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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)

### **MAJOR TRANSACTION CAPITAL INJECTION TO TARGET COMPANY**

#### **THE CAPITAL INJECTION AND COOPERATION AGREEMENT**

The Board of Pizu Group Holdings Limited hereby announces that on 28 June 2019 (after trading hours), Pizu Shenzhen, a wholly-owned subsidiary of the Company, entered into the Capital Injection and Cooperation Agreement with the Major Shareholders and the Target Company.

Pursuant to the Capital Injection and Cooperation Agreement, Pizu Shenzhen has conditionally agreed to inject an aggregate amount of RMB270 million in cash into the capital of the Target Company, of which RMB191,399,347 and RMB78,600,653 will be recognized as the registered capital and capital reserve of the Target Company respectively. As at the date of the execution of the Capital Injection and Cooperation Agreement, the total registered capital of the Target Company amounts to approximately RMB183,893,489. Upon the Completion, the registered capital of the Target Company will be increased to RMB375,292,836, and that the Target Company will be owned as to 51% by Pizu Shenzhen and as to the remaining 49% by the Existing Shareholders. The Capital Injection will be used solely by the Target Company for business development, production and daily operation purposes.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Existing Shareholders are ultimate beneficial owners that are also Independent Third Parties.

Upon completion of the Capital Injection, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the results of the Group.

### **First Shareholder's Loan**

Pizu Shenzhen agreed to provide the Target Company with a loan limit of RMB150 million after the date of completion of the registration of the Share Charge (defined below), for a period of one year commencing from the date of the loan. The Parties agree that the First Shareholder's Loan is to be used exclusively for the repayment of the Target Company's due bank loans and the Target Company's daily operation.

### **Second Shareholder's Loan**

Pizu Shenzhen has agreed to provide a further unsecured Second Shareholder's Loan in an aggregate principal amount of RMB50 million to the Target Company after Completion if so required by the Target Company to satisfy its production and operation needs before the Target Company officially commence production.

### **IMPLICATION UNDER THE GEM LISTING RULES**

As the relevant percentage ratios for the Capital Injection and the Shareholder's Loan are more than 25% but less than 100%, the transactions contemplated under the Capital Injection and Cooperation Agreement constitutes a major transaction for the Company under Rule 19.06(3) of the GEM Listing Rules. Accordingly, the transactions contemplated under the Capital Injection and Cooperation Agreement are subject to notification, announcement, reporting and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

### **GENERAL**

The EGM will be convened for the purpose of considering and, if deemed appropriate, approving the Capital Injection and Cooperation Agreement and the Shareholder's Loan and the transactions contemplated thereunder.

A circular containing, among other things, details of the Capital Injection and Cooperation Agreement and the Shareholder's Loan, the transactions contemplated thereunder and other information required to be disclosed under the GEM Listing Rules, together with a notice convening the EGM, is currently expected to be despatched to the Shareholders on or before 27 September 2019 so as to allow sufficient time for the preparation of the relevant information, including a Competent Person's Report (as defined in the GEM Listing Rules), for inclusion in the circular.

**Shareholders and potential investors of the Company should be aware that as the Completion is subject to the satisfaction of the conditions precedent set out in the Capital Injection and Cooperation Agreement, the Capital Injection, and the Shareholder's Loan may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Board of Pizu Group Holdings Limited is pleased to announce that Pizu Shenzhen, a wholly owned subsidiary of the Company, entered into a Capital Injection and Cooperation Agreement with the Major Shareholders and the Target Company on 28 June 2019 (after-trading hours).

## **THE CAPITAL INJECTION AND COOPERATION AGREEMENT**

### **Date**

28 June 2019 (after trading hours)

### **Parties**

- (1) the Major Shareholders
- (2) Pizu Shenzhen
- (3) the Target Company  
(collectively the “**Parties**”)

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each of the Target Company, the Existing Shareholders and their respective ultimate beneficial owners are Independent Third Parties.

### **Capital Injection**

Pursuant to the Capital Injection and Cooperation Agreement, Pizu Shenzhen has conditionally agreed to inject an aggregate amount of RMB270 million in cash into the capital of the Target Company, of which RMB191,399,347 and RMB78,600,653 will be recognized as the registered capital and capital reserve of the Target Company respectively. As at the date of the execution of the Capital Injection and Cooperation Agreement, the total registered capital of the Target Company amounts to approximately RMB183,893,489. The Target Company is owned as to 100% of the equity interest in the Target Company by the Existing Shareholders.

