	–	–	–	–	–	–	–	132,210	132,210
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(308,287)	(308,287)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	80,000	80,000
Shares repurchased (note 33)	–	(21,835)	–	–	–	–	–	–	–	–	(21,835)	–	(21,835)
	–	(21,835)	(59,635)	–	–	–	–	–	–	–	(81,470)	(96,077)	(177,547)
Transfer to statutory and other reserves	–	–	–	–	–	–	–	–	8,896	(8,896)	–	–	–
Utilisation of other reserves	–	–	–	–	–	–	–	–	(8,242)	8,242	–	–	–
At 31 March 2021	40,259	(21,835)	617,979	25,141	933	89,227	(613,604)	(46,054)	33,670	542,381	668,097	499,170	1,167,267

* The total of these balances at the end of the reporting date represents "Reserves" in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2021

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 Suntera (Cayman) Limited, Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands. The address of its principal place of business is Flat A, 11/F., Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 August 2004.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in manufacturing and sale of explosives and provision of blasting operation and related services. During the financial year, the Group completed the acquisition of 51% equity interest in Anhui Jinding Mining Co., Ltd.* (安徽省金鼎礦業有限公司)("Anhui Jinding"), a limited liability company established in the People's Republic of China (the "PRC"). The principal activity of Anhui Jinding is operation of a mine which has entered the trial production stage. Anhui Jinding is accounted for as 51% owned subsidiary of the Company. Further details of the acquisition are set out in note 31.

The consolidated financial statements for the year ended 31 March 2021 were approved and authorised for issue by the directors on 25 June 2021.

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

2.1 Adoption of new or amended HKFRSs

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendments to HKFRS 16, COVID-19-Related Rent Concessions. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

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

2.1 Adoption of new or amended HKFRSs (Continued)

Amendments to HKFRS 3, Definition of a Business (Continued)

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020. As described in note 31, the Group acquired a set of activities and assets in October 2020 and elected to apply the concentration test to that transaction but the transaction failed the concentration test. Based on the assessment of elements of a business, the Group concluded that the acquired set of activities and assets is a business.

Amendments to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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

2.1 Adoption of new or amended HKFRSs (Continued)

Amendments to HKFRS 16, COVID-19-Related Rent Concessions (Continued)

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained profits at 1 April 2020 on initial application of the amendment.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment extend the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to HKAS 8	Definition of Accounting Estimates[4]
Amendments to HKAS 12	Definition Tax Related to Assets and liabilities arising from a Single Transaction[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

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

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020) ("HK Int 5 (2020)"), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

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

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

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

Amendments to HKAS 12, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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

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

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

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

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

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020, Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

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

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

3.2 Functional and presentation currency

The functional currency of the Company is Hong Kong Dollars ("HK$"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. In the opinion of the directors, it is appropriate to present the consolidated financial statements in RMB since the Group has been operating in the RMB environment and the Group has planned to continue to invest in the People's Republic of China ("PRC") in the long run.

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

3.3 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (see note 3.4 below) made up to 31 March each year. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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.

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

3.3 Business combination and basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

3.4 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

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

3.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life or it is calculated using the units of production ("UOP") basis to write off the cost of the asset proportionately to the extraction of the proven and probable mineral reserves.

The estimated useful lives of property, plant and equipment other than construction in progress are as follows:

Buildings	20 years
Leasehold improvements	Over the remaining term of the lease
Plant and machinery	2-10 years
Furniture and equipment	3-7 years
Motor vehicles	2-8 years
Mining infrastructure	Respective mining lifetime of mines

Included in property, plant and equipment is mining infrastructure located at the mining sites. Depreciation is provided to write off the cost of the mining infrastructure using the UOP method based on the proven and probable mineral reserves.

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

3.5 Property, plant and equipment (Continued)

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

3.6 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to of disposal.

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

3.7 Joint arrangement

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

The Group classifies its interests in joint arrangements as either:

- *Joint ventures:* where the Group has rights to only the net assets of the joint arrangement; or

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

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

- The structure of the joint arrangement;

- The legal form of joint arrangements structured through a separate vehicle;

- The contractual terms of the joint arrangement agreement; and

- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interest in a joint venture in the same manner as investments in associates (i.e. using the equity method – see note 3.6).

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

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

3.8 Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 3.11), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less costs of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

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

3.9 Other intangible assets

Acquired intangible assets

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

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

Acquired computer software	3-10 years
Patents	10 years
Mining rights	Respective mining lifetime of mines

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include cost of acquiring mining licences, exploration and evaluation costs transferred from exploration and evaluation assets and the cost of acquiring interests in the mining reserves of existing mining properties. Mining rights are amortised in accordance with the production plans of the concerned mines over the proven and probable mineral reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

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

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

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

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

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

3.10 Leases

The Group as lessee

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

Right-of-use asset

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

Leasehold land	Over the lease terms
Buildings	Shorter of lease term or 20 years
Motor vehicles	2 years

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

3.10 Leases (Continued)

The Group as lessee (Continued)

Lease liability

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

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

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

The Group as a lessor

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

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

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

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

3.11 Impairment of non-financial assets

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

- Property, plant and equipment;
- Right-of-use assets;
- Goodwill;
- Other intangible assets;
- Interests in associates; and
- Interest in a joint venture

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs 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 is charged pro rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

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

3.11 Impairment of non-financial assets (Continued)

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's or CGU's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

3.12 Inventories

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

3.13 Financial instruments

(i) Financial assets

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

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

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

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

3.13 Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

3.13 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

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

3.13 Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised 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, dividend payable, amounts due to related parties and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

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

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

3.14 Cash and cash equivalents

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

3.15 Revenue recognition

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

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

Sale of explosives and mineral concentrates

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

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

3.15 Revenue recognition (Continued)

Provision of blasting services

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

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

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Interest income

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

3.16 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

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.

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

3.18 Foreign currency (Continued)

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

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

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

3.19 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.

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

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

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

3.20 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.

3.21 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.

Provisions for the Group's obligations for land reclamation are based on estimates of required expenditure for the mine in accordance with the PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based on a detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset in the period in which the liability is incurred. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Provision for land reclamation is reviewed at the end of each of the reporting period and adjusted to reflect the current best estimate. When changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in the timing of the performance of reclamation activities), the revisions to the obligation and the asset are recognised at the appropriate discount rate.

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

3.22 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.23 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker, i.e. the board of directors, for the purposes of allocating resources to, and assessing the performance of, the Group's various business operation and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3.24 Fair value measurement

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements used in preparing financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions adopted that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of trade and other receivables

The Group makes allowance for impairment on trade and other receivables based on assumptions about probability of default and loss given default. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculations, based on the Group's historical credit loss experience, existing market conditions as well as forward-looking estimates at the end of the reporting period.

(ii) Impairment of goodwill and mining right of mining operation

For the purpose of performing impairment assessment as disclosed in note 18, recoverable amount of the mining operation CGU was determined based on value-in-use which was derived using discounted cash flow expected to be derived form the CGU. The value of the cash flow are impacted by estimation of mineral reserves, long-term commodity prices, operating performance, future capital requirements and determination of discount rate. Future changes in the circumstances and conditions underlying the estimates and judgement exercised may affect the estimation of recoverable amount and thus result in adjustment to the carrying amounts of those assets comprising the CGU.

(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.

5. REVENUE

The principal activities of the Group are disclosed in note 1. An analysis of the revenue from the Group's principal activities is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers		
Sales of explosives	**835,281**	840,166
Provision of blasting operations	**865,885**	787,178
	1,701,166	1,627,344

6. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Bank interest income	**487**	896
Interest income on finance leases	**–**	495
Gain on disposal of property, plant and equipment, net	**–**	6,490
Government grants (note)	**6,725**	443
Rental income	**11,364**	7,710
Net foreign exchange gain	**–**	1,045
Sundry income	**5,726**	4,948
	24,302	22,027

Note:

Government grants mainly represented subsidy received from the PRC government as financial assistance provided to enterprises to ease the financial stress caused by the outbreak of COVID-19. The Group does not have unfulfilled obligations relating to these grants.

