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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)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO FORMATION OF JOINT VENTURE

FORMATION OF THE JOINT VENTURE COMPANY

On 18 March 2022, Tibet Fudeyuan, an indirect wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Shengli Resource and Tibet Xinsen in relation to the formation of the Joint Venture Company in the PRC with a registered capital of RMB500 million.

Pursuant to the terms of the Joint Venture Agreement, each of Tibet Fudeyuan, Shengli Resource and Tibet Xinsen will contribute RMB275 million, RMB150 million and RMB75 million, respectively, towards the registered capital of the Joint Venture Company. Upon completion of the capital contribution into the Joint Venture Company, it will be owned as to 55%, 30% and 15% by Tibet Fudeyuan, Shengli Resource and Tibet Xinsen, respectively.

The Joint Venture Company will be an investment holding company. After its establishment, the Joint Venture Company may (i) acquire equity interests of the Target Company, which is principally engaged in mining, flotation processing, sale and exploration of molybdenum and copper mines and sale of non-ferrous products, and/or (ii) engage in other business activities.

GEM LISTING RULES IMPLICATIONS

DISCLOSEABLE TRANSACTION

As one or more of the applicable percentage ratios as set out in the GEM Listing Rules in respect of the transactions contemplated under the Joint Venture Agreement exceeds 5% and all of the percentage ratios are less than 25%, the entering into the Joint Venture Agreement and the transactions as contemplated thereunder constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements but exempt from shareholders' approval under Chapter 19 of the GEM Listing Rules.

CONNECTED TRANSACTION

As at the date of this announcement, Shengli Resource is a fellow subsidiary of Shengli Civil Explosives which is a substantial shareholder of two indirect non-wholly owned subsidiaries of the Company, namely Shengan Chemical and Juli Engineering and Blasting Services. Accordingly, Shengli Resource is a connected person at the subsidiary level of the Company pursuant to Chapter 20 of the GEM Listing Rules. The entering into the Joint Venture Agreement and the transactions as contemplated thereunder also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As (i) Shengli Resource is only a connected person at the subsidiary level of the Company; (ii) the transactions as contemplated under the Joint Venture Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) has approved the Joint Venture Agreement; and (iv) the independent non-executive Directors have confirmed that the terms of the Joint Venture Agreement are fair and reasonable, the transactions as contemplated under the Joint Venture Agreement are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the entering into of the Joint Venture Agreement and the transactions as contemplated thereunder are subject only to the notification and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules.

FORMATION OF THE JOINT VENTURE COMPANY

On 18 March 2022, Tibet Fudeyuan, an indirect wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Shengli Resource and Tibet Xinsen in relation to the formation of the Joint Venture Company in the PRC with a registered capital of RMB500 million.

The principal terms of the Joint Venture Agreement are set out below.

Subject matter

The Joint Venture Company is a limited liability company established in accordance with the laws of the PRC and the provisions of the Joint Venture Agreement.

The name of the Joint Venture Company is 比優(西藏)資源開發利用有限責任公司.

Purpose of the Joint Venture Company

The Joint Venture Company will be an investment holding company. After its establishment, the Joint Venture Company may (i) acquire equity interests of the Target Company, which is principally engaged in mining, flotation processing, sale and exploration of molybdenum and copper mines and sale of non-ferrous products, and/or (ii) engage in other business activities.

Capital contribution

Pursuant to the terms of the Joint Venture Agreement, the registered capital of the Joint Venture Company will be RMB500 million. Each of Tibet Fudeyuan, Shengli Resource and Tibet Xinsen will contribute RMB275 million, RMB150 million and RMB75 million, respectively, towards the registered capital of the Joint Venture Company. The Joint Venture Company will be owned as follows upon its establishment:-

Shareholder	Capital contribution <i>(RMB million)</i>	Shareholding percentage
Tibet Fudeyuan	275	55%
Shengli Resource	150	30%
Tibet Xinsen	75	15%
Total	500	100%

The parties to the Joint Venture Agreement shall pay in full their respective portion of capital contribution in cash within five days from the date that the Joint Venture Company has obtained the business registration certificate following its establishment.

The amount of capital contribution was determined after arm's length negotiations among Tibet Fudeyuan, Shengli Resource and Tibet Xinsen with reference to the initial capital requirement of the Joint Venture Company. The capital contribution by Tibet Fudeyuan will be funded by internal resources of the Group.

As Tibet Fudeyuan is expected to hold more than 50% of the equity interests in the Joint Venture Company, the Joint Venture Company will become an indirect non-wholly owned subsidiary of the Company.

