

Pizu Group Holdings Limited

比優集團控股有限公司

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

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE QUARTER ENDED 30 JUNE 2022

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

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

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

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

HIGHLIGHTS

- Turnover of the Group for the quarter ended 30 June 2022 (the “Quarterly Period”) was approximately RMB469.16 million, representing an increase of approximately 3.39% as compared to corresponding period in the previous fiscal year.
- The Group recorded a profit attributable to Owners of approximately RMB62.67 million for the Quarterly Period.
- The Group recorded a total comprehensive income attributable to Owners of approximately RMB73.65 million for the Quarterly Period.
- Basic and diluted earnings per share of the Group was approximately RMB0.018 for the Quarterly Period.
- The Board does not recommend the payment of any dividend for the Quarterly Period.

UNAUDITED RESULTS FOR THE QUARTER ENDED 30 JUNE 2022

The board (the “Board”) of directors (the “Director(s)”) of Pizu Group Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the Quarterly Period, together with the unaudited comparative figures for the corresponding period in 2021, as follows:

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

		Three months ended	
		30 June	
	<i>Notes</i>	2022	2021
Revenue	2	469,164	453,762
Cost of goods sold and services provided		<u>(310,461)</u>	<u>(290,795)</u>
Gross profit		158,703	162,967
Other income and gain		3,021	3,569
Share of profit of associates		3,218	2,684
Selling and distribution expenses		(1,656)	(14,954)
Administrative expenses		<u>(32,138)</u>	<u>(23,263)</u>
Profit from operating		131,148	131,003
Finance costs	3	<u>(3,871)</u>	<u>(1,329)</u>
Profit before income tax		127,277	129,674
Income tax	4	<u>(10,027)</u>	<u>(17,216)</u>
Profit for the period		<u>117,250</u>	<u>112,458</u>

		Three months ended	
		30 June	
	<i>Notes</i>	2022	2021
Other comprehensive income/(loss) for the period			
Exchange differences arising from translation of foreign operation		<u>23,805</u>	<u>(2,367)</u>
Total comprehensive income for the period (net of tax)		<u>141,055</u>	<u>110,091</u>
Profit attributable to:			
– Owners of the Company		62,670	65,490
– Non-controlling interest		<u>54,580</u>	<u>46,968</u>
		<u>117,250</u>	<u>112,458</u>
Total comprehensive income attributable to:			
– Owners of the Company		73,652	72,877
– Non-controlling interest		<u>67,403</u>	<u>37,214</u>
		<u>141,055</u>	<u>110,091</u>
		RMB (Yuan)	RMB (Yuan)
Earnings per share	6		
Basic and diluted		<u>0.018</u>	<u>0.018</u>

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited quarterly report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2022.

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

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

2. REVENUE

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

	Three months ended 30 June	
	2022	2021
	RMB’000	RMB’000
Sales of explosives	161,042	161,365
Provision of blasting operations	182,871	292,397
Mining operation	125,251	–
	<u>469,164</u>	<u>453,762</u>

3. FINANCE COST

	Three months ended 30 June	
	2021	2020
	RMB’000	RMB’000
Interest charge on bank borrowing	3,864	1,323
Interest on lease liabilities	7	6
	<u>3,871</u>	<u>1,329</u>

4. INCOME TAX

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

- (i) The Tajikistan subsidiary of the Company is exempted from Tajikistan Corporate Income Tax for 5 years until March 2022 pursuant to the investment agreement between the subsidiary and the Tajikistan government. The subsidiary is still applying for continued exemption from Tajikistan Corporate Income Tax.
- (ii) Three PRC subsidiaries of the Company 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, 1 December 2021 (2021: 3 December 2018) and 13 November 2019 respectively.
- (iii) Two branches and a subsidiary of the Company 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 subsidiary. The EIT rate resumed to 15% for other two branches.

Income tax represents:

	Three months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax	9,974	17,216
Tajikistan Corporation Income Tax	53	—
	<u>10,027</u>	<u>17,216</u>

5. DIVIDENDS

The Board does not recommend payment of any dividend for the Quarterly Period (2021: Nil).

6. EARNINGS PER SHARE

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

	Three months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
Profit attributable to the owners of the Company	<u>62,670</u>	<u>65,490</u>
	2022	2021
	'000	'000
Weighted average number of the ordinary shares for the purposes of basic earnings per share	<u>3,529,880</u>	<u>3,558,724</u>

For the Quarterly Period and the corresponding period in 2021, there is no potentially dilutive share in issue during the respective period and thus the diluted earnings per share is also the same as the basic earnings per share in the respective period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The turnover of the Group for the Quarterly Period increased by approximately 3.39% as compared with the corresponding period in 2021. The reason for the increase in turnover is that the mining operation business that was officially put into full operation in the second half of the previous year has become our regular business. In addition, due to the reasons of the mine owners, the indirect shutdown of infrastructure projects resulted in a decrease of about 37.45% in blasting business.

The selling and distribution expenses for the Quarterly Period decreased by approximately 88.93% as compared with the corresponding period in 2021, which was mainly due to the fact that the Group recognised the shipping costs related to the sale of explosives as cost of sales from the Quarterly Period.

CHARGE OF ASSETS

The Group's borrowings are secured by the pledge of certain contract assets and trade receivables, right-of-use assets and property, plant and equipment amounting to approximately RMB196,330,000 (2021: Nil), RMB391,000 (2021: Nil) and RMB6,693,000 (2021: Nil) respectively; mining right of approximately RMB107,420,000 (2021: 109,191,000), 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.