Upon the Completion, the registered capital of the Target Company will be increased to RMB375,292,836, and that the Target Company will be owned as to 51% by Pizu Shenzhen and as to the remaining 49% by the Existing Shareholders.

Assuming there is no further capital injection to the Target Company by third party investor(s) or transfer of equity interest in the Target Company by the Existing Shareholders after the date of the Capital Injection and Cooperation Agreement, the shareholding structure of the Target Company before and after the Completion of the Capital Injection is set out as follows:

No.	Name of Shareholder	As at the date of the Capital Injection and Cooperation Agreement		After Capital Injection Completion	
		Amount of capital contribution to the registered capital of the Target Company (RMB'0000)	Approximate percentage of equity interest in the Target Company	Amount of capital contribution to the registered capital of the Target Company (RMB'0000)	Approximate percentage of equity interest in the Target Company
1	Jianrui	7,360.5000	40.03%	7,360.5000	19.61%
2	Wu	5,775.0000	31.40%	5,775.0000	15.39%
3	Mei Lin	900.0000	4.89%	900.0000	2.40%
4	Nie Handong	150.0000	0.82%	150.0000	0.40%
5	Zhou Kai	150.0000	0.82%	150.0000	0.40%
6	Shenzhen SME Venture Capital Co. Ltd.* (深圳市中小擔創業投資有限公司)	664.5000	3.61%	664.5000	1.77%
7	Anhui Wanjintianfeng Mining Joint Stock Investment Partnership (Limited Partnership)* (安徽皖金天豐礦業股份投資 合夥企業(有限合夥))	476.7071	2.59%	476.7071	1.27%
8	Anhui Wanjintianchuang Mining Joint Stock Investment Partnership (Limited Partnership)* (安徽皖金天創礦業股份投資 合夥企業(有限合夥))	216.6081	1.18%	216.6081	0.58%
9	CCBI Investment Shenzhen Co., Ltd* (建銀國際(深圳)投資有限公司)	642.8241	3.50%	642.8241	1.71%
10	Yang Jianyu	214.2747	1.17%	214.2747	0.57%
11	Dai Bo	1,838.9349	10%	1,838.9349	4.90%
12	Pizu Shenzhen	0	0%	19,139.9347	51.0%
	<b>Total</b>	<b>18,389.3489</b>	<b>100.00%</b>	<b>37,529.2836</b>	<b>100.00%</b>

## **Basis and Payment Method of the Capital Injection**

The total amount of Capital Injection was arrived at after arm's length negotiations between Pizu Shenzhen and the Existing Shareholders after taking into account (i) the Target Company's considerable reserves of pyrite, iron ore and copper and its capabilities to generate favourable returns; (ii) funds invested by the Target Company for mine construction; (iii) the new registered capital of the Target Company reflecting the proportion of the capital contribution made by the Existing Shareholders and Pizu Shenzhen after the Capital Injection; and (iv) the capital requirement for the Target Company to engage in large-scale mining production. The Group intends to fund the proposed Capital Injection by its internal resources.

The Parties agree that Pizu Shenzhen shall credit the Capital Injection to the designated bank account of the Target Company by tranches in accordance with the written fund applications submitted by the Target Company based on its needs. The Parties agree that Pizu Shenzhen must not decline any reasonable fund applications from the Target Company unless there are reasonable grounds to do so. Pizu Shenzhen shall make the first tranche of Capital Injection in the amount of RMB150 million on Completion. The principal amount from the First Shareholder's Loan (as defined below) shall automatically become the first tranche of the Capital Injection. As for the remaining tranches of Capital Injection, the Parties agree that Pizu Shenzhen shall make such payment in accordance with the business needs of the Target Company. It is anticipated that the remaining tranches shall be made in about a year's time from the date of the Capital Injection and Cooperation Agreement.

The Capital Injection will be used by the Target Company for business development, production and daily operation purposes. For the avoidance of doubt, the Major Shareholders agreed not to use the Capital Injection for non-operation purposes, such as repayment of shareholder's loans or any arrears in payment to associated companies of the Target Company.

