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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 DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

The Board hereby announces that after trading hours on 19 April 2024, the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the Equity Transfer Agreement pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, being 40% of the issued shares of the Target Company, for a consideration of RMB50 million (equivalent to approximately HK\$54.15 million). Upon the Completion, the Company will hold 60% of the issued share capital of the Target Company and the Target Company will remain as an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Company will remain to be consolidated into the Company's consolidated financial statements.

IMPLICATION UNDER THE GEM LISTING RULES

As the Purchaser is a substantial shareholder of certain indirect non-wholly owned subsidiaries of the Company, the Purchaser is a connected person of the Company under the GEM Listing Rules. As the relevant percentage ratios under the GEM Listing Rules in respect of the Disposal are more than 0.1% but less than 5%, the entering into of the Equity Transfer Agreement and the transactions contemplated therein are subject to the reporting and announcement requirements but are exempted from the circular (including independent financial advice) and shareholders' approval requirement for the Company under Chapter 20 of the GEM Listing Rules.

INTRODUCTION

The Board hereby announces that after trading hours on 19 April 2024, the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the Equity Transfer Agreement pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, being 40% of the issued shares of the Target Company, for a consideration of RMB50 million (equivalent to approximately HK\$54.15 million).

THE DISPOSAL AND THE EQUITY TRANSFER AGREEMENT

- Date: 19 April 2024
- Parties: Perfect Start Development Limited, a direct wholly-owned subsidiary of the Company, as Vendor; and

內蒙古生力民爆股份有限公司, a company established under the laws of the PRC, a substantial shareholder of certain indirect non-wholly owned subsidiaries of the Company, as Purchaser
- Subject matter: Pursuant to the Equity Transfer Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, being 40% of the issued shares of the Target Company, by a special purpose vehicle (the “SPV”) to be incorporated by the Purchaser.
- Consideration: The consideration for the Disposal shall be RMB50 million (equivalent to approximately HK\$54.15 million), which was determined upon arm’s length negotiations between the parties to the Equity Transfer Agreement with reference to net asset value of the Target Company of RMB94.91 million (equivalent to approximately HK\$102.79 million) as of 31 December 2023.

The consideration shall be paid in cash within 60 days after the signing of the Equity Transfer Agreement.
- Completion: Completion shall take place within 20 days upon receipt of the consideration by the Vendor, and is subject to the parties obtaining all the necessary approvals and consents from the relevant government authorities and other necessary parties and the incorporation of the SPV.

As of the date of this announcement, the SPV has not been incorporated yet.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company as of the date of this announcement and immediately before the Completion. The Target Company is an investment holding company which holds 50.01% of the equity interest of KM Muosir Limited Liability Company. KM Muosir Limited Liability Company is a company incorporated in Tajikistan which principally engages in the manufacture and sale of explosives. Set out below is the financial information of the Target Company as extracted from the management accounts of the Target Company for the year ended 31 March 2023:

	For the year ended	
	31 March	
	2022	2023
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit before tax	RMB34.30 million	RMB48.10 million
Net profit after tax	RMB32.42 million	RMB44.34 million

INFORMATION ON THE GROUP AND THE PURCHASER

The Group is principally engaged in manufacturing and sale of explosives and provision of blasting operation and related services in the PRC and Tajikistan, as well as mining, processing of iron ore, copper and pyrite and the sales of the said mineral products in the PRC.

The Purchaser is a company established under the laws of the PRC, which is a civil explosive service provider that provides research and development on civil explosives, production, sales, and blasting services. It owns emulsion explosives production line and mainly produces major products of domestic industrial explosives. In addition, the Purchaser also owns porous granular ammonium oil explosives and on-site mixed truck ground station.

Given the businesses engaged by the Purchaser and the Group's strategies to develop its civil explosive business in Central Asia, the Purchaser is an important business partner of the Group. As of the date of this announcement, the Purchaser is a substantial shareholder of certain indirect non-wholly owned subsidiaries of the Company. It is beneficially interested in 40% of equity interest in Juli Engineering, 35% of equity interest in 內蒙古生力眾成民爆有限公司 (Inner Mongolia Shengli Zhongcheng Civil Explosive Company Limited*) (“**Shengli Zhongcheng**”) and 40% of equity interest in 內蒙古盛安化工有限責任公司 (Inner Mongolia Shengan Chemical Limited*) (“**Shengan Chemical (Inner Mongolia)**”). Each of Juli Engineering and Shengan Chemical (Inner Mongolia) is an indirect non-wholly owned subsidiary of the Company and Shengli Zhongcheng is an associate of the Company in which the Group is beneficially interested in 25% of its equity interest. The Purchaser is also a fellow subsidiary of 內蒙古生力資源(集團)有限責任公司 (Inner Mongolia Shengli Resource (Group) Co., Ltd.*), which is interested in 30% of equity interest in 比優(西藏)資源開發利用有限責任公司, an indirect non-wholly owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

As of the date of this announcement, to the best of the Directors' knowledge, information and belief after making reasonable enquiries and according to publicly available information, the identity and shareholding of each of the ultimate beneficial owners of the Purchaser are set out in the following table :