7. PROFIT FROM OPERATIONS

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

	2021 RMB'000	2020 RMB'000
Auditor's remuneration:		
– annual audit	**2,175**	2,230
– other services	**1,817**	981
	3,992	3,211
Costs of inventories recognised as expenses	**430,576**	405,802
Amortisation of intangible assets*	**49**	67
Depreciation for property, plant and equipment	**63,412**	54,480
Less: Amount capitalised in mining right	**(1,643)**	–
	61,769	54,480
Depreciation for right-of-use assets	**31,759**	8,402
Loss/(gain) on disposal of property, plant and equipment, net	**582**	(6,490)
Net foreign exchange loss/(gain)	**2,671**	(1,045)
Research and development costs*	**29,901**	32,777
Staff costs (including directors' emoluments) (note 8)	**110,221**	87,898

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

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits	**107,159**	82,907
Contributions to defined contribution retirement plans (note)	**3,062**	4,991
	110,221	87,898

Note:

The Group has implemented a provident fund scheme for its staff in Hong Kong in compliance with the requirements of the MPF Ordinance effective from 1 December 2000. The Group contributes to the scheme according to the minimum requirements of the MPF Ordinance and the contributions are charged to profit or loss as they become payable.

As stipulated by the rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The relevant government agencies are responsible for the entire pension obligation payable to all retired employees. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement plan.

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

As at 31 March 2021, the Group had no forfeited contributions available for reducing contributions to retirement plans in future years (2020: 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 2021				
Executive directors				
Qin Chunhong	209	–	–	209
Xiong Zeke	470	261	16	747
Liu Fali	104	420	–	524
Ma Tianyi	157	157	8	322
Ma Gangling	209	–	–	209
Ma Ye	209	–	–	209
Independent non-executive directors				
Liu Talin	104	–	–	104
Zhang Lin	104	–	–	104
Yao Yun Zhu	104	–	–	104
	1,670	838	24	2,532
For the year ended 31 March 2020				
Executive directors				
Qin Chunhong	214	–	–	214
Xiong Zeke	480	268	16	764
Liu Fali	107	420	–	527
Ma Tianyi	240	80	4	324
Ma Gangling	214	–	–	214
Ma Ye	214	–	–	214
Independent non-executive directors				
Liu Talin	107	–	–	107
Zhang Lin	107	–	–	107
Yao Yun Zhu	107	–	–	107
	1,790	768	20	2,578

No incentive payment or compensation for loss of office was paid or payable to any directors during the year ended 31 March 2021 (2020: Nil).

10. FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT EMOLUMENTS

During the year ended 31 March 2021, two (2020: 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 (2020: three) highest paid non-director individuals for the current year are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and other benefits in kind	**1,824**	1,646
Contributions to defined contribution retirement plans	**43**	32
	1,867	1,678

The emoluments of each of the three (2020: three) highest paid non-director individuals are within the following band:

	2021	2020
	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 bands:

	2021	2020
	No. of individuals	No. of individuals
Nil to HK$1,000,000	**3**	3

11. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities (note 16(a)(ii))	**51**	59
Interest expense on bank borrowings	**11,421**	6,259
Interest expense on other borrowings	**7,142**	–
Total interest expenses	**18,614**	6,318
Less: Amount capitalised in construction in progress included in property, plant and equipment	**(5,862)**	–
Interest expenses recognised in profit or loss	**12,752**	6,318

During the year, finance costs capitalised in respect of specific borrowings amounted to RMB5,862,000 (2020: Nil). No finance costs arising on the general borrowing were capitalised during the year (2020: Nil).

12. INCOME TAX EXPENSE

Income tax expense comprises:

	2021 RMB'000	2020 RMB'000
Current tax for the year		
PRC Enterprise Income Tax ("EIT")		
– provision for the year	**58,543**	53,788
– under/(over)-provision in respect of previous years	**2,363**	(90)
Tajikistan Corporate Income Tax		
– under-provision in respect of previous years	**–**	1,554
	60,906	55,252
Deferred tax (credit)/charge for the year (note 17)	**(9,454)**	2,330
	51,452	57,582

12. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong profits tax is made for current year and prior year as there is no assessable profits arising in Hong Kong for both years. Tajikistan Corporate Income Tax rate is calculated at applicable rate of 23% (for activities other than goods production) and 13% (for activity of goods production) respectively; whereas EIT is calculated at the applicable rate of 25%, except that:

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

(ii) Three PRC subsidiaries which have obtained the New and Hi-tech Enterprise recognition are entitled to enjoy preferential EIT rate of 15% for a period of 3 years from 4 September 2020 (2020: 3 years from 25 August 2017), 3 December 2018 and 13 November 2019 respectively.

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

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

	2021 **RMB'000**	2020 RMB'000
Profit before income tax	**329,543**	456,217
Tax calculated at the rates applicable to the tax jurisdictions concerned	**81,539**	111,304
Tax effect of exemptions or preferential treatment granted to certain subsidiaries	**(63,859)**	(62,227)
Tax effect of non-deductible expenses	**33,011**	5,598
Tax effect of non-taxable income	**(3,024)**	(5,676)
Tax effect of share of results of associates	**(2,469)**	(2,690)
Tax loss not recognised	**264**	3,895
Utilisations of tax loss previously not recognised	**(1,347)**	–
Under-provision in respect of previous years	**2,363**	1,464
Withholding tax on dividends received from subsidiaries during the year	**4,428**	3,584
Effect of withholding tax on the undistributed profits of PRC subsidiaries	**546**	2,330
Income tax expense	**51,452**	57,582

13. EARNINGS PER SHARE

Basic earnings per share

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

	2021	2020
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	**122,482**	229,627

	2021	2020
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,551,589**	3,558,725

Diluted earnings per share

There was no potential dilutive shares in issue during the years ended 31 March 2021 and 2020.

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.

- Mining operation: mining, processing of pyrite, iron ore and copper and the sales of the said mineral products in the PRC

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

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

Segment revenue, results, assets and liabilities

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

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 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 non-current assets and current assets directly attributable to each segment and exclude amounts due from related parties, deferred tax assets and unallocated corporate assets.

Segment liabilities include trade and other payables, accrued liabilities and other liabilities which are directly attributable to the business activities of the operating segments and exclude amounts due to related parties, dividend payable, income tax payable, deferred tax liabilities and unallocated corporate liabilities.

14. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment revenue and segment results

For the year ended 31 March 2021

	Mining operation RMB'000	**Explosives trading and blasting services RMB'000**	**Bulk mineral trade RMB'000**	**Total RMB'000**
Segment revenue				
External sales	**–**	**1,701,166**	**–**	**1,701,166**
Segment (loss)/profit	**(135,010)**	**482,939**	**(1,125)**	**346,804**
Unallocated income				**1,868**
Unallocated corporate expenses				**(19,129)**
Profit before income tax				**329,543**

For the year ended 31 March 2020

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

14. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment assets and liabilities

As at 31 March 2021

	Mining operation RMB'000	Explosives trading and blasting services RMB'000	Bulk mineral trade RMB'000	Total RMB'000
Segment assets	1,280,279	1,278,791	289	2,559,359
Amounts due from related parties				20,553
Unallocated cash and cash equivalents				13,701
Deferred tax assets				93,361
Unallocated corporate assets				28,672
Consolidated total assets				2,715,646
Segment liabilities	844,493	594,408	182	1,439,083
Amounts due to related parties				46,774
Dividend payable				35,482
Income tax payable				8,125
Deferred tax liabilities				8,590
Unallocated corporate liabilities				10,325
Consolidated total liabilities				1,548,379

14. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment assets and liabilities (Continued)

As at 31 March 2020

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

14. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended as at 31 March 2021

	Mining operation RMB'000	Explosives trading and blasting services RMB'000	Bulk mineral trade RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to specified non-current assets	1,315,133	57,785	255	512	1,373,685
Interest income	–	–	–	487	487
Interest expenses	13,000	5,589	5	20	18,614
Depreciation and amortisation	2,305	91,953	74	888	95,220
Reversal of impairment loss on trade receivables	–	1,622	–	–	1,622
Share of profit of associates	–	9,878	–	–	9,878
Impairment loss on goodwill	89,762	–	–	–	89,762
Interests in associates	–	30,181	–	–	30,181

14. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended as at 31 March 2020

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

14. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

For the year ended 31 March 2021

	Mining operation RMB'000	Explosives trading and blasting services RMB'000	Bulk mineral trade RMB'000	Total RMB'000
Primary geographic market				
– The PRC	–	1,646,436	–	1,646,436
– Tajikistan	–	54,730	–	54,730
	–	1,701,166	–	1,701,166
Timing of revenue recognition				
– At a point in time	–	835,281	–	835,281
– Transferred over time	–	865,885	–	865,885
	–	1,701,166	–	1,701,166

For the year ended 31 March 2020

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

14. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are conducted in Hong Kong, other region of the PRC and Tajikistan.

