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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

SECOND SUPPLEMENTAL FRAMEWORK AGREEMENT

On 15 February 2019, Juli Engineering (a wholly owned subsidiary of the Group) entered into the Second Supplemental Framework Agreement with Ordos Beian (as supplier) in relation to the revision of the annual caps on the continuing connected transaction under the Framework Agreement.

IMPLICATIONS UNDER THE GEM LISTING RULES

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 Second 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 Second 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 “**Announcements**”) of Pizu Group Holdings Limited (the “**Company**”) dated 2 June 2017, 9 October 2017 and 11 October 2017 in relation to (i) 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; and (ii) the revision of the

annual caps under the supplemental framework agreement entered into by the parties on 9 October 2017 (“**First Supplemental Framework Agreement**”) for the three financial years ending 31 March 2020. Terms used herein shall have the same meanings as defined in the Announcements unless the context requires otherwise.

PRINCIPAL TERMS OF THE CCT AND THE SECOND SUPPLEMENTAL FRAMEWORK AGREEMENT

On 15 February 2019, Juli Engineering and Ordos Beian entered into the second supplemental framework agreement (“**Second Supplemental Framework Agreement**”) in relation to the supply of the Products. The principal terms of the CCT under the Framework Agreement as supplemented by the First Supplemental Framework Agreement and the Second Supplemental Framework Agreement (collectively, “**Supplemental Framework Agreements**”) are set out as below:

- Products: Civil explosive equipment, supplies, materials and other similar items

- Extended Term: The expiry date is extended from 31 March 2020 to 31 March 2021.

- Pricing: Juli Engineering may purchase and Ordos Beian 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 Terms: Juli Engineering shall make payment by remittance or acceptance bill to Ordos Beian 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 (as supplemented by the Supplemental Framework Agreements) for the supply of the Products, Ordos Beian and Juli Engineering may, within the scope of the Framework Agreement (as supplemented by the Supplemental Framework Agreements), 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 (as supplemented by the Supplemental Framework Agreements).

The procurement department of the Group 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 Ordos Beian are higher than other independent suppliers, the Group has the right to purchase the Products from other suppliers.

Revised Annual Caps

The Second Supplemental Framework Agreement is to revise the proposed annual caps of the CCT for the years ending 31 March 2019 and 31 March 2020 and to set the proposed annual cap of the CCT for the year ending 31 March 2021 as set out in the following table:

	For year ending 31 March		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Original annual caps	65,000,000	73,000,000	N/A
Proposed annual caps	100,000,000	120,000,000	150,000,000

The proposed annual caps set out above are determined based on (i) the annualized historical purchase amount in the year ended 31 March 2019, (ii) the internal projections of the maximum amount of major types of the Products that may potentially be purchased by Juli Engineering from Ordos Beian; and (iii) the estimated prices for the purchases of major types of the Products in 2019, 2020 and 2021.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND 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 Second 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 Second Supplemental Framework Agreement is in the ordinary and usual course of business of the Group and the terms of the Second 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 Second Supplemental Framework Agreement, and none of them needs to abstain from voting on the board resolution approving the Second Supplemental Framework Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE GEM LISTING RULES

Ordos Beian 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 indirectly 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) Ordos Beian is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the Second 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 Second 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.

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
Xiong Zeke
Chairman

Hong Kong, 15 February 2019

As at the date of this announcement, the Board comprises nine Directors. The executive Directors are Mr. Xiong Zeke (Chairman), Mr. Ma Tianyi (Vice Chairman), Mr. Liu Fali (Chief Executive Officer), Mr. Ma Gangling (Chief Operating Officer), Ms. Qin Chunhong and Ms. Ma Ye; and the independent non-executive Directors are 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.