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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 REVISION OF ANNUAL CAPS**

#### **SUPPLEMENTAL FRAMEWORK AGREEMENT**

On 9 October 2017, Juli Engineering (a subsidiary of the Group) (as customer) entered into the Supplemental Framework Agreement with Ordos Beian (as supplier) in relation to the revision of the annual caps on the continuing connected transactions under the Framework Agreement.

#### **GEM Listing Rules Implications**

Ordos Beian is a connected person of the Company at the subsidiary level. By virtue of Rule 20.99 of the GEM Listing Rules, as (i) Ordos Beian is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the Supplemental 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 Supplemental 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.

#### **BACKGROUND**

Reference is made to the announcement (the “**Announcement**”) of Pizu Group Holdings Limited (the “**Company**”) dated 2 June 2017 in relation to continuing connected transactions for supply of civil explosive equipment and materials from 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**”)) (which is a connected person of the Company) to the Inner Mongolia Juli Engineering and Blasting Services Limited (“**Juli**

**Engineering**) (which is a subsidiary of the Group) (“**CCT**”) for the three financial years ending 31 March 2019. Terms used herein shall have the same meanings as defined in the Announcement unless the context requires otherwise.

### PROPOSED ANNUAL CAPS

The Company announced in the Announcement that the proposed annual caps for the CCT for the three years ending 31 March 2019 are set out in the following table together with the actual historical amounts (net of VAT):

(amounts net of VAT)	For the year ended/ending 31 March		
	2017	2018	2019
	RMB	RMB	RMB
Proposed annual caps	10,000,000	40,000,000	50,000,000
Actual amounts	8,052,000	22,008,500 <sup>(note)</sup>	N/A

*Note:* this refers to the total amounts of the Products purchased from the Supplier during the 5 months (1 April 2017 to 31 August 2017).

Following the improvement in the economic environment in the PRC and the surge in the mining blasting volume of the coal mining enterprises in the neighbouring regions coupled with advancement in technology of blasting services, there is a recent increase in the amounts of the CCT. It is expected that the expected amounts of CCT in the year ending 31 March 2018 and 2019 will exceed the original annual caps set as RMB40,000,000 and RMB50,000,000 respectively. Juli Engineering and Ordos Beian entered into the supplemental agreement (“**Supplemental Framework Agreement**”) on 9 October 2017 so as to: (1) revise the term on proposed annual caps as set out in the Framework Agreement; and (2) extend the period to the financial year ending 31 March 2020.

### SUPPLEMENTAL FRAMEWORK AGREEMENT

The Supplemental Framework Agreement is to revise the proposed annual caps of the CCT for the years ending 31 March 2018 and 2019 and to set the proposed annual cap of the CCT for the year ending 31 March 2020 as set out in the following table:

(amounts nets of VAT)	For the year ending 31 March		
	2018	2019	2020
	RMB	RMB	RMB
Original annual caps	40,000,000	50,000,000	N/A
New proposed annual caps	56,000,000	65,000,000	73,000,000

The proposed annual caps set out above are determined based on (i) the annualized historical purchase amount in the year ended 31 March 2018, (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; and (iii) the estimated prices for the purchases of major types of the Products in 2018, 2019 and 2020.

The terms of the Framework Agreement other than the proposed annual caps for the year ending 31 March 2018 and 2019 and the extension of period remain unchanged under the Supplemental Framework Agreement.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL FRAMEWORK AGREEMENT**

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

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

By entering into the Supplemental Framework Agreement, the Group can have adequate room to cater for the growth in the CCT for an extended period and the Group can increase its revenue and profit from such growth.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Supplemental Framework Agreement is in the ordinary and usual course of business of the Group and the terms of the Supplemental Framework Agreement (including the new 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 Supplemental Framework Agreement, and none of them needs to abstain from voting on the board resolution approving the Supplemental 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 Supplemental 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 Supplemental Framework Agreement and the new 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.

*Note:*

- \* 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, 9 October 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 GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the website of the Company at [www.pizugroup.com](http://www.pizugroup.com).*