BUSINESS REVIEW AND PROSPECTS

Business Review

During the Quarterly Period, in the face of the unstable world economic and political environment, the Group actively adjusted its procurement and management policies under the unfavorable circumstances of rising raw material prices, so as to minimize the impact on its profit margins.

Anhui Jinding Mining Co., Ltd., a wholly-owned subsidiary acquired by the Group at the end of 2020 and put into formal production in the second half of 2021, has entered a stable production period and achieved the expected results, bringing stable income to the Group.

Business Outlook

The Group will continuously focus on the production and sales of explosives for civilian use, as well as the provision of blasting operations and mining operations, to jointly create sustainable and stable income for the Group and greater returns for the shareholders.

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

As at 30 June 2022, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which is taken or deemed to have under such provisions of the SFO), or which were required, to be entered in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

The Company – interests in shares and underlying shares

Name of Director	Capacity/nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Xiong Zeke	Interest of a controlled corporation (Note 4)	80,811,927 ordinary shares (L)	2.27%
	Beneficial owner	13,813,333 ordinary shares (L)	0.39%
Ms. Qin Chunhong	Interest of a controlled corporation (Note 5)	34,024,908 ordinary shares (L)	0.96%
	Beneficial owner	2,540,000 ordinary shares (L)	0.07%
Mr. Liu Fali	Beneficial owner	242,415,854 ordinary shares (L)	6.81%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,659,687,368 ordinary shares (L) (Note 3)	46.64%
Mr. Ma Tianyi	Beneficial owner	2,000,000 ordinary shares (L)	0.06%
	Interest of a controlled corporation (Note 6)	5,480,000 ordinary shares (L)	0.15%

Name of Director	Capacity/nature of interest	Number and class of securities held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Ms. Ma Ye	Beneficial owner	126,005,000 ordinary shares (L)	3.54%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,776,098,222 ordinary shares (L) <i>(Note 3)</i>	49.91%
Mr. Ma Gangling	Beneficial owner	36,024,908 ordinary shares (L)	1.01%

Notes:

1. The letter “L” denotes a long position in the shares or underlying shares of the Company or any of its associated corporations.
2. The percentage of shareholding is calculated based on the number of issued shares of the Company as at 30 June 2022.
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; (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 in which Crystal Sky Development Inc. was interested by virtue of the SFO.
6. These shares represented the interests of Pin On Everest Asset Holdings Ltd in 5,480,000 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 30 June 2022, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any Director or chief executive of the Company, as at 30 June 2022, 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 <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Shiny Ocean	Beneficial owner	1,361,516,331 ordinary shares (L)	38.26%
Ma Family Holdings Co. Limited	Interest of a controlled corporation	1,361,516,331 ordinary shares (L) <i>(Note 3)</i>	38.26%
Equity Trustee Limited	Trustee (other than a bare trustee)	1,361,516,331 ordinary shares (L) <i>(Note 3)</i>	38.26%
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 318 of the SFO	1,902,103,222 ordinary shares (L) <i>(Note 4)</i>	53.45%

Name of shareholder	Capacity/nature of interest	Number and class of securities held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Ms. Ma Xia	Beneficial owner	172,166,037 ordinary shares (L)	4.84%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and 318 of the SFO	1,729,937,185 ordinary shares (L) <i>(Note 4)</i>	48.61%
Mr. Ma Qiang	Founder of a discretionary trust <i>(Note 3)</i>	1,902,103,222 ordinary shares (L)	53.45%
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	240,696,854 ordinary shares (L)	6.76%

Notes:

1. The letter “L” denotes a long position in the shares or underlying shares of the Company or any of its associated corporations.
2. The percentage of shareholding is calculated based on the number of issued shares of the Company as at 30 June 2022.
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; (3) Ms. Ma Ye was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Mr. Liu Fali and Mr. Ma Qiang were interested; and (4) Mr. Liu Fali was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Ma Qiang were interested.

Save as disclosed herein, as at 30 June 2022, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had a discloseable interest or short position in the Shares as recorded in the register which was required to be kept under section 336 of the SFO concerning persons carrying rights to vote in all circumstances at general meetings of any other members of the Group.

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

During the Quarterly Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares (2021: nil).

SHARE AWARD SCHEME

On 8 July 2019, the Company resolved to adopt a share award scheme (the "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 Quarterly Period.

In July 2021, the Company awarded a total of 27,069,000 shares to 56 eligible participants. For details, please refer to the Company's announcement dated 5 July 2021.

COMPETING INTERESTS

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

CORPORATE GOVERNANCE

The Company has applied the principles and has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the Quarterly Period under review.

SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of three independent non-executive Directors of the Company, namely Ms. Zhang Jinghua, Mr. Ha Suoku and Ms. Yao Yunzhu.

The Group's unaudited financial statements for the Quarterly Period have been reviewed by the audit committee.

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

Executive directors:

Mr. Xiong Zeke (*Chairman*)
Mr. Ma Tianyi (*Chief Executive Officer*)
Mr. Liu Fali (*Chief Operating Officer*)
Mr. Ma Gangling
Ms. Qin Chunhong
Ms. Ma Ye

Independent non-executive directors:

Ms. Zhang Jinghua
Mr. Ha Suoku
Ms. Yao Yunzhu

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

PRC, 12 August 2022