Name of shareholder	Approximate percentage of equity interest in the Purchaser <i>(Note)</i>
Committee of Inner Mongolia Shengli Resource (Group) Co., Ltd.	
Trade Union* (內蒙古生力資源(集團)有限責任公司工會委員會)	41.03%
Zhang Junbiao* (張俊彪)	30.02%
Liu Hanxiao* (劉憇小)	5.90%
Fu Youming* (付有明)	5.79%
Liu Xiangqian* (劉向前)	5.76%
Lu Jinxi* (魯金喜)	5.75%
Wang Yuefeng* (王悦豐)	5.74%

Note: The percentage of equity interest in the Purchaser has been subject to rounding adjustments and rounded to two decimal places.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has been committed to the development of civil explosives business in Central Asia since 2015. The Group holds controlling interest in KM Muosir Limited Liability Company via the Target Company to produce and sell explosives in Tajikistan, and its local market share has reached about 90%. However, due to constraints on the purchase and sale of detonators, the Group has decided to invest in a new detonator line in KM Muosir Limited Liability Company in 2023 which can reduce the cost of sales of detonators and drive the sales of explosive products.

Considering the years of experience of the Purchaser in civil explosive business and its technology and management experience in the manufacture of detonators, and the existing business cooperation between the Purchaser and the Group, the Disposal can further enhance the Group's business development in Tajikistan.

Taking into consideration of the aforesaid, the Directors (including the independent non-executive Directors) consider that notwithstanding that the Disposal is not in the ordinary and usual course of business of the Group, the terms of the Disposal are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

None of the Directors have a material interest in the Equity Transfer Agreement or are required to abstain from voting on the resolutions of the Board approving the transaction under the Equity Transfer Agreement.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

It is currently expected that after deducting expenses attributable to the Disposal, the Group will record gain of approximately RMB11.9 million (equivalent to approximately HK\$12.89 million) upon completion of the Disposal. Subject to audit and completion of the Disposal, the actual amount of gain or loss on the Disposal to be recognized by the Group may vary.

The net proceeds from the Disposal, after deducting expenses attributable to the Disposal, are estimated to be approximately RMB49.9 million (equivalent to approximately HK\$54.04 million). The Company intends to apply such net proceeds as general working capital.

Upon the Completion, the Company will hold 60% of the issued share capital of the Target Company and the Target Company will remain as an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Company will remain to be consolidated into the Company's consolidated financial statements.

IMPLICATION UNDER THE GEM LISTING RULES

As the Purchaser is a substantial shareholder of certain indirect non-wholly owned subsidiaries of the Company, the Purchaser is a connected person of the Company under the GEM Listing Rules. As the relevant percentage ratios under the GEM Listing Rules in respect of the Disposal are more than 0.1% but less than 5%, the entering into of the Equity Transfer Agreement and the transactions contemplated therein are subject to the reporting and announcement requirements but are exempted from the circular (including independent financial advice) and shareholders' approval requirement for the Company under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“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 GEM of the Stock Exchange (stock code: 8053)
“Completion”	the completion of the Disposal
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 19 April 2024 and entered into between the Vendor and the Purchaser in relation to the Disposal
“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
“Juli Engineering”	內蒙聚力工程爆破有限公司 (Inner Mongolia Juli Engineering Blasting Co., Ltd.*), a company established under the laws of the PRC, an indirect non-wholly-owned subsidiary of the Company

“PRC”	the People’s Republic of China
“Purchaser”	內蒙古生力民爆股份有限公司 (Inner Mongolia Shengli Civil Explosives Co., Ltd.*), a company established under the laws of the PRC, a substantial shareholder of certain indirect non-wholly owned subsidiaries of the Company
“Sale Shares”	the 40% of the issued shares of the Target Company as beneficially held by the Vendor prior to the Completion
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Target Company”	Pizu International Limited, a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company immediately before the Completion
“Vendor”	Perfect Start Development Limited, a company incorporated under the laws of the British Virgin Islands, a direct wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By order of the Board
Pizu Group Holdings Limited
Mr. Ma Tianyi
Chairman and Chief Executive Officer

Hong Kong, 19 April 2024

* *For the purpose of illustration in this announcement, figures in RMB are translated to HK\$ at the approximate exchange rate of RMB1 to HK\$1.083. In addition, all the English translation of certain Chinese names or words in this announcement is included for information purpose and should not be regarded as the official translation of such Chinese names or words*

As at the date of this announcement, the Board comprises eight Directors. The executive Directors are Mr. Ma Tianyi (Chairman and Chief Executive Officer), Mr. Liu Fali (Chief Operating Officer), Ms. Qin Chunhong, Ms. Ma Ye and Mr. Ma Yong; and the independent non-executive Directors are Ms. Zhang Jinghua, Mr. Ha Suoku and Dr. Li Xu.

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 Stock Exchange’s website at www.hkexnews.hk for at least seven days from the date of its publication and on the Company’s website at www.pizugroup.com.