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than deferred tax assets and financial instruments ("Specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (country of domicile)	**1,646,436**	1,552,015	**1,506,422**	312,481
Hong Kong	**–**	–	**561**	1,003
Tajikistan	**54,730**	75,329	**72,007**	94,563
	1,701,166	1,627,344	**1,578,990**	408,047

Information about major customers

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

	2021	2020
	RMB'000	RMB'000
Explosive trading and blasting services		
– Customer A	**798,163**	686,181
– Customer B	**245,936**	237,785

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Mining infrastructures RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
As at 1 April 2019	143,210	172	140,496	6,068	128,490	–	1,889	420,325
Additions	4,220	–	44,848	547	5,717	–	20,822	76,154
Transfers	21,835	–	212	156	68	–	(22,271)	–
Disposals of a subsidiary (note 32)	(1,336)	–	–	(147)	(38,070)	–	–	(39,553)
Disposals	(242)	–	(20,513)	(68)	(8,177)	–	–	(29,000)
Exchange alignment	(475)	10	(97)	6	1,164	–	(3)	605
As at 31 March 2020	167,212	182	164,946	6,562	89,192	–	437	428,531
Additions	5,029	–	76,934	1,276	8,953	–	84,176	176,368
Transfers	70	–	–	–	–	105,914	(105,984)	–
Acquisition of a subsidiary (note 31)	26,190	–	16,665	272	607	655,461	69,374	768,569
Disposals	–	–	(2,062)	(411)	(3,494)	–	–	(5,967)
Exchange alignment	(9,427)	(15)	(3,608)	(132)	(564)	–	(85)	(13,831)
As at 31 March 2021	189,074	167	252,875	7,567	94,694	761,375	47,918	1,353,670
Accumulated depreciation and impairment:								
As at 1 April 2019	42,312	172	63,703	3,828	49,408	–	–	159,423
Depreciation	8,890	–	28,764	734	16,092	–	–	54,480
Disposal of a subsidiary (note 32)	(85)	–	–	(57)	(11,122)	–	–	(11,264)
Written back upon disposals	(140)	–	(10,425)	(66)	(5,359)	–	–	(15,990)
Exchange alignment	(81)	10	(41)	7	317	–	–	212
As at 31 March 2020	50,896	182	82,001	4,446	49,336	–	–	186,861
Depreciation	10,216	–	36,568	882	15,746	–	–	63,412
Written back upon disposals	–	–	(1,781)	(247)	(1,402)	–	–	(3,430)
Exchange alignment	(1,223)	(15)	(628)	(41)	(212)	–	–	(2,119)
As at 31 March 2021	59,889	167	116,160	5,040	63,468	–	–	244,724
Net carrying amount:								
As at 31 March 2021	129,185	–	136,715	2,527	31,226	761,375	47,918	1,108,946
As at 31 March 2020	116,316	–	82,945	2,116	39,856	–	437	241,670

As at 31 March 2021, certain property, plant and equipment amounted to RMB27,793,000 (2020: RMB44,672,000) were pledged to secure the Group's bank borrowings (note 27).

16. LEASES

(a) The Group as lessee

The Group has lease contracts for leasehold land, office premises, staff quarters and motor vehicles. Lump sum payments were made upfront to acquire the interests in the leasehold land in the PRC. Leases of office buildings and staff quarters generally have initial lease terms ranging from 1 to 3 years One of the leases in relation to office building contains early termination option where the Group is reasonably certain not to exercise at the inception of the lease. Leases of motor vehicles run for 6 to 24 months and the title of the motor vehicles will be passed to the Group at the end of the respective leases.

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

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

(i) Right-of-use assets

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

	Leasehold land	**Office premises and staff quarters**	**Machineries**	**Motor vehicles**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 April 2019	5,670	342	–	–	6,012
Additions	–	2,420	10,195	25,651	38,266
Depreciation	(203)	(921)	(2,447)	(4,831)	(8,402)
Exchange realignment	–	33	–	–	33
As at 31 March 2020	5,467	1,874	7,748	20,820	35,909
Additions	–	766	–	36,106	36,872
Acquisition of a subsidiary (note 31)	28,077	–	–	–	28,077
Depreciation	(497)	(1,280)	(5,101)	(24,881)	(31,759)
Exchange realignment	–	(64)	–	–	(64)
As at 31 March 2021	33,047	1,296	2,647	32,045	69,035

16. LEASES (Continued)

(a) The Group as lessee (Continued)

(ii) Lease liabilities

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

	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**21,740**	–
New leases	**33,315**	31,393
Interest expense	**51**	59
Payments	**(34,452)**	(9,732)
Exchange realignment	**(51)**	20
At the end of the year	**20,603**	21,740
Classified under:		
Non-current portion	**55**	6,936
Current portion	**20,548**	14,804
	20,603	21,740

16. LEASES (Continued)

(a) The Group as lessee (Continued)

(ii) Lease liabilities (Continued)

Future lease payments are due as follows:

	2021		
	Minimum lease payments RMB'000	**Interest RMB'000**	**Present value of minimum lease payments RMB'000**
Within 1 year	**20,565**	**17**	**20,548**
1 to 2 years	**55**	**–**	**55**
	20,620	**17**	**20,603**

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

16. LEASES (Continued)

(a) The Group as lessee (Continued)

(iii) Information in relation to short-term leases

	2021 RMB'000	2020 RMB'000
Short-term lease expenses	1,839	1,503
Aggregate undiscounted commitments for short-term leases	16	94

(b) The Group as lessor

The Group leases out certain of its machines and motor vehicles under operating lease arrangements. The terms of the leases require the tenants to pay rents according to the usage of the leased assets.

As at 31 March 2021 and 2020, the Group had no future minimum lease receivable under non-cancellable operating lease with its tenants.

17. DEFERRED TAX ASSETS/LIABILITIES

The movements of the temporary differences and deferred tax assets/(liabilities) recognised at the end of the reporting period are as follows:

	Tax loss	Fair value adjustments arising from acquisition of a subsidiary	Depreciation allowance	Undistributed profits of the PRC subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2019	–	–	1,487	(5,714)	(4,227)
Disposal of a subsidiary (note 32)	–	–	(1,536)	–	(1,536)
Charge to profit or loss	–	–	–	(2,330)	(2,330)
Exchange realignment	–	–	49	–	49
At 31 March and 1 April 2020	–	–	–	(8,044)	(8,044)
Acquisition of a subsidiary (note 31)	71,005	12,356	–	–	83,361
Credit/(charge) to profit or loss	3,365	6,635	–	(546)	9,454
At 31 March 2021	74,370	18,991	–	(8,590)	84,771

17. DEFERRED TAX ASSETS/LIABILITIES (Continued)

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

	2021	2020
	RMB'000	RMB'000
Deferred tax assets	**93,361**	–
Deferred tax liabilities	**(8,590)**	(8,044)
	84,771	(8,044)

As at 31 March 2021, the Group had unused tax losses arising in the PRC of RMB313,387,000 (2020: RMB16,360,000) available for offset against future profits. Deferred tax assets of RMB74,370,000 (2020: Nil) has been recognised in respect of such tax losses to the extent of RMB297,483,000 (2020: Nil). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB15,940,000 (2020: RMB16,360,000) due to unpredictability of future profits streams. The unused tax losses arising in the PRC will expire in five years (2020: five years) from the year in which the losses arose or since commercial production in the case of Anhui Jinding.

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

Deferred tax liabilities of RMB8,590,000 (2020: RMB8,044,000) have been recognised in respect of temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounting to RMB171,805,000 (2020: RMB160,871,000). No deferred tax liability has been recorded on the remaining temporary differences of RMB515,415,000 (2020: RMB482,614,000) because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

There was no significant unrecognised deferred tax liability (2020: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries in other jurisdictions.

18. GOODWILL

	2021 RMB'000	2020 RMB'000
Cost:		
At the beginning of the year	–	–
Acquisition of a subsidiary (note 31)	132,394	–
At the end of the year	132,394	–
Accumulated impairment:		
At the beginning of the year	–	–
Impairment recognised in the year	89,762	–
At the end of the year	89,762	–
Net carrying amount:		
At the end of the year	42,632	–
At the beginning of the year	–	–

Impairment testing of goodwill

Goodwill is allocated to the CGU which represents the mine operation conducted by Anhui Jinding.

The fair values of the identifiable assets and liabilities of Anhui Jinding on the acquisition date were determined with reference to the ore reserves of the Huangtun Pyrite Mine (defined in note 19) as supported by the available technical report at the acquisition date. However, the consideration for acquiring 51% equity interest in Anhui Jinding was determined taking into consideration the future potential of the Huangtun Pyrite Mine including the mineral resources which have not been converted to ore reserves, as well as the potential related to the reserves under the exploration licence of Anhui Jinding. This has given rise to the goodwill on the acquisition of Anhui Jinding.

