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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 SALE OF EMULSION EXPLOSIVES AND ANFO EXPLOSIVES TO ORDOS BEIAN UNDER NEW FRAMEWORK AGREEMENT

NEW FRAMEWORK AGREEMENT

On 9 October 2017, Ordos Beian (as customer) and Shengan Chemical (Otog Banner) and Bayannur Shengan (as suppliers) entered into the New Framework Agreement in relation to the continuing connected transactions of sale of emulsion explosives and ANFO explosives.

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 New 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 New 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 two announcements (the “**Announcements**”) of Pizu Group Holdings Limited (the “**Company**”) dated 11 May 2015 and 28 July 2015 and the circular (the “**Circular**”) of the Company dated 28 June 2015 in relation to the very substantial acquisition regarding the shares of Ample Ocean Holdings Limited and the continuing connected transactions for sale of emulsion explosives and ANFO explosives by Otog Banner Shengan 929 Chemical Limited* (鄂托克旗盛安九二九化工有限責任公司) (“**Shengan Chemical (Otog Banner)**”) to 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**”) (“**CCT**”) for the three financial years ending 31 March 2018. Terms used herein shall have the same meanings as defined in the Announcements and the Circular unless the context requires otherwise.

PROPOSED ANNUAL CAPS

The Company announced in the announcement of the Company dated 28 July 2015 that the proposed annual caps (net of VAT) for the CCT for the three years ending 31 March 2018 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		
	2016	2017	2018
	RMB	RMB	RMB
Proposed annual caps	104,770,000	115,250,000	127,000,000
Actual amounts	42,694,000	75,290,000	87,632,500 <i>(note)</i>

Note: this refers to the total sale amounts (net of VAT) during the 5 months (1 April 2017 to 31 August 2017).

NEW FRAMEWORK AGREEMENT

Bayannur Shengan Chemical Limited* (巴彥淖爾盛安化工有限責任公司) (“**Bayannur Shengan**”) is a domestic company established in the PRC and it is a 60%-owned subsidiary of the Group. It is principally engaged in the business activity of manufacturing and sale of civil explosives. Bayannur Shengan will supply civil explosives to Ordos Beian. In addition, following the improvement in the domestic economy in the PRC and the surge in the mining blasting volume of the downstream mining enterprises in the neighbouring regions of Wuhai and Ordos, there is a recent increase in the amounts of the CCT. It is expected that the amount of CCT in the year ending 31 March 2018 will exceed the original annual cap set as RMB127,000,000. In light of the above, Shengan Chemical (Otog Banner) and Bayannur Shengan (as supplier) (collectively, “**Suppliers**”) and Ordos Beian (as customer) entered into a new framework agreement (“**New Framework Agreement**”) on 9 October 2017 so as to: (1) admit Bayannur Shengan as a new party to the CCT; (2) revise the term on proposed annual cap for the year ending 31 March 2018 as set out in the Ordos Beian Framework Agreement; and (3) extend the period to the financial year ended 31 March 2020. The Ordos Beian Framework Agreement was terminated on the same date of 9 October 2017.

PROPOSED ANNUAL CAPS

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

(amounts net of VAT)	For the year ending 31 March		
	2018	2019	2020
	RMB	RMB	RMB
Original annual caps	127,000,000	N/A	N/A
New proposed annual caps	225,000,000	227,000,000	231,000,000

The proposed annual caps set out above are determined by the Directors by reference to the actual sales amount during the five months ended 31 August 2017 and the estimated inflation rate and increase in costs of production of an aggregate of 10% every year, the prevailing market price, and the prevailing authorised limit for production and sales in respect of the civil explosives of the Suppliers.

The terms of the Ordos Beian Framework Agreement other than the admission of Bayannur Shengan as a new party to the agreement, the proposed annual caps for the years ending 31 March 2018, 2019 and 2020 and the extension of period continue to be adopted under the New Framework Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FRAMEWORK AGREEMENT

The Group is principally engaged in bulk mineral trade, manufacturing and sale of explosives and provision of blasting operations and related services. Shengan Chemical (Otog Banner) is principally engaged in the manufacturing and sale of civil explosives, which are in turn sold to end-user customers or civil explosive products reseller customers. Bayannur Shengan is principally engaged in the manufacturing and sale of civil explosives. Ordos Beian is principally engaged in supply of civil explosive equipment and materials in Qi Panjing, Ordos City Inner Mongolia.

By entering into the New Framework Agreement, the Group can have adequate room to cater for the growth in the CCT for an extended period and continue the long term business relationship between the parties.

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

IMPLICATIONS UNDER THE GEM LISTING RULES

Ordos Beian is a connected person of the Company at the subsidiary level as it 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) (for identification purpose only), which holds 40% of equity interest in Shengan Chemical (Inner Mongolia). Accordingly, any transaction between the Suppliers and Ordos Beian constitutes continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

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 New 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 New 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.

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 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.