Board composition of the Joint Venture Company

The board of directors of the Joint Venture Company shall comprise seven directors. Tibet Fudeyuan, Shengli Resource and Tibet Xinsen shall have the right to nominate four, two and one director(s), respectively. The chairman of the board of directors of the Joint Venture Company shall be nominated by Tibet Fudeyuan.

Management of the Joint Venture Company

The supervisory committee of the Joint Venture Company shall comprise five members. Each of Tibet Fudeyuan, Shengli Resource and Tibet Xinsen shall be entitled to nominate a member of the supervisory committee. The remaining two members of the supervisory committee shall be elected by the employees of the Joint Venture Company. The chairman of the supervisory committee shall be nominated by Tibet Fudeyuan. The member of the supervisory committee shall not be a director or senior management of the Joint Venture Company.

The senior management of the Joint Venture Company shall consist of a general manager, chief financial officer and deputy general manager. Tibet Fudeyuan shall have the right to nominate the general manager and chief financial officer and Shengli Resource shall have the right to nominate the deputy general manager of the Joint Venture Company.

Restrictions on transfer

None of the shareholders of the Joint Venture Company is allowed to transfer, pledge, sell or otherwise deal with part or all of its equity interests in the Joint Venture Company without the prior consents of the other shareholders of the Joint Venture Company.

If any shareholder of the Joint Venture Company proposes to transfer its equity interests to any third party other than an existing shareholder of the Joint Venture Company or its associate, the remaining shareholder(s) shall have the right of first refusal to acquire such equity interests on the same terms and conditions.

Pre-emptive rights

If the Joint Venture Company proposes to increase its registered capital or allot and issue new shares, the existing shareholder(s) of the Joint Venture Company shall have the pre-emptive right to subscribe for the increased registered capital or new shares in proportion to their respective equity interests in the Joint Venture Company and at the same price and on the same terms and conditions as those offered to third party. The shareholder(s) of the Joint Venture Company shall be entitled to subscribe for the increased registered capital or new shares in its own capacity or through its designated associate.

Distribution of profit

The Joint Venture Company shall distribute its annual profit after tax after making reserve for its statutory and discretionary contribution for provident funds as determined by the shareholders at general meeting. In the event of losses in previous year(s), the Joint Venture Company shall only distribute its profits for the current year after offsetting the accumulated losses. Any undistributed profits of previous years(s) may be aggregated to the profits of the current year for distribution purpose. The Joint Venture Company shall distribute its profits to shareholders in proportion to their actual paid up registered capital in the Joint Venture Company subject to the approval from the shareholders at general meeting.

INFORMATION OF THE GROUP

The Company is an investment holding company and the Group is principally engaged in manufacturing and sale of explosives, provision of blasting operation and related services and mining operation.

INFORMATION OF THE PARTIES TO THE JOINT VENTURE AGREEMENT

Tibet Fudeyuan

Tibet Fudeyuan is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Tibet Fudeyuan is principally engaged in investment holding.

Shengli Resource

Shengli Resource is a company established in the PRC with limited liability, which is principally engaged in real estate and mining operations. Shengli Resource is owned by seven independent third parties.

As at the date of this announcement, Shengli Resource is a fellow subsidiary of Shengli Civil Explosives which is a substantial shareholder holding 40% of the equity interests in each of Shengan Chemical and Juli Engineering and Blasting Services, both of which are indirect non-wholly owned subsidiaries of the Company. Accordingly, Shengli Resource is a connected person at the subsidiary level of the Company.

Tibet Xinsen

Tibet Xinsen is an investment holding company established in the PRC with limited liability. The affiliated company of Tibet Xinsen is principally engaged in trading of non-ferrous metal and is a customer of Anhui Jinding Mining Co., Ltd. (安徽省金鼎礦業有限公司), an indirect non-wholly owned subsidiary of the Company which is principally engaged in mining, processing of pyrite, iron ore and copper and the sale of the said mineral products.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Tibet Xinsen and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JOINT VENTURE AGREEMENT

The Group has commenced exploration, development and mining activities during the financial year ended 31 March 2021 and commenced commercial production in July 2021. The Board considers that the formation of the Joint Venture Company enables the Group to further develop and expand its mining operation business by enriching its reserves of mineral resources, which is in line with the business development strategy of the Group.

Further, the Board believes that the Group could leverage the financial resources, industry experience and sales network of the other joint venturers by entering into the Joint Venture Agreement which is conducive to the Group's expansion and development in the mining industry in the PRC. Shengli Resource has established experience in the mining operations in the PRC; whereas the affiliated company of Tibet Xinsen has established experience and sales network in the trading of non-ferrous metal.