In performing impairment assessment for the goodwill in the current year, the directors engaged Greater China Appraisal Limited, an independent firm of qualified valuers, to determine the recoverable amount of the CGU at the end of the reporting period. The recoverable amount of this CGU was determined using value-in-use ("VIU") basis.

The VIU of this mining operation CGU comprises cash flow projections prepared based on the CGU's production plan of 14 years which is the life of the mine as determined by mine expert based on current estimation. The pre-tax discount rate applied to the cash flow projections is 11.35%. The cash flow projections cover a period exceeding 5 years as based on the expert opinions, the mine is currently able to operate for 14 years.

18. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Other key assumptions used in the estimation of VIU are as follows:

Resources/reserves – These represent key factors the management has considered in the production plan, which comprise reserves and resources where appropriate, on the basis of appropriate geological evidence and sampling, with reference to the reserves and resources statements prepared by appropriate competent person.

Commodity prices – Forecast commodity prices are based on management's estimates and are derived from forward price curves and long-term views of domestic supply and demand of the commodities, building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of commodities, or, where appropriate, contracted prices. These prices are reviewed at least annually.

Production volume – Estimated production volume are based on the detailed life of mine plans taking into account development plans of the mine agreed by management as part of the long-term planning process. Management assumed production volume to be 1 million tonnes per annum during the forecast period.

Operating costs – Operating costs are estimated based on a report issued by a local expert.

Capital expenditure – Huangtun Pyrite Mine is expected to commence production in year 2021. All initial capital expenditure required to engineer, design, procure, construct and commission the works is complete. The capital planned for operation over the life of the mine is the stay-in-business capital which excludes any capital for expansion and replacement capital. The stay-in-business capital has been estimated on a rule of thumb basis of 2.5% of the operating costs, which is approximately RMB4.3 million per year.

Discount rate – The discount rate used is pre-tax and reflect specific risks relating to the CGU.

The values assigned to key assumptions are consistent with external information sources.

Based on the result of the impairment assessment, the carrying amount of the CGU (which mainly comprises goodwill, property, plant and equipment (note 15), mining right (note 19) and other non-current assets attributable to the mining operation CGU) and the recoverable amount of the CGU are as follows:

	2021 RMB'000
Recoverable amount	1,127,211
Carrying amount	1,303,215

The recoverable amount of the CGU is lower than its carrying value and impairment loss was recognised for such shortfall attributable to the Group to reduce the carrying amount of goodwill arising from the acquisition of Anhui Jinding during the year. As a result of the impairment loss, the carrying amount of goodwill is reduced by RMB89,762,000 to RMB42,632,000.

At the time of acquisition, the commercial mining production of the Huangtun Pyrite Mine was expected to commence in early 2021. As currently assessed by the directors, commercial production will commence in the third quarter of 2021. Based on the current mine production plan as supported by the feasibility studies and technical report of the Huangtun Pyrite Mine which was updated in May 2021, and taking into account the current market conditions and uncertainties related to mine development, the recoverable amount of the Huangtun Pyrite Mine at the end of the reporting period was determined to be RMB1,127,211,000. Goodwill which mainly represents the future potential of the Huangtun Pyrite Mine paid for by the Group currently cannot be entirely justified by the recoverable amount of the Huangtun Pyrite Mine at the end of the reporting period and the shortfall of RMB89,762,000 was recognised as impairment of goodwill in the current year.

19. OTHER INTANGIBLE ASSETS

	Permanent land use right RMB'000	Production permits RMB'000	Production quotas RMB'000	Mining right RMB'000	Computer software RMB'000	Patents RMB'000	Total RMB'000
Cost:							
As at 1 April 2019	3,055	29,505	16,245	–	309	298	49,412
Additions	–	–	53,000	–	–	–	53,000
Exchange realignment	(16)	(152)	–	–	–	–	(168)
As at 31 March 2020	3,039	29,353	69,245	–	309	298	102,244
Additions	–	–	–	19,143	–	–	19,143
Acquisition of a subsidiary (note 31)	–	–	–	130,322	–	–	130,322
Exchange realignment	(593)	(5,731)	–	–	–	–	(6,324)
As at 31 March 2021	2,446	23,622	69,245	149,465	309	298	245,385
Accumulated amortisation:							
As at 1 April 2019	–	–	–	–	133	205	338
Charge for the year	–	–	–	–	37	30	67
As at 31 March 2020	–	–	–	–	170	235	405
Charge for the year	–	–	–	–	19	30	49
As at 31 March 2021				–	189	265	454
Net carrying amount:							
As at 31 March 2021	2,446	23,622	69,245	149,465	120	33	244,931
As at 31 March 2020	3,039	29,353	69,245	–	139	63	101,839

Permanent land use right, production permits and production quotas

The useful lives of the permanent land use right and the production permits for operation in Tajikistan and the production quotas for operation in the PRC are assessed by management to be indefinite. These assets are tested for impairment annually, and no impairment provision was recorded as at 31 March 2021 (2020: Nil).

Permanent land use right and production permits

Permanent land use right and production permits were tested for impairment at CGU level which represents the explosive business conducted by Subsidiary A (as defined in note 44). The recoverable amount of this CGU was determined using VIU basis, which comprises cash flow projections prepared based on the financial budget approved by the management. The period covered by the financial budget is five years. key assumptions used in the VIU calculation of the CGU include:

(a) Average growth rate of 2% (2020: 4%)
(b) Average operating margin of 49% (2020: 49%)
(c) Pre-tax discount rate of 20% (2020: 22%)
(d) Growth rate in extrapolation of cash flows beyond five years of 2% (2020: 3%).

19. OTHER INTANGIBLE ASSETS (Continued)

Permanent land use right, production permits and production quotas (Continued)

Production quotas

Production quotas were tested for impairment at CGU level which represents the explosive business conducted by Subsidiary B and Subsidiary C (as defined in note 44). The recoverable amounts of these CGUs were determined using VIU basis, which comprises the respective cash flow projections prepared based on the financial budget approved by the management. The period covered by the financial budget is five years. key assumptions used in the VIU calculation of the CGUs include:

Subsidiary B

(a) Average growth rate of 0% (2020: 0%)

(b) Average operating margin of 53% (2020: 56%)

(c) Pre-tax discount rate of 8% (2020: 9%)

(d) Growth rate in extrapolation of cash flows beyond five years of 0% (2020: 0%)

Subsidiary C

(a) Average growth rate of 0% (2020: 0%)

(b) Average operating margin of 53% (2020: 51%)

(c) Pre-tax discount rate of 8% (2020: 9%)

(d) Growth rate in extrapolation of cash flows beyond five years of 0% (2020: 0%)

The discount rates used reflects specific risk relating to Subsidiary A, Subsidiary B and Subsidiary C. Management estimated the operating margins and growth rates within five-year period based on past experience in explosive business in Tajikistan and the PRC where the above subsidiaries operate. The growth rates used in extrapolation of cash flows of Subsidiary A, Subsidiary B and Subsidiary C beyond the five-year period have been determined with reference to the long term average growth rate of the explosive industry.

As at 31 March 2021 and 2020, the VIU of the respective CGUs exceeded their carrying amounts, and hence the permanent land use right and production permits and production quotas allocated to the respective CGUs were not regarded as impaired.

Mining right

Mining right was acquired through the acquisition of Anhui Jinding (note 31) which represents mining right in respect of a mine located at Lujiang County, Anhui Province, the PRC with an aggregate area of mine field of approximately 1.304 km^2 (the "Huangtun Pyrite Mine"). The mining licence for the Huangtun Pyrite Mine lasts for a period of 27 years which will expire in August 2043. The Huangtun Pyrite Mine contains deposits including cooper, gold, pyrite and iron ore. No amortisation is provided on the mining right during the year as Anhui Jinding was in the stage of mine development and has not yet commenced commercial production.

At the end of the reporting period, the directors of the Company performed impairment assessment of the mining right together with goodwill, other intangible assets and other non-current assets which collectively form the CGU of the mining operation. Details of the impairment assessment are set out in note 18.

The mining right with carrying value of approximately RMB149,465,000 (2020: Nil) was pledged to secure the bank borrowings and the entrusted borrowing (note 27).

