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## **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)

### **CONTINUING CONNECTED TRANSACTIONS SUPPLY OF CIVIL EXPLOSIVE EQUIPMENT AND MATERIALS**

#### **FRAMEWORK AGREEMENT**

On 2 June 2017, the Customer (a subsidiary of the Group) entered into the Framework Agreement with the Supplier in relation to the supply of the Products.

#### **Listing Rules Implications**

The Supplier is a connected person of the Company at the subsidiary level. By virtue of Rule 20.99 of the GEM Listing Rules, as (i) the Supplier is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the Framework Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the transactions and confirmed that the transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Framework Agreement and the annual caps thereof are subject to reporting, annual review, announcement but are exempted from independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

#### **FRAMEWORK AGREEMENT**

On 2 June 2017, the Customer (a subsidiary of the Group) entered into the Framework Agreement with the Supplier in relation to the supply of the Products. The principal terms of the Framework Agreement are set out below:

Date: 2 June 2017

Parties: (1) 內蒙古聚力工程爆破有限公司 Inner Mongolia Juli Engineering and Blasting Services Limited (“**Customer**”) (a subsidiary of the Group); and

- (2) 內蒙古鄂爾多斯市北安民爆器材有限責任公司鄂托克旗分公司 (Ordos City Beian Civil Explosive Products Limited Ordos Branch\*) (“**Supplier**”).

The Supplier is a connected person of the Group and further details about the Supplier are set out in the paragraph headed “Implications under the GEM Listing Rules” below.

- Products: Civil explosive equipment, supplies, materials and other similar items
- Term: Three years commencing from 1 April 2016 to 31 March 2019
- Pricing: The Customer may purchase and the Supplier may sell, the Products at prices determined on an arms’ 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.
- Payment Term: The Customer shall make payment by remittance or acceptance bill to the Supplier on a monthly basis usually on or before the fifth day of the next month.

In respect of all transactions contemplated under the Framework Agreement for the supply of the Products, the Customer and the Supplier may, within the scope of the Framework Agreement, enter into specific product sale and purchase agreement setting out, among others, quantity, specification, price and delivery terms, provided that the terms of the specific product supply agreement shall not contravene those of the Framework Agreement.

The procurement department of the Company and its designated persons will purchase according to the local government on the specific provisions of the sale of explosives, on the market price. If the prices offered by the Supplier are higher than other independent suppliers, the Group has the right to purchase the Products from other suppliers.

### **Proposed Annual Caps**

The Customer started to purchase the Products from the Supplier since June 2016. The historical amount of purchase of the Products by the Group from the Supplier during the year ended 31 March 2017 is RMB8,052,000, equivalent to about HK\$9,473,000. The proposed annual caps for transactions contemplated under the Framework Agreement for each of the three years ended/ending 31 March 2017, 2018 and 2019 are set out below:

	<b>For year ended/ending 31 March</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed annual caps	10,000,000	40,000,000	50,000,000

The proposed annual caps set out above are determined based on (i) the historical purchase amount in the year ended 31 March 2017; (ii) the internal projections of the maximum amount of major types of the Products that may potentially be purchased by the Group from the Supplier; (iii) the estimated prices for the purchases of major types of the Products in the financial years ending 31 March 2017, 2018 and 2019; and (iv) the inclusion of a buffer to accommodate any unexpected changes in market condition.

### **Reasons for and benefits of entering into the Framework Agreement**

The Group is principally engaged in bulk mineral trade, manufacturing and sale of explosives and provision of blasting operations and related services. The Customer is a subsidiary of the Group and is principally engaged in sale of explosives and provision of blasting operations and related services.

The Supplier is principally engaged in supply of civil explosive equipment and materials in Qi Panjing, Ordos City, Inner Mongolia.

Leveraging on the relationship with the Supplier, the Group could procure the Products from the Supplier on better terms than those offered to it by third parties. Therefore, the Group could earn a profit margin when it resells such Products to its customers. In addition, the Company has the benefit of reducing the administrative burden and costs associated with compliance with laws and regulations to which the Company is subject.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Framework Agreement is in the ordinary and usual course of business of the Group and the terms of the Framework Agreement (including its annual caps) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors has any material interest in the transactions contemplated under the Framework Agreement, and none of them needs to abstain from voting on the board resolution approving the Framework Agreement and the transactions contemplated thereunder.

## **Implications under the GEM Listing Rules**

The Supplier is owned as to 55% by 內蒙古生力資源(集團)有限責任公司 (Inner Mongolia Shengli Resources Group Co., Limited\*), which held 40% of equity interest in Shengan Chemical (Inner Mongolia) and is therefore a connected person of the Company at the subsidiary level. By virtue of Rule 20.99 of the GEM Listing Rules, as (i) the Supplier is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the Framework Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the transactions and confirmed that the transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Framework Agreement and the annual caps thereof are subject to reporting, annual review, announcement but are exempted from independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Board”	the board of Directors
“Company”	Pizu Group Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued Shares of which are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8053)
“connected person(s)”	has the meaning given to it under the GEM Listing Rules
“Customer”	內蒙古聚力工程爆破有限公司 Inner Mongolia Juli Engineering and Blasting Services Limited
“Directors”	directors of the Company
“Framework Agreement”	the framework agreement dated 2 June 2017 between the Customer and the Supplier in relation to the supply of the Products
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“PRC”	the People’s Republic of China, which for the purposes of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Products”	civil explosive equipment, supplies, materials and other similar items
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of ordinary shares of the Company
“Shengan Chemical (Inner Mongolia)”	內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited*), a company incorporated on 18 July 2007 under the laws of the PRC with limited liability, an indirect 60%-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier”	鄂爾多斯市北安民爆器材有限責任公司鄂托克旗分公司 (Ordos City Beian Civil Explosive Products Limited Ordos Branch*), a company established on 7 October 2008 under the laws of the PRC, which is owned as to 55% by 內蒙古生力資源(集團)有限責任公司 (Inner Mongolia Shengli Resources Group Co., Limited*) and as to 45% by an entity, which is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, an independent third party
“%”	per cent.

*Notes:*

- (1) For the purpose of illustration in this announcement, figures in renminbi are translated into Hong Kong dollars at the approximate exchange rate of RMB0.85 to HK\$1.000.
- (2) \* English translation of certain Chinese names or words in this announcement is included for information purpose only and should not be regarded as official English translation.

By order of the Board  
**Pizu Group Holdings Limited**  
**Mr. Ma Qiang**  
*Chairman*

Hong Kong, 2 June 2017

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

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

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and on the Company’s website at [www.pizugroup.com](http://www.pizugroup.com).*