The terms of the Joint Venture Agreement are negotiated after arm's length negotiations. The Directors are of the view that the terms of the Joint Venture Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

DISCLOSEABLE TRANSACTION

As one or more of the applicable percentage ratios as set out in the GEM Listing Rules in respect of the transactions contemplated under the Joint Venture Agreement exceeds 5% and all of the percentage ratios are less than 25%, the entering into the Joint Venture Agreement and the transactions as contemplated thereunder constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements but exempt from shareholders' approval under Chapter 19 of the GEM Listing Rules.

As disclosed in the announcement of the Company dated 31 December 2021 (the "**Announcement**"), Tibet Fudeyuan has acquired 27% of the equity interests in the Target Company in December 2021 (the "**December 2021 Acquisition**"). Please refer to the Announcement for further details of the December 2021 Acquisition and the Target Company.

As the Joint Venture Company will become an indirect non-wholly owned subsidiary of the Company, the proposed acquisition of equity interests in the Target Company by the Joint Venture Company (the "**Proposed Acquisition(s)**"), if materialised, may constitute a notifiable transaction of the Company. In view of the fact that the December 2021 Acquisition and the Proposed Acquisition(s), if materialised, are both concerned with acquiring the equity interests in the Target Company, these transactions may be aggregated and regarded as a single transaction under the GEM Listing Rules. The Company will comply with the relevant notification, announcement and, if applicable, Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules and further announcement(s) will be made by the Company in this regard as and when necessary. As at the date of this announcement, no binding agreement has been entered into in respect of the Proposed Acquisition(s).

CONNECTED TRANSACTION

As at the date of this announcement, Shengli Resource is a fellow subsidiary of Shengli Civil Explosives which is a substantial shareholder of two indirect non-wholly owned subsidiaries of the Company, namely Shengan Chemical and Juli Engineering and Blasting Services. Accordingly, Shengli Resource is a connected person at the subsidiary level of the Company pursuant to Chapter 20 of the GEM Listing Rules. The entering into the Joint Venture Agreement and the transactions as contemplated thereunder also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As (i) Shengli Resource is only a connected person at the subsidiary level of the Company; (ii) the transactions as contemplated under the Joint Venture Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) has approved the Joint Venture Agreement; and (iv) the independent non-executive Directors have confirmed that the terms of the Joint Venture Agreement are fair and reasonable, the transactions as contemplated under the Joint Venture Agreement are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the entering into of the Joint Venture Agreement and the transactions as contemplated thereunder are subject only to the notification and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules.

As none of the Directors has any material interest in the Joint Venture Agreement and the transactions contemplated thereunder, none of them is required to abstain from voting on the board resolution approving the Joint Venture Agreement and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, the following words and expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors
“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)
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Director(s)”	the director(s) of the 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
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“Joint Venture Agreement”	the joint venture agreement dated 18 March 2022 and entered into among Tibet Fudeyuan, Shengli Resource and Tibet Xinsen in relation to the formation and management of the Joint Venture Company
“Joint Venture Company”	比優(西藏)資源開發利用有限責任公司, the joint venture company established in the PRC with limited liability pursuant to the terms of the Joint Venture Agreement
“Juli Engineering and Blasting Services”	Inner Mongolia Juli Engineering and Blasting Services Limited* (內蒙聚力工程爆破有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shengan Chemical”	Inner Mongolia Shengan Chemical Limited* (內蒙古盛安化工有限責任公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Shengli Civil Explosives”	Inner Mongolia Shengli Civil Explosives Co., Ltd.* (內蒙古生力民爆股份有限公司), a company established in the PRC with limited liability
“Shengli Resource”	Inner Mongolia Shengli Resource (Group) Co., Ltd.* (內蒙古生力資源(集團)有限責任公司), a company established in the PRC with limited liability
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in the GEM Listing Rules
“substantial shareholder”	has the meaning ascribed thereto in the GEM Listing Rules

“Target Company”	Tibet Tianren Mining Co., Ltd.* (西藏天仁礦業有限公司), a company established in the PRC with limited liability
“Tibet Fudeyuan”	Tibet Fudeyuan Trading Limited* (西藏福德圓實業集團有限公司, formerly known as 西藏福德圓工貿有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“Tibet Xinsen”	Tibet Xinsen Mining Co., Ltd.* (西藏鑫森礦業有限公司), a company established in the PRC with limited liability

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

Hong Kong, 18 March 2022

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

* For identification only