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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)

CONNECTED TRANSACTION FORMATION OF A JOINT VENTURE IN INNER MONGOLIA AUTONOMOUS REGION

On 27 March 2018, Shengli Minbao, Tibet Fudeyuan and two Independent Third Parties entered into the Cooperation Framework Agreement pursuant to which the parties agreed to form the Joint Venture for the establishment of a factory for the production of mixed civil explosive, with an expected authorised production capacity of 20,500 metric tonnes per year, in Wuhai City.

Implication under the GEM Listing Rules

As Shengli Minbao is a 40% shareholder of Shengan Chemical (Inner Mongolia), being an indirect non-wholly owned subsidiary of the Company, Shengli Minbao is a connected person of the Company at the subsidiary level. As such, the Transaction constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

By virtue of Rule 20.99 of the GEM Listing Rules, as (i) Shengli Minbao is a connected person of the Company at the subsidiary level; (ii) the Transaction is on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) has approved and confirmed the Transaction is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, the Transaction is subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INTRODUCTION

The Board announces that on 27 March 2018, Shengli Minbao, Tibet Fudeyuan and two Independent Third Parties entered into the Cooperation Framework Agreement pursuant to which the parties agreed to form the Joint Venture for the purpose of investing into the Wuhai Project.

THE COOPERATION FRAMEWORK AGREEMENT

The principal terms of the Cooperation Framework Agreement are set out below:

Date: 27 March 2018

Parties: (1) Tibet Fudeyuan

(2) Shengli Minbao

(3) Jian Chemical

(4) Risheng Minbao

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Jian Chemical and Risheng Minbao and their respective ultimate beneficial owners are Independent Third Parties. Shengli Minbao is a substantial shareholder of Shengan Chemical (Inner Mongolia), a non-wholly owned subsidiary of the Company.

Under the Cooperation Framework Agreement, the parties have agreed to jointly establish the Joint Venture in Wuhai City, Inner Mongolia Autonomous Region, the PRC for the establishment of a factory for the production of mixed civil explosive, with an expected authorised production capacity of 20,500 metric tonnes per year, in Wuhai City. The total registered capital of the Joint Venture will be RMB100 million, which will be contributed in cash as to 35% by Shengli Minbao, 25% by Tibet Fudeyuan, 20% by Jian Chemical and 20% by Risheng Minbao respectively, based on the percentage of equity interest in the Joint Venture to be owned by each of them. The registered capital of the Joint Venture, which has been determined by the parties after arm's length negotiation and based on the estimated capital requirements for the establishment and operation of the factory, will be contributed by the parties by instalments based on the progress of the Wuhai Project.

The parties agree that the board of directors of the Joint Venture shall comprise of three directors, each of Shengli Minbao, Tibet Fudeyuan and Risheng Minbao can nominate one director. It is expected that the Joint Venture will be accounted for as an associated company of the Company.

Each of the parties to the Cooperation Framework Agreement has agreed not to in any way or in collaboration with any third party to engage in the manufacturing of mixed civil explosive in Wuhai City, and each of them will not sell the products manufactured under the Joint Venture on its own within Wuhai City.

INFORMATION OF THE GROUP AND THE COUNTERPARTIES TO THE COOPERATION FRAMEWORK AGREEMENT

The Group is principally engaged in trading business of mineral products and civil explosives, provision of blasting operations and related services.

Shengli Minbao is principally engaged in the manufacturing of civil explosives in the PRC.

Jian Chemical is principally engaged in the sale and manufacturing of civil explosives and the provision of blasting operations and related services in the PRC.

Risheng Minbao is principally engaged in the sale and manufacturing of civil explosives and the provision of blasting operations and related services in the PRC.

REASONS AND BENEFITS OF THE COOPERATION FRAMEWORK AGREEMENT

The Directors consider that the entering into the Cooperation Framework Agreement and the formation of the Joint Venture would enable the Group to expand its civil explosive manufacturing business into a new geographical region and to diversify the Group's income stream.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Transaction are on normal commercial terms and fair and reasonable as far as the Company and the Shareholders are concerned and thus the Transaction is in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Shengli Minbao is a 40% shareholder of Shengan Chemical (Inner Mongolia), Shengli Minbao is a connected person of the Company at the subsidiary level. As such, the Transaction constitute 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) Shengli Minbao is a connected person of the Company at the subsidiary level; (ii) the Transaction is on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) has approved and confirmed the Transaction is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, the Transaction is subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

None of the Directors has a material interest in the Transaction, and therefore none of them are required to abstain from voting on the board resolution approving the Transaction.

TERMS USED IN THIS ANNOUNCEMENT

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

“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 ascribed to it under the GEM Listing Rules
“Cooperation Framework Agreement”	the Cooperation Framework Agreement dated 27 March 2018 entered into between Shengli Minbao, Tibet Fudeyuan, Jian Chemical and Risheng Minbao in relation to the formation of Joint Venture for the purposes of investing into the Wuhai Project
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent from, and not connected with, the Company and its connected persons
“Jian Chemical”	內蒙古吉安化工有限責任公司 (Inner Mongolia Jian Chemical Co., Ltd.), a company incorporated under the law of the PRC and an Independent Third Party
“Joint Venture”	a joint venture company proposed to be established in Wuhai City, Inner Mongolia Autonomous Region, the PRC
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Risheng Minbao”	內蒙古日盛民爆集團有限公司 (Inner Mongolia Risheng Minbao Group Co., Ltd.), a company incorporated in the PRC and an Independent Third Party
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shengan Chemical (Inner Mongolia)”	內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical (Inner Mongolia) Co., Ltd), a company incorporated under the laws of the PRC with limited liability, which is owned as to 40% by Shengli Minbao and 60% by Tibet Fudeyuan
“Shareholder(s)”	holder(s) of the Shares
“Shengli Minbao”	內蒙古生力民爆有限責任公司 (Inner Mongolia Shengli Minbao Co., Ltd), a company incorporated under the laws of the PRC with limited liability, which owns 40% equity interest in Shengan Chemical (Inner Mongolia)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tibet Fudeyuan”	西藏福德圓工貿易有限公司 (Tibet Fudeyuan Trading Limited), a company incorporated under the laws of the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“Transaction”	the entering into of the Cooperation Framework Agreement and the transactions contemplated thereunder
“Wuhai Project”	the proposed establishment of a factory for the production of mixed civil explosive in Hainan District, Wuhai City, Inner Mongolia Autonomous Region, the PRC with an expected authorised production capacity of 20,500 metric tonnes of mixed civil explosives per year

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

Hong Kong, 29 March 2018

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 (Assistant to the Chairman); 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 for at least seven days from the date of its publication and on the Company’s website at www.pizugroup.com.