20. INTEREST IN A JOINT VENTURE

	2021 **RMB'000**	2020 RMB'000
Share of net assets	**–**	–

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

Name of joint venture	Form of business structure	Registered capital	Place of establishment and operation	Principal activities	Percentage of ownership interests/voting rights/ profit share held by the Group	
					2021	2020
陝西小山川礦產資源開發建設有限公司 (Shaanxi Xiaoshan Chuan Mineral Resources Development and Construction Co., Ltd#)	Limited liability company	RMB90 million	PRC	Construction of mining trails, tunnels, public and residential buildings; mechanical and electrical equipment engineering installation; prefabricated components of the experiment; sale of ready-mixed concrete	**51%**	51%

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

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

	2021 **RMB'000**	2020 RMB'000
Share of the joint venture's loss for the year	**–**	–
Share of the joint venture's total comprehensive income for the year	**–**	–
Carrying amount of the Group's joint venture	**–**	–

The unrecognised share of loss of the joint venture amounted to RMB2,278,000 for the year (2020: RMB2,820,000). The cumulative unrecognised share of losses as at 31 March 2021 amounted to RMB6,638,000 (2020: RMB4,360,000).

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

21. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets	**30,181**	27,304

(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 2021	2020
烏海市天潤爆破服務有限責任公司 (Wuhai City Tianrun Blasting Services Company Limited)# ("Tianrun Blasting")	Limited liability company	PRC	Provision of blasting operation and related services	**35%**	35%
巴彥淖爾市安泰民爆器材有限責任公司 (Bayannur City Antai Explosives Equipment Company Limited)#	Limited liability company	PRC	Trading of civil explosives	**20%**	20%
西藏保久控股有限公司 (Tibet Baojiu Holding Company Limited)#	Limited liability company	PRC	Inactive	**40%**	40%

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

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

	2021 RMB'000	2020 RMB'000
Share of the associates' profit for the year	**9,878**	10,759
Share of the associates' total comprehensive income for the year	**9,878**	10,759
Dividend received from the associates	**7,000**	10,500

(c) Amounts due 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 37(a).

22. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**34,827**	30,801
Finished goods	**3,386**	4,120
	38,213	34,921

23. CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Contract assets	**132,741**	124,797
Trade receivables, net	**238,311**	417,242
	371,052	542,039
Bills receivables	**192,939**	168,000
	563,991	710,039

Trade receivables of sales of explosives are due upon presentation of invoices, while the Group grants credit period ranging from 0-60 days to its customers of provision of blasting operations. Bills receivables generally have credit terms ranging from 3 to 12 months.

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

	2021 RMB'000	2020 RMB'000
With one year	**–**	52,250
More than one year but within two years	**–**	–
More than two years	**132,741**	72,547
Total contract assets	**132,741**	124,797

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

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

	2021 RMB'000	2020 RMB'000
0-30 days	228,997	336,593
31-90 days	78,541	51,659
91 days to 1 year	16,937	74,386
Over 1 year	46,577	79,401
	371,052	542,039

As at 31 March 2021 and 2020, all bills receivables are aged within 1 year.

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

	2021 RMB'000	2020 RMB'000
At the beginning of the year	5,549	8,075
Reversal of impairment loss recognised for trade receivables arising from contracts with customers	(1,622)	(2,526)
At the end of the year	3,927	5,549

The Group recognised impairment loss for contract assets and trade and bills receivables based on the accounting policies set out in note 3.13(ii). The Group's credit policy and credit risk arising from trade receivables, contract assets and bills receivables are set out in note 41(a).

Contract assets and trade receivables of RMB165,787,000 (2020: RMB247,422,000) were pledged to secure the Group's bank borrowings (note 27).

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

As at 31 March 2021, the Group endorsed certain bills receivables with carrying amount in aggregate of RMB338,766,000 (2020: RMB266,861,000) (the "Endorsed Bills") for settlement of certain trade payables due to the suppliers. The Endorsed Bills had a maturity of one to six months. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills have a right of recourse against the Group only if the PRC banks which issued the bills receivables default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the undiscounted cash flows to repurchase these Endorsed Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills are not significant.

During the year ended 31 March 2021, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills. No gains or losses were recognised from Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2021	2020
	RMB'000	RMB'000
Prepayments for purchase of property, plant and equipment and land use right	**83,265**	1,325
Other prepayments	**101,160**	70,918
Deposits and other receivables, net (note)	**87,368**	355,872
Total	**271,793**	428,115
Less: Current portion	**(188,528)**	(426,790)
Non-current portion (representing prepayments for purchase of property, plants and equipment and land use right)	**83,265**	1,325

24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

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

	2021	2020
	RMB'000	RMB'000
At the beginning of the year and end of the year	**5,633**	5,633

Note:

Included in the balance as at 31 March 2020, was a loan receivable of RMB250,700,000 due from Anhui Jinding. The loan was secured and repayable in January 2021. Pursuant to the capital injection and cooperation agreements signed on 28 June 2019 which was supplemented on 20 November 2019, the Group has conditionally agreed to inject an aggregate amount of RMB270 million in cash into the capital of Anhui Jinding (the "Capital Injection"). In return, the Group will own 51% equity interest of Anhui Jinding. In addition, the Group has agreed to provide Anhui Jinding with loan with limit of RMB270 million which is to be secured by 51% shares in Anhui Jinding owned by certain of the shareholders of Anhui Jinding at that time together with written joint liability guarantees signed by those shareholders. Upon completion of the acquisition of Anhui Jinding, the loan shall be automatically capitalised to become part of the Capital Injection, and in such case, no interest shall be charged on the loan. If the capital injection and cooperation agreement is terminated for reasons other than not being able to obtain the internal approval of the Group, interest is charged at the same interest rate as that of commercial bank loans for the same period. The Capital Injection was completed on 9 October 2020 and Anhui Jinding has become a subsidiary of the Company since then (note 31).

The Group's credit policy and credit risk arising from other receivables and deposits are set out in note 41(a).

25. AMOUNTS DUE FROM/TO SHAREHOLDERS/A RELATED COMPANY

Amounts due from shareholders and due to a related company are interest-free, unsecured and repayable on demand. Amount due to a shareholder is interest-free, unsecured and not repayable within 12 months from the end of the reporting period (2020: repayable on demand).

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

26. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Included in bank balances and cash of the Group as at 31 March 2021 were amounts of RMB214,274,000 (2020: RMB156,200,000) which are denominated in RMB. RMB is not a freely convertible currency. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

27. BORROWINGS

	2021 RMB'000	2020 RMB'000
Bank borrowings – secured (note (b)):		
Within one year	**292,600**	280,000
More than one year, but not exceeding two years	**127,400**	45,000
	420,000	325,000
Other borrowings – unsecured (note (c)):		
Within one year	**111,914**	–
More than one year, but not exceeding two years	**61,498**	–
More than two years, but not exceeding five years	**184,495**	–
	357,907	–
Entrusted borrowing – secured (note (d)):		
More than one year, but not exceeding two years	**47,310**	–
More than two years, but not exceeding five years	**50,000**	–
	97,310	–
	875,217	325,000
Classified under:		
Current liabilities	**404,514**	280,000
Non-current liabilities	**470,703**	45,000
	875,217	325,000

Notes:

(a) As at 31 March 2021 and 2020, all borrowings were denominated in RMB.

27. BORROWINGS (Continued)

Notes: (Continued)

(b) The Group's bank borrowings are secured by the pledge of:

- certain contract assets and trade receivables of RMB RMB165,787,000 (2020: RMB247,422,000);
- property, plant and equipment of RMB27,793,000 (2020: RMB44,672,000);
- mining right of RMB149,465,000 (2020: Nil);
- guarantees provided by certain shareholders, an affiliate of a shareholder, directors and a related party of a subsidiary; and
- personal guarantee from Mr. Ma Qiang ("Mr. Ma"), the former executive director and chairman of the Company.

Bank borrowings amounted to RMB190,000,000, RMB145,000,000 and RMB85,000,000 are interest-bearing at the PRC Benchmark Lending Rate ("BLR") for loan with maturity of five years or above plus 0.25% per annum, at the PRC BLR minus 2% per annum and at the PRC BLR minus 1.6% per annum, respectively.

The effective interest rates for the bank borrowings ranged from 2.25% to 4.90% per annum (2020: 2.35% to 2.75% per annum).

As at 31 March 2021, included in the bank borrowings is a loan with outstanding principal of approximately RMB127,700,000 (2020: Nil) which is subject to the fulfillment of covenants relating to the a subsidiary's financial position, breaching which the bank has right at its sole discretion to demand immediate repayment at any time irrespective of whether the subsidiary has met the scheduled repayment obligations. The loan was classified as current liabilities at the end of the reporting period since the subsidiary has breached the aforementioned financial covenants.