## **Conditions Precedent**

Completion of the Capital Injection will take place on the Completion Date, which shall be conditional upon and subject to, among others:

- i. termination of certain loan agreements executed by the Target Company and the existing creditors in accordance with the terms of the Capital Injection and Cooperation Agreement and re-execution of the certain loan agreements in the format as agreed by Pizu Shenzhen, if deemed necessary;
- ii. the results of legal and financial due diligence, including but not limited to the affairs, business and financial position of the Target Company are satisfactory to the Company or its representatives in its sole and absolute discretion;

- iii. there has not been any cancellation, invalidation, pledge, mortgage, third party claim or rights conflict or other conflicts with respect to mining rights and exploration rights currently held by the Target Company (the “**Target Company’s Mining Rights**”) nor any circumstances in which such rights of mining and exploration rights have been adversely affected (except for the charge(s) on the mining rights of the Target Company that has been disclosed to Pizu Shenzhen in the Capital Injection and Cooperation Agreement);
- iv. Pizu Shenzhen has received the standard unqualified audit reports, financial statements and complete sets of notes of the Target Company for the years 2016, 2017 and 2018, prepared by the auditing firm approved by Pizu Shenzhen, in accordance with PRC accounting standards, as well as the financial statements for the first and second quarters of 2019;
- v. the passing by the Shareholders of the Company at the EGM of the ordinary resolution to approve the Capital Injection and Cooperation Agreement and all transactions contemplated thereunder;
- vi. all necessary statutory governmental and regulatory obligations shall have been complied with and all approvals, consents, authorisations, permissions, licences, agreements, exemptions and waivers (so far as are necessary) in relation to the transactions contemplated under the Capital Injection and Cooperation Agreement shall have been obtained from the relevant governmental and regulatory authorities in Hong Kong, PRC or any other regions if applicable;
- vii. as of the Completion, the Target Company and the Major Shareholders have fully performed their obligations and responsibilities respectively under the Capital Injection and Cooperation Agreement which should be fulfilled before the date on which all the conditions precedent to Completion have been fulfilled. The declarations and warranties made by the Target Company and the Major Shareholders in the Capital Injection and Cooperation Agreement are true and accurate at the time they are made and shall remain as such as at Completion, and having the same force and effect as if effected on the Completion; and
- viii. the Company having obtained all the necessary approvals, consents or waivers (as the case maybe) in accordance with the Listing Rules, the Takeovers Code or other applicable regulations of the Stock Exchange and the SFC.

If the conditions have not been fulfilled (or, where applicable, waived by Pizu Shenzhen in writing) on or before the Long Stop Date, Pizu Shenzhen may terminate the Capital Injection and Cooperation Agreement and its obligations thereunder.

## **Completion**

Completion shall take place within 10 working days after the fulfillment or waiver of the conditions precedent of the Capital Injection and Cooperation Agreement (or such later date as the parties to the Capital Injection and Cooperation Agreement may agree in writing). After Completion, the Target Company shall complete all the registration procedures for the Capital Injection of the Target Company and tax filing procedures in the PRC as soon as practicable but in any event no later than 30 days from the Completion Date.

## **First Shareholder's Loan**

Pizu Shenzhen agreed to provide the Target Company with a loan limit of RMB150 million after the date of completion of the registration of the Share Charge (defined below), for a period of one year commencing from the date of the loan. The Parties agree that the First Shareholder's Loan is to be used exclusively for the repayment of the Target Company's due bank loans and the Target Company's daily operation.

The Parties agree that the repayment and interest arrangement of the First Shareholder's Loan shall be effected as follows:

- 1) If the Capital Injection and Cooperation Agreement is terminated before Completion as a result of not being able to obtain the internal approval of Pizu Shenzhen, the Target Company shall return the principal of the First Shareholder's Loan to Pizu Shenzhen, and in such case no interest shall be accrued;
- 2) If the Capital Injection and Cooperation Agreement is terminated before Completion for reasons other than that mentioned in paragraph 1 above, the Target Company shall return the principal and pay interest on the First Shareholder's Loan to Pizu Shenzhen (according to the same interest rate as that of commercial bank loans for the same period);
- 3) If Completion under the Capital Injection and Cooperation Agreement occurs successfully, the amount of the First Shareholder's Loan shall be automatically become part of the Capital Injection, and in such case no interest shall be accrued. If the circumstances of this clause occurs, the Parties shall cooperate in the procedures to release the pledge of shares;

The Parties agree that Wu and Jianrui shall respectively pledge their shares, of no less than 51% of the total number of shares of the Target Company as at the date of this announcement, to secure the First Shareholder's Loan in form of share charge ("**Share Charge**"), in order to guarantee the full repayment of the First Shareholder's Loan.

