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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**

#### **NEW FRAMEWORK AGREEMENT**

On 25 February 2021, Juli Engineering (a wholly owned subsidiary of the Group) entered into the New Framework Agreement with Ordos Beian in relation to the continuing connected transactions on supply of civil explosives equipment and materials with annual caps set for the three years ending 31 March 2024.

#### **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 New Framework Agreement are on normal commercial terms; and (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 announcement of the Company dated 15 February 2019 in relation to CCT on the supply of the Products from Ordos Beian to Juli Engineering for the three financial years ending 31 March 2021. As the Existing Framework Agreement will expire on 31 March 2021, Ordos Beian and Juli Engineering entered into the New Framework Agreement for the three financial years ending 31 March 2024.

## PRINCIPAL TERMS OF THE CCT AND THE NEW FRAMEWORK AGREEMENT

On 25 February 2021, Juli Engineering and Ordos Beian entered into the New Framework Agreement in relation to the supply of the Products. The principal terms of the CCT under the New Framework Agreement are set out as below:

Date: 25 February 2021

- (1) Inner Mongolia Juli Engineering and Blasting Services Limited\* (內蒙古聚力工程爆破有限公司) (“**Juli Engineering**”) (a subsidiary of the Group); and
- (2) Ordos City Beian Civil Explosive Products Limited Ordos Branch\* (內蒙古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**”).

Ordos Beian is a connected person of the Group and further details about the Ordos Beian are set out in the paragraph headed “Implications under the GEM Listing Rules” below.

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

Term: Three years from 1 April 2021 to 31 March 2024.

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 New Framework Agreement for the supply of the Products, Ordos Beian and Juli Engineering may, within the scope of the New Framework Agreement, 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 New Framework Agreement.

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.

## Pricing Policy

To ensure the transactions contemplated under the New Framework Agreement will continue to be fair and reasonable and conducted on normal commercial terms or on terms no less favourable to the Group than terms available from independent third party suppliers of the Group, the procurement department of the Group will obtain quotations from one or two independent third party suppliers (as far as the circumstances allow) in addition to the quotation from Ordos Beian so as to determine the prevailing market price. The current office automation system adopted by the Group can ensure the transactions under the purchase orders of the CCT will be reviewed and approved by the relevant senior department heads (based on the transaction value of the proposed transaction and seniority of the relevant senior management) who may locate in different locations in a timely manner before implementation to ensure the compliance with the pricing mechanism set out above.

Separately, the Company has an internal audit department which conducts irregular review on the compliance status of the pricing policy of the CCT and the external auditors of the Company also review the CCT and thereafter issue a confirmation under Rule 20.54 of the GEM Listing Rules on an annual basis during the performance of the statutory audit of the financial statements of the Group. In view of the above, the Board consider that the above procedures can ensure that the transactions contemplated under the New Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

## Annual Caps

### (1) Existing Framework Agreement

The Company announced in the announcement of the Company dated 15 February 2019 that the proposed annual caps (net of VAT) in respect of the CCT for the three years ending 31 March 2021 are set out in the following table together with the actual historical amounts (net of VAT):

(net of VAT)	For the year ended/ending 31 March		
	2019	2020	2021
	RMB	RMB	RMB
Proposed annual caps	100,000,000	120,000,000	150,000,000
Actual transaction amounts	67,669,000	67,897,000	72,340,000 (note)

*Note:* This refers to the actual amounts of CCT (net of VAT) for the period from 1 April 2020 to 31 December 2020.

**(2) *New Framework Agreement***

The proposed annual caps (net of VAT) of the CCT for the year ending 31 March 2024 under the New framework Agreement are set out in the following table:

<b>(net of VAT)</b>	<b>For year ending 31 March</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed annual caps	150,000,000	150,000,000	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 2021, (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 2022, 2023 and 2024.

**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. 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.

Ordos Beian has been a reliable supplier of the Group in respect of the supply of civil explosives and equipment. By entering into the New Framework Agreement, the Group can continue the strategic business relationship with Ordos Beian which is beneficial for the stable operations of and business expansion of the Group.

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 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 is the holding company of Jungar Banner Lida, 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) 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; and (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.

## **DEFINITIONS**

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

“Board”	the board of Directors of the Company from time to time
“CCT”	the continuing connected transactions of the Group in respect of the supply of the Products from Ordos Beian to Juli Engineering under the Existing Framework Agreement or the New Framework Agreement (as the case may be)
“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 GEM (stock code: 8053)
“Director(s)”	the director(s) of the Company
“Existing Framework Agreement”	the agreement dated 2 June 2017 between Juli Engineering and Ordos Beian in relation to the supply of the Products for the period from 2 June 2017 to 31 March 2021 (supplemented by agreements between the parties dated 9 October 2017 and 15 February 2019)
“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

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Juli Engineering”	Inner Mongolia Juli Engineering and Blasting Services Limited*(內蒙古聚力工程爆破有限公司), a company established in the PRC and a subsidiary of the Company
Jungar Banner Lida	Jungar Banner Lida Investment Limited* (準格爾旗力達投資有限責任公司), a company established in the PRC
“New Framework Agreement”	the agreement dated 25 February 2021 between Juli Engineering and Ordos Beian in relation to the supply of the Products for the three years ending 31 March 2024
“Ordos Beian”	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), a company established in the PRC
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement only, exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Products”	civil explosive equipment, supplies, materials and other similar items
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
Shengan Chemical (Inner Mongolia)	Inner Mongolia Shengan Chemical Limited* (內蒙古盛安化工有限責任公司), a company established in the PRC and a subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“%”

per cent

*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, 25 February 2021

*As at the date of this announcement, the Board comprises nine Directors. The executive Directors are Mr. Xiong Zeke (Chairman), Mr. Liu Fali (Chief Executive Officer), Mr. Ma Gangling (Chief Operating Officer), Mr. Ma Tianyi, 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).*