(c) Included in the balance are other borrowings from independent third parties of RMB13,744,000 which are unsecured and carried interest at rates ranging from 7.0% to 10.0% per annum. The borrowings were repayable within one year.

The remaining balance represent amounts due to certain shareholders and their affiliates of a subsidiary which are unsecured and interest-bearing at the PRC BLR for loan with maturity of five years or above except for a borrowing with carrying amount of RMB300,000 which is interest-free. The borrowings mainly represent advances from these parties for financing the working capital of the subsidiary. Principal element is repayable by five annual instalments starting from 1 July 2021; and where applicable, interest element is repayable quarterly starting from 1 July 2020.

(d) In 2016, pursuant to an entrusted loan agreement (the "Entrusted Loan Agreement") entered into between a shareholder of a subsidiary (the "Shareholder") and an independent third party (the "Lender"), the Shareholder borrowed from the Lender an entrusted loan with principal amount of RMB100,000,000 through a bank in the PRC. The entrusted loan is interest-bearing at 1.2% per annum and secured by a corporate guarantee provided by an independent financial institution (the "Guarantor") in the PRC. RMB50,000,000 and RMB50,000,000 of the balance are repayable on 28 February 2026 and 28 February 2031 respectively. The Shareholder in turn entered into a loan agreement with the subsidiary to lend the entrusted loan to the subsidiary under the same terms as the Entrusted Loan Agreement and the subsidiary is required to bear all the costs and obligations under the Entrusted Loan Agreement. Moreover, counter guarantees are provided to the Guarantor through guarantees provided by certain shareholders, directors and ex-directors of the subsidiary and a pledge on the mining right of the Group.

28. TRADE PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**366,932**	130,798
Retention payables	**72,066**	–
	438,998	130,798

For explosive business, the Group has been granted by its suppliers a credit period of 30 to 180 days in general.

For mining operation, the Group has been granted by its suppliers and contractors a credit period of 30 days in general. Retention monies are retained by the Group when the relevant projects are in progress. The retention payables will be released upon expiry of the defect liability period as specified in the construction agreements, which is usually 12 months.

Ageing analysis of trade payables and retention payables, based on the invoice dates, is as follows:

	2021 RMB'000	2020 RMB'000
0-180 days	**363,416**	110,459
181-365 days	**19,352**	19,391
Over 1 year	**56,230**	948
	438,998	130,798

29. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Other payables and accruals	**81,724**	72,096
Contract liabilities (note)	**20,980**	11,385
	102,704	83,481

29. OTHER PAYABLES AND ACCRUALS (Continued)

Note:

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

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

	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**11,385**	9,233
Cash received	**91,652**	11,442
Recognised as revenue	**(81,001)**	(9,247)
Exchange realignment	**(1,056)**	(43)
At the end of the year	**20,980**	11,385

The contract liabilities of RMB11,385,000 (2020: RMB9,233,000) at the beginning of the year were recognised as revenue for the year from satisfying performance obligations during the year.

The contract liabilities as at 31 March 2021 were expected to be recognised as revenue in the next financial year. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contract which has an original expected duration of one year or less is not disclosed.

30. PROVISION

The provision for rehabilitation is related to the estimated costs of complying with the Group's obligations for land reclamation in respect of the Huangtun Pyrite Mine. These costs are expected to be incurred on closure of the mine, which, based on the period of the mining licence, lasts for 27 years.

The movement in the present value of the provision for rehabilitation is as follows:

	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**–**	–
Acquisition of a subsidiary (note 31)	**11,886**	–
At the end of the year	**11,886**	–

31. ACQUISITION OF A SUBSIDIARY

On 9 October 2020, the Group acquired the 51% equity interest in Anhui Jinding, which principal activity is mining, processing of pyrite, iron ore and copper and the sales of the said mineral products, through capital injection of RMB270,000,000. Upon completion of the acquisition, Anhui Jinding is accounted for as a subsidiary of the Group. The acquisition was made with the aims to extend the industrial chain to non-ferrous metals and precious metal mining.

The fair values of identifiable assets and liabilities of Anhui Jinding as at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	768,569
Intangible assets	130,322
Right-of-use assets	28,077
Non-current prepayments	106,798
Deferred tax assets	83,361
Inventories	31,748
Prepayments and other receivables	41,895
Amount due from a related company	300
Cash and cash equivalents	5,050
Trade payables	(125,510)
Accruals and other payables	(6,513)
Borrowings	(445,374)
Amounts due to shareholders	(30,970)
Amounts due to affiliates of shareholders	(306,051)
Provision	(11,886)
Fair values of the identifiable net assets	269,816
Non-controlling interests (49%)	(132,210)
Fair values of the net identifiable assets of Anhui Jinding acquired by the Group	137,606
Goodwill	132,394
Total consideration	270,000
Consideration satisfied by:	
Cash through capital injection	270,000
Net cash inflow arising from the acquisition:	
Cash consideration	270,000
Advances to Anhui Jinding included in other receivables prior to the acquisition (note 24)	(270,000)
Cash and cash equivalents acquired	5,050
	5,050

31. ACQUISITION OF A SUBSIDIARY (Continued)

The fair value of other receivables amounted to RMB2,394,000. The gross amount of these receivables is RMB2,394,000. None of the other receivables have been impaired and it is expected that the full contractual amounts can be collected.

The Group has elected to measure the non-controlling interests in Anhui Jinding at the non-controlling interests' proportionate share of Anhui Jinding's identifiable net assets.

The acquisition-related costs of RMB3,519,000 have been expensed and are included in administrative expenses.

Since the acquisition date, Anhui Jinding has contributed no revenue to the Group's revenue and incurred a loss of RMB119,905,000 (included impairment loss). If the acquisition had occurred on 1 April 2020, the Group's revenue and net profit would have been RMB1,701,166,000 and RMB263,373,000 respectively. This pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2020, nor is it intended to be a projection of future performance.

32. DISPOSAL OF A SUBSIDIARY

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

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

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

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

Cash consideration	26,727
Consideration received by a shareholder of the Company on behalf of the Group (note 38 (b))	(26,727)
Cash and cash equivalents disposed of	(9)
Net cash outflows in respect of disposal of a subsidiary	(9)

33. SHARE CAPITAL

	2021			2020		
	Number of shares '000	**Nominal value HK$'000**	**Nominal value RMB'000**	Number of shares '000	Nominal value HK$'000	Nominal value RMB'000
Authorised:						
Ordinary shares of HK$0.01 each						
At beginning and end of the year	**5,000,000**	**50,000**		5,000,000	50,000	
Issued and fully paid:						
Ordinary shares of HK$0.01 each						
At beginning and end of the year	**3,558,725**	**35,586**	**40,259**	3,558,725	35,586	40,259

	Number of shares '000	**RMB'000**	Number of shares '000	RMB'000
Treasury shares:				
At the beginning of the year	**–**	**–**	–	
Shares repurchased (note)	**(30,680)**	**(21,835)**	–	–
At the end of the year	**(30,680)**	**(21,835)**	–	–

	Number of shares '000	Number of shares '000
Number of shares in open market:		
At the beginning of the year	**3,558,725**	–
Shares repurchased	**(30,680)**	–
At the end of the year	**3,528,045**	–

Note:

During the year ended 31 March 2021, the Company purchased 30,680,000 of its shares on the Stock Exchange at a total consideration of RMB21,835,000.

34. RESERVES

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

(a) Share premium

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

(b) Capital distributable reserve

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

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

(c) Contributed surplus

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

(d) Restructuring reserve

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

34. RESERVES (Continued)

(e) Merger reserve

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

(f) Foreign currency translation reserve

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

(g) Statutory reserve

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

(h) Other reserve

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

35. NON-CONTROLLING INTERESTS (“NCI”)

Subsidiary D, Subsidiary E (as defined in note 44), Subsidiary A and Anhui Jinding, four partially owned subsidiaries of the Company, have material NCIs as at 31 March 2021 (2020: Subsidiary D and Subsidiary A). The percentages of equity interest held by the NCIs were 40% (2020: 40%), 40% (2020: 40%, a wholly-owned subsidiary of Subsidiary D), 49.99% (2020: 49.99%) and 49% (2020: Nil) as at 31 March 2021 respectively.