## **Second Shareholder's Loan**

Pizu Shenzhen has agreed to provide a further unsecured Second Shareholder's loan in an aggregate principal amount of RMB50 million to the Target Company after Completion if so required by the Target Company to satisfy its production and operation needs before the Target Company officially commence production. The Parties agree that the interest arrangement of the Second Shareholder's Loan shall be effected as follows:

- 1) If the Second Shareholder's Loan is made before 1 July 2020, the Target Company shall pay interest accrued from 1 July 2020 (according to the same interest rate as that of commercial bank loans for the same period);
- 2) If the Second Shareholder's Loan is made after 1 July 2020, the Target Company shall pay interest at the date when the Second Shareholder's Loan is made available to the Target Company (according to the interest rate as that of commercial bank loans for the same period).

## **Profit Compensation Clause**

In connection with the Capital Injection, the Major Shareholders and Pizu Shenzhen agreed that, assuming the Target Company has commenced mining production from 31 July 2020 and that the Target Company is able to reach annual production of 700,000 tonnes or above, Pizu Shenzhen shall pay to the creditors of the Certain Shareholders a lump sum of RMB15.374 million, equivalent to approximately 5% of the loan made by the Certain Shareholders to the Target Company of RMB307,490,651 as at 25 June 2019.

## **INFORMATION ON THE PARTIES**

### **Pizu Shenzhen**

Pizu Shenzhen is a limited liability company incorporated under the laws of PRC with a registered capital of RMB10 million. Pizu Shenzhen is a wholly owned subsidiary of the Company carrying on business of trading of bulk minerals in the PRC.

### **Major Shareholders**

#### *Jianrui*

Jianrui is a limited liability company incorporated under the laws of PRC. It is principally engaged in equity investment, investment consulting and entrusted asset management. Jianrui holds 40.03% equity interest of the Target Company as at the date of this announcement.

#### *Wu*

Wu is a businessman who is a PRC Citizen and holds 31.40% equity interest of the Target Company as at the date of this announcement.



### *Dai Bo*

Dai Bo is a businessman who is a PRC Citizen and holds 10% equity interest of the Target Company as at the date of this announcement.

### *Mei Lin*

Mei Lin is a businessman who is a PRC Citizen and holds 4.89% equity interest of the Target Company as at the date of this announcement.

### *Zhou Kai*

Zhou Kai is a businessman who is a PRC Citizen and holds 0.82% equity interest of the Target Company as at the date of this announcement.

## **The Target Company**

The Target Company is a limited liability company incorporated under the laws of PRC established in 23 June 2010 with a registered capital of RMB183,893,489. It is principally engaged in the mining, processing of pyrite, iron ore and copper and the sale of the said mineral products.

As at the date of this announcement, the Target Company holds 1 exploration permit and 1 mining permit and is in the stage of mine development. Accordingly, no revenue or profits have been generated by the Target Company since its incorporation. The unaudited total asset of the Target Company in accordance with PRC Accounting Standard as at 31 May 2019 is RMB990,919,937.34.

Upon completion of the Capital Injection, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the results of the Group.

## **REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION AND THE SHAREHOLDER'S LOAN**

The Group is principally engaged in bulk mineral trade, manufacturing and sale of explosives and mining project contracting business with blasting as the core business.

In the past five years, the Company has expanded its business from sale of explosives to provision of blasting operation and related services for large scale mines. The Company has received good returns to its investments and at the same time, gained valuable experience in mining operations for its management teams consisting of geological, and mining engineers. The Company will further expand downstream to develop its mining business with a view to maximize returns to the Group and its shareholders in the long run. The Company believes the Capital Injection of the Target Company is beneficial to the Group and would create a new income stream for the Group. Further, the Company has agreed to provide the Shareholder's Loan so as to allow the Target Company to complete its development and put the mines into production as soon as practicable.