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

Summarised financial information in relation to the NCIs of the above subsidiaries, before intra-group eliminations, is presented below:

2021	Subsidiary E RMB'000	Subsidiary D RMB'000	Subsidiary A RMB'000	Anhui Jinding RMB'000
Non-current assets	105,323	160,491	72,007	1,253,549
Current assets	1,115,110	530,348	24,048	73,819
Current liabilities	(851,975)	(131,645)	(14,698)	(680,108)
Non-current liabilities	(75,000)	–	–	(407,589)
Net assets	293,458	559,194	81,357	239,671
Accumulated NCI	117,383	223,678	40,670	117,439
Revenue	1,052,151	613,800	54,730	–
Profit/(loss) for the year	193,585	209,374	18,395	(30,143)
Total comprehensive income	193,585	209,374	(1,115)	(30,143)
Profit/(loss) allocated to NCI	77,434	83,750	9,195	(14,770)
Total comprehensive income allocated to NCI	77,434	83,750	(559)	(14,770)
Dividend declared to NCI	–	300,000	8,287	–
Capital contribution from NCI	80,000	–	–	–
Net cash inflows from operating activities	440,283	323,281	33,267	24,925
Net cash (outflows)/inflows from investing activities	(85,234)	136,854	(261)	(121,124)
Net cash (outflows)/inflows from financing activities	(276,998)	(487,637)	(26,079)	93,663

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

2020	Subsidiary D RMB'000	Subsidiary A RMB'000
Non-current assets	292,617	94,563
Current assets	1,251,641	30,460
Current liabilities	(492,909)	(25,972)
Non-current liabilities	(51,656)	–
Net assets	999,693	99,051
Accumulated NCI	399,877	49,515
Revenue	1,550,896	65,058
Profit for the year	390,823	25,362
Total comprehensive income	390,823	24,252
Profit allocated to NCI	156,329	12,679
Total comprehensive income allocated to NCI	156,329	12,123
Dividend declared to NCI	120,000	9,971
Capital contribution for NCI (note 38(c))	–	14,494
Net cash inflows from operating activities	303,041	35,496
Net cash outflows from investing activities	(64,655)	(14,260)
Net cash outflows from financing activities	(162,032)	(19,947)

36. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Acquisition of property, plant and equipment	50,542	129
Capital contribution to investee companies	–	19,300

37. 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 2021 RMB'000	2020 RMB'000
(i)	內盛安保安有限責任公司(Inner Mongolia Shengan Security Limited) (note)	Entity under common control of Mr. Ma	Security services provided by the related party	1,936	1,657
(ii)	Tianrun Blasting	Associate	Sales to the related party	36,412	27,637

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:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	3,892	4,011

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year ended 31 March 2021, pursuant to several debt assignment agreements:

– other borrowings amounted to RMB150,000,000 and amount due to a related company of RMB46,000,000 were assigned to certain suppliers (trade payables) of the Group; and

– dividend payable to ex-shareholders of a subsidiary of the Group of RMB9,460,000 was transferred to a related company of the Group.

(b) During the year ended 31 March 2020, a shareholder of the Company has received the proceeds from disposal of AOIL Group (note 32) of RMB26,727,000 directly from the purchaser of AOIL Group as settlement of the current account between the shareholder and the Group.

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

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

(d) Reconciliation of liabilities arising from financing activities:

	Lease liabilities (note 16) RMB'000	Borrowings (note 27) RMB'000	Amount due to a related company (note 25) RMB'000	Amount due to a shareholder (note 25) RMB'000
At 1 April 2019	–	40,000	33,050	63,053
Changes from cash flows:				
Interest paid	–	(6,259)	–	–
Proceeds from new borrowings	–	350,000	–	–
Lease repayments	(9,732)	–	–	–
Fund transfer, net	–	–	(17,550)	45,555
Repayment of bank loans	–	(65,000)	–	–
	(9,732)	278,741	(17,550)	45,555
Other changes:				
Disposal of a subsidiary (note 32)	–	–	–	(8,640)
Proceeds from disposal of a subsidiary received by a shareholder (note 38 (b))	–	–	–	(26,727)
New leases	31,393	–	–	–
Interest expenses	59	6,259	–	–
Exchange realignment	20	–	–	3,894
At 31 March 2020	**21,740**	**325,000**	**15,500**	**77,135**
Changes from cash flows:				
Interest paid	**–**	**(11,421)**	**–**	**–**
Proceeds from new borrowings	**–**	**208,370**	**–**	**–**
Lease repayments	**(34,452)**	**–**	**–**	**–**
Fund transfer, net	**–**	**–**	**21,040**	**(43,943)**
Repayment of bank loans	**–**	**(297,690)**	**–**	**–**
	(34,452)	**(100,741)**	**21,040**	**(43,943)**
Other changes:				
Acquisition of a subsidiary (note 31)	**–**	**782,395**	**–**	**–**
Debts assignment arrangements (note 38(a))	**–**	**(150,000)**	**(36,540)**	**–**
New leases	**33,315**	**–**	**–**	**–**
Interest expenses	**51**	**18,563**	**–**	**–**
Exchange realignment	**(51)**	**–**	**–**	**(4,418)**
At 31 March 2021	**20,603**	**875,217**	**–**	**28,774**

39. DIVIDENDS

	2021	2020
	RMB'000	RMB'000
Interim dividend declared and paid during the year:		
2021: HK$0.01 per share	**30,792**	–
2020: HK$0.005 per share	**–**	16,193
Final dividend proposed after the end of reporting period:		
2021: HK$0.01 per share	**29,833**	–
2020: HK$0.01 per share	**–**	28,843
	60,625	45,036

The interim dividend of HK$0.01 per share (2020: HK$0.005 per share) totalling RMB30,792,000 (equivalent to HK$35,407,000) (2020: RMB16,193,000 (equivalent to HK$17,794,000)) for the six-month period ended 30 September 2020 was declared and paid in May 2021.

The directors recommend the payment of final dividend of HK$0.01 per share (2020: HK$0.01 per share), amounting to RMB29,833,000 (equivalent to HK$35,280,000) (2020: RMB28,843,000 (equivalent to HK$35,516,000)) for the year ended 31 March 2021 which is subject to shareholders' approval at the forthcoming annual general meeting.

The final dividend declared subsequently to 31 March 2021 has not been recognised as a liability as at 31 March 2021.

40. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

The carrying amounts of the Group's financial assets and liabilities as recognised at the end of the reporting period are also analysed into the following categories. See note 3.13 for explanations about how the category of financial instruments affects their subsequent measurement.

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at FVOCI		
– bills receivables	**192,939**	168,000
Financial assets at amortised cost		
– cash and cash equivalents	**232,010**	165,176
– trade receivables	**238,311**	417,242
– deposits and other receivables	**23,291**	345,432
– amounts due from shareholders	**328**	355
– amounts due from associates	**11,474**	9,629
– amount due from a joint venture	**8,751**	12,958
	707,104	1,118,792
Financial liabilities		
Financial liabilities at amortised cost		
– trade payables	**438,998**	130,798
– other payables and accruals	**68,191**	70,513
– dividend payable	**35,482**	14,150
– amount due to an associate	**18,000**	–
– amount due to a related company	**–**	15,500
– amount due to a shareholder	**28,774**	77,135
– lease liabilities	**20,603**	21,740
– borrowings	**875,217**	325,000
	1,485,265	654,836

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

(a) Financial instruments not measured at fair value

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

(b) Financial instruments measured at fair value

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

41. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are managed according to the Group's financial management policies and practices described below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

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

Contract assets, trade and bills receivables at the end of the reporting period are due from customers in explosive trading and blasting services segment.

The Group has a certain concentration of credit risk in respect of trade receivables from customers in explosive trading and blasting services segment as 71% (2020: 56%) of the total trade receivables was due from the Group's five largest customers in that segment.

Cash and cash equivalents are mainly deposited with registered banks in the PRC, Hong Kong and Tajikistan. The directors consider the credit risk on bank balances are limited because the counterparties are banks with high-credit rating. No bills receivables as at 31 March 2021 and 2020 were past due. The directors consider the credit risk on bills receivables is low since the issuers or the banks which guarantee payments of bills receivables are of high credit rating.

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

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

41. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment of trade receivables and contract assets

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

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

	2021		
	Expected loss rate (%)	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current	**0.0**	**177,924**	**–**
0-30 days past due	**0.5**	**99,778**	**452**
31-90 days past due	**0.4**	**49,546**	**208**
91 days to 1 year past due	**0.4**	**16,490**	**65**
Over 1 year past due	**10.2**	**31,241**	**3,202**
		374,979	**3,927**

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

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

For the year ended 31 March 2021, reduction in the gross carrying amount in the age band "91 days to 1 year past due" has resulted in decrease in loss allowance of RMB1,835,000.