The Directors are of the view that the terms of the Capital Injection and the Shareholder's Loan are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **IMPLICATION UNDER THE GEM LISTING RULES**

As the relevant percentage ratio in respect of the Capital Injection and the Shareholder's Loan are more than 25% but less than 100%, the transactions contemplated under the Capital Injection and Cooperation Agreement constitute a major transaction of the Company under Rule 19.06(3) of the GEM Listing Rules. Accordingly, the transactions contemplated under the Capital Injection and Cooperation Agreement are subject to notification, announcement, reporting and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

### **EGM**

The EGM will be convened for the purpose of considering and, if deemed appropriate, approving the Capital Injection and Cooperation Agreement, the Shareholder's Loan and the transactions contemplated thereunder.

A circular containing, among other things, details of the Capital Injection and Cooperation Agreement and the Shareholder's Loan, the transactions contemplated thereunder and other information required to be disclosed under the GEM Listing Rules, together with a notice convening the EGM, is currently expected to be despatched to the Shareholders on or before 27 September 2019 so as to allow sufficient time for the preparation of the relevant information, including a Competent Person's Report (as defined in the GEM Listing Rules), for inclusion in the circular.

**Shareholders and potential investors of the Company should be aware that as the Completion is subject to the satisfaction of the conditions precedent set out in the Capital Injection and Cooperation Agreement, the Capital Injection and the Shareholder's Loan may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

By order of the Board  
**Pizu Group Holdings Limited**  
**Mr. Xiong Zeke**  
*Chairman*

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

“Capital Injection”	the capital injection of an aggregate amount of RMB270 million by Pizu Shenzhen into the capital of the Target Company pursuant to the Capital Injection and Cooperation Agreement
“Capital Injection and Cooperation Agreement”	the conditional agreement dated 28 June 2019 entered into among Pizu Shenzhen, Major Shareholders and the Target Company in relation to the Capital Injection
“Board”	the board of Directors of the Company
“Certain Shareholders”	means Jianrui, Dai Bo and four affiliates of the Existing Shareholders
“Company”	Pizu Group Holdings Limited (比優集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM (Stock Code: 8053)
“Completion”	the completion of the Capital Injection and Cooperation Agreement in accordance with the terms thereof
“Completion Date”	the day on which Completion takes place or such later date as the parties to the Capital Injection and Cooperation Agreement may agree in writing
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Injection and Cooperation Agreement and the transactions contemplated thereunder
“Existing Shareholders”	A total of 11 legal entities or individuals who in aggregate own 100% of the equity interest in the Target Company as at the date of this announcement
“First Shareholder’s Loan”	RMB150 million shareholder’s loan to be provided by Pizu Shenzhen to the Target Company

“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Jianrui”	Shenzhen Jianrui Investment Management Co., Ltd.* (深圳市建睿投資管理有限公司), a limited liability company incorporated under the laws of the PRC, one of the Existing Shareholders holding 40.03% equity interest in the Target Company as at the date of this announcement
“Long Stop Date”	365 days from the Completion Date or such other dates(s) as may be agreed in writing by the Major Shareholders , Pizu Shenzhen and the Target Company from time to time on which the conditions precedents shall be fulfilled
“Major Shareholders”	5 out of all the Existing Shareholders, namely Jianrui, Wu, Dai Bo, Mei Lin and Zhou Kai, who collectively hold 87.14% and individually holds 40.03%, 31.40%, 10%, 4.89% and 0.82% of the equity interest in the Target Company, respectively, as at the date of this announcement
“Pizu Shenzhen”	Pizu (Shenzhen) Mining Limited*(比優(深圳)礦業有限公司), a limited liability company established in the PRC, a wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Second Shareholder’s Loan”	RMB50 million shareholder’s loan to be provided by Pizu Shenzhen to the Target Company
“Shareholder’s Loan”	The First Shareholder’s Loan and the Second Shareholder’s Loan

“Share(s)”	share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Anhui Jinding Mining Co., Ltd.* (安徽省金鼎礦業有限公司), a limited liability company established in the PRC
“Wu”	Wu Zhixiang (吳志祥), one of the Existing Shareholders holding 31.40% of equity interest in the Target Company as at the date of this announcement
“%”	per cent.

Hong Kong, 28 June 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](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)*

\* For identification only