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

41. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Impairment of other receivables and deposits

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

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

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

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

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

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

	2021				
	Expected loss rate (%)	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000
Other receivables and deposits	0.5-19.5%	28,924	–	28,924	5,633

41. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

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

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

(b) Liquidity risk

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

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

The following table details the Group's remaining contractual maturity for its financial liabilities (other than lease liabilities (note 16) 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 end of the reporting period) and the earliest date the Group can be required to pay.

41. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	Within one year or on demand	More than one year but less than two years	More than two years but less than three years	More than two years but less than five years	Total contractual undiscounted cash flows	Carrying amount
As at 31 March 2021						
Non-derivative financial liabilities						
Trade payables	**398,580**	**40,418**	**–**	**–**	**438,998**	**438,998**
Other payables and accruals	**68,191**	**–**	**–**	**–**	**68,191**	**68,191**
Dividend payable	**35,482**	**–**	**–**	**–**	**35,482**	**35,482**
Amount due to an associate	**18,000**	**–**	**–**	**–**	**18,000**	**18,000**
Amount due to a shareholder	**–**	**28,774**	**–**	**–**	**28,774**	**28,774**
Borrowings	**433,328**	**170,795**	**277,975**	**53,551**	**935,649**	**875,217**
	953,581	**239,987**	**277,975**	**53,551**	**1,525,094**	**1,464,662**
As at 31 March 2020						
Non-derivative financial liabilities						
Trade payables	130,798	–	–	–	130,798	130,798
Other payables and accruals	70,513	–	–	–	70,513	70,513
Dividend payable	14,150	–	–	–	14,150	14,150
Amount due to a shareholder	77,135	–	–	–	77,135	77,135
Amount due to a related company	15,500	–	–	–	15,500	15,500
Borrowings	282,082	47,160	–	–	329,242	325,000
	590,178	47,160	–	–	637,338	633,096

41. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's interest rate risk mainly arises from cash and cash equivalents and borrowings as disclosed in notes 26 and 27 respectively. The directors of the Company consider that interest rate exposure on bank deposits and borrowings is not significant due to low level of interest rate and the expected change of interest rate for these borrowings will have insignificant impact to the Group. The Group has not used any financial instruments to hedge potential fluctuations in interest rates. The interest rates and terms of repayments of the Group's borrowings are disclosed in note 27.

As at 31 March 2021, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, the Group's interest capitalised in construction in progress for the year would be increased/decreased by approximately RMB950,000 (2020: Nil); and profit for the year and retained profits would be decreased/increased by approximately RMB2,687,000 (2020: RMB1,625,000) in response to the general increase/decrease in interest rates.

(d) Currency risk

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

The Group operates in Hong Kong, the PRC and Tajikistan. Transactions of group companies in Hong Kong are denominated and settled in HK$ and United States dollar ("USD") while transactions of group companies in the PRC and Tajikistan are denominated and settled in RMB and USD, and Tajikistani Somoni ("TJS") respectively.

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

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities in net position (excluding HK$ and USD) at the end of the reporting period are as follows:

	2021	2020
	RMB'000	RMB'000
Net monetary assets/(liabilities)		
USD	**(1,104)**	–
RMB	**3,105**	626

42. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

Capital structure of the Group comprises equity plus debts raised by the Group (including borrowings) net with cash and cash equivalents. The Group's management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new share as well as issue new debt or redeem its existing debt as it sees fit and appropriate. No change was made in the objectives, policies or processes for managing capital during the year ended 31 March 2021.

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

	2021	2020
	RMB'000	RMB'000
Debts	**875,217**	325,000
Less: cash and cash equivalents	**(232,010)**	(165,176)
Net debts	**643,207**	159,824
Total equity	**1,167,267**	1,084,378
Net debt to equity ratio	**55.1%**	14.7%

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

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**–**	1
Right-of-use assets		**308**	72
Investments in subsidiaries		**59,456**	59,456
		59,764	59,529
Current assets			
Amounts due from subsidiaries		**6,044**	9,987
Other receivables, prepayments and deposits		**42**	44
Cash and cash equivalents		**6,436**	1,891
		12,522	11,922
Current liabilities			
Other payables and accruals		**7,816**	2,284
Dividend payable		**30,792**	–
Amount due to subsidiaries		**136,772**	40,867
Amount due to a shareholder		**–**	77,135
		175,380	120,286
Net current liabilities		**(162,858)**	(108,364)
Total assets less current liabilities		**(103,094)**	(48,835)
Non-current liability			
Amount due to a shareholder		**28,774**	–
Net liabilities		**(131,868)**	(48,835)
Capital and reserves			
Share capital	33	**40,259**	40,259
Treasury shares	33	**(21,835)**	–
Reserves	43(b)	**(150,292)**	(89,094)
Capital deficiency		**(131,868)**	(48,835)

On behalf of the Board

Mr. Xiong Zeke	**Mr. Ma Tianyi**
Director	*Director*

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

(b) Reserves of the Company

	Share premium RMB'000	Capital distributable reserve RMB'000	Contributed surplus RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 April 2019	726,191	25,141	(18,702)	(613,910)	(25,736)	(147,220)	(54,236)
Profit for the year	–	–	–	–	–	17,593	17,593
Dividend declared	(48,577)	–	–	–	–	–	(48,577)
Exchange difference from translation to presentation currency	–	–	–	–	(3,874)	–	(3,874)
As at 31 March 2020	677,614	25,141	(18,702)	(613,910)	(29,610)	(129,627)	(89,094)
Loss for the year	–	–	–	–	–	(10,245)	(10,245)
Dividend declared	(59,635)	–	–	–	–	–	(59,635)
Exchange difference from translation to presentation currency	–	–	–	–	8,682	–	8,682
As at 31 March 2021	617,979	25,141	(18,702)	(613,910)	(20,928)	(139,872)	(150,292)

44. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2021 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	The British Virgin Islands ("BVI")	50,000 ordinary shares of US$1 each	100%	–	Investment holding
Pizu International Limited	Hong Kong	HK$71,200,000	–	100%	Investment holding
KM Muosir Limited Liability Company ("Subsidiary A") (note (iv))	Tajikistan	TJS45,800,000	–	50.01%	Manufacture and sale of explosives
Pizu Trading Limited	Hong Kong	HK$10,000	–	100%	Investment holding
比優(深圳) 礦業有限公司 (Pizu (Shenzhen) Mining Limited) (notes (i) and (ii))	PRC	RMB10,000,000	–	100%	Trading of bulk minerals in the PRC
Ample Ocean Holdings Limited	BVI	50,000 ordinary shares of US$1 each	100%	–	Investment holding
Ample Ocean Group Limited	Hong Kong	HK$1,000,000	–	100%	Investment holding
Ample Ocean Global Limited	BVI	HK$50,000	100%	–	Investment holding
西藏福德圓工貿有限公司 (Tibet Fudeyuan Trading Limited) (notes (i) and (ii))	PRC	RMB10,000,000	–	100%	Investment holding
內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited) ("Subsidiary D") (notes (i) and (iii))	PRC	RMB200,000,000	–	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) ("Subsidiary C") (notes (i) and (iii))	PRC	RMB20,000,000	–	60%	Manufacturing and sale of civil explosives

44. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 March 2021 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
內蒙聚力工程爆破有限公司 (Inner Mongolia Juli Engineering and Blasting Services Limited) ("Subsidiary E") (notes (i) and (iii))	PRC	RMB200,000,000	–	60%	Sale of civil explosives and provision of blasting operations and related services
西藏廣旭實業有限公司 (Tibet Guangxu Industrial Company Limited) (notes (i) and (iii))	PRC	RMB50,000,000	–	60%	Provision of mining and subcontracting services
鄂托克旗盛安九二九化工有限責任公司 (Otog Banner Shengan 929 Chemical Limited) ("Subsidiary B") (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
安徽省金鼎礦業股份有限公司 (Anhui Jinding) (note (iii))	PRC	RMB375,292,836	–	51%	Mining, processing of pyrite, iron ore and copper and the sale of the said mineral products

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 2017 to 2021 and the consolidated statements of financial position of the Group as at 31 March 2017, 2018, 2019, 2020 and 2021 are as follows:

	Year ended 31 March				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**1,701,166**	1,627,344	1,556,596	1,124,581	3,030,703
Profit before income tax	**329,543**	456,217	359,442	304,108	118,873
Income tax expense	**(51,452)**	(57,582)	(51,469)	(43,586)	(20,955)
Profit for the year	**278,091**	398,635	307,973	260,522	97,918

	As at 31 March				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**2,715,646**	1,767,915	1,390,087	994,948	627,284
Total liabilities	**(1,548,379)**	(683,537)	(522,555)	(392,214)	(298,593)
Total equity	**1,167,267**	1,084,378	867,532	602,734	328,691