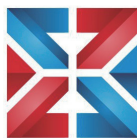


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Zhixin Group Holding Limited

智欣集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2187)

BUSINESS UPDATE IN RELATION TO ACQUISITION OF LAND USE RIGHTS AND CHANGE IN USE OF PROCEEDS

Reference is made to (i) the prospectus of Zhixin Group Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 16 March 2021 (the “**Prospectus**”); and (ii) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Prospectus.

ACQUISITION OF LAND USE RIGHTS

The Board is pleased to announce that, on 5 August 2021, Zhixin Construction Technology, an indirect wholly-owned subsidiary of the Company, succeeded in the bid of the land use rights (the “**Land Use Rights**”) of a piece of land located at the north side of Wanyao Section, Old National Highway 324, 11-01 Zone of Jimei District (集美區11-01片區舊324國道碗瑤段北側), Xiamen City, Fujian Province, the PRC (the “**Land**”) offered for sale by Bureau of Natural Resources and Planning of Xiamen City* (廈門市自然資源和規劃局) (the “**Natural Resources and Planning Bureau**”). The Natural Resources and Planning Bureau is a third party independent of and not connected with the Company and its connected persons.

Details of the acquisition of the Land Use Rights are as follows:

Date of the auction confirmation	:	5 August 2021
Parties to the auction confirmation	:	Natural Resources and Planning Bureau and Zhixin Construction Technology
Location of the Land	:	North side of Wanyao Section, Old National Highway 234, 11-01 Zone of Jimei District (集美區11-01片區舊324國道碗瑤段北側), Xiamen City, Fujian Province, the PRC
Total site area	:	55,525.703 sq.m.
Total floor area of building(s) to be erected on the Land	:	66,630–166,570 sq.m.
Nature of the Land Use Rights	:	Industrial use (industrial factory(ies) and ancillary facilities) with a term of use of 20 years
Consideration	:	RMB23.4 million (equivalent to approximately HK\$25.74 million), which was arrived at after bidding at the auction based on a starting bid of RMB23.4 million and a minimum bid increment of RMB0.1 million
Payment term	:	Zhixin Construction Technology has paid an amount of approximately RMB4.68 million as deposit before the auction, which has been used to set off against the price of the Land Use Rights. The balance of the price of the Land Use Rights of approximately RMB18.72 million was paid on 9 August 2021
Date of land use rights grant contract	:	The state-owned construction land use rights grant contract* (國有建設用地使用權出讓合同) was entered into between the Natural Resources and Planning Bureau as the transferor and Zhixin Construction Technology as the transferee in relation to the acquisition of the Land Use Rights on 13 August 2021

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing and sale of concrete-based building materials, principally ready-mixed concrete and PC components, in Xiamen City, Fujian Province of the PRC.

As disclosed in the section headed “Business — Business Strategies” in the Prospectus, the Company intends to capture business opportunities in order to reinforce its leading position in the PC component industry by, among other things, increasing its production capacity through establishing two fully automatic carousel production lines and one stationary production line with an aggregate estimate annual production capacity of approximately 150,000 m³ (the “**New Production Lines**”). The Company originally planned to (i) construct factory and buildings with gross floor area of approximately 12,000 sq.m. to house the New Production Lines and ancillary facilities on an existing parcel of land within the PC Plant with a site area of approximately 6,000 sq.m., which is currently being used as a storage site for its PC components; and (ii) lease new storage site(s) in proximity to the PC Plant with adequate storage capacity to serve the Group’s storage requirements before and after expansion.

Following the completion of the acquisition of the Land Use Rights, the Company intends to construct factory and buildings with gross floor area of approximately 12,000 sq.m. on the Land, instead of on the existing parcel of land within the PC Plant as originally planned, to accommodate the New Production Lines and ancillary facilities. It is expected that the construction works and installation of new machineries and equipment on the Land will be substantially completed in 2022, and commercial production will commence in or about January 2023.

Having considered that (i) the Land, located at Jimei District, Xiamen City, Fujian Province, the PRC, is in proximity to the PC Plant and the RMC Plant; (ii) the acquisition of the Land Use Rights would not only accommodate the New Production Lines and ancillary facilities, but also provide extra space for future expansion in production of the Group and extra storage capacity for its PC components; (iii) the construction of factory and buildings on the Land instead of on the existing parcel of land within the PC Plant would cause less interruption to the existing operation and production of the Group at the PC Plant; (iv) the risks arising from the fluctuations in rental and possible non-renewal and/or early termination of leases pertaining to the lease of storage sites will be avoided; and (v) the price of the Land Use Rights of RMB23.4 million (equivalent to approximately HK\$25.74 million) of the Land Use Rights is equal to the starting bid price in the auction of the Land Use Rights without any bid increment, the Directors are of the view that the acquisition of the Land Use Rights is in the best interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) is less than 5%, the acquisition of the Land Use Rights does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

CHANGE IN USE OF PROCEEDS

Planned use of proceeds

The net proceeds from the Share Offering received by the Company, after deducting the underwriting fees and listing expenses in connection with the Share Offering, amounted to approximately HK\$238.7 million (equivalent to RMB217.0 million) (the “**Actual Net Proceeds**”). As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and in the 2020 Annual Report, the Company intended to use the Actual Net Proceeds raised from the Share Offering as follows:

- (i) approximately HK\$199.6 million (equivalent to RMB181.5 million), representing approximately 83.6% of the Actual Net Proceeds, will be used for expanding the Group’s PC component production capacity;
- (ii) approximately HK\$8.8 million (equivalent to RMB8.0 million), representing approximately 3.7% of the Actual Net Proceeds, will be used for enhancing the Group’s information technology system;
- (iii) approximately HK\$4.4 million (equivalent to RMB4.0 million), representing approximately 1.9% of the Actual Net Proceeds, will be used for improving the Group’s environmental protection system;
- (iv) approximately HK\$2.0 million (equivalent to RMB1.8 million), representing approximately 0.8% of the Actual Net Proceeds, will be used for acquiring mixer and concrete pump trucks; and
- (v) approximately HK\$23.9 million (equivalent to RMB21.7 million), representing approximately 10.0% of the Actual Net Proceeds, will be used as general working capital.

As at the date of this announcement, the unutilised Actual Net Proceeds amounted to approximately HK\$212.2 million (equivalent to RMB192.9 million) (the “**Unutilised Net Proceeds**”).

Reallocation of the Unutilised Net Proceeds

To enable the Group to better utilise its resources, the Directors have resolved to reallocate approximately HK\$4.7 million (equivalent to RMB4.3 million) of the Unutilised Net Proceeds, representing approximately 2.0% of the Actual Net Proceeds, from leasing storage site(s) to support the Group’s enlarged production capacity to payment of part of the land price for the acquisition of the Land Use Rights. The additional costs for the expansion of the Group’s PC component production capacity arising from the acquisition of the Land Use Rights and other incidental costs, less the Unutilised Net Proceeds previously allocated for leasing storage site(s), will be financed by internal resources and/or external borrowings of the Group.

The Board considers that the said reallocation of the Unutilised Net Proceeds is in line with the business strategies of the Group, fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The Board will continuously assess the business objectives and strategies of the Group as well as the use of proceeds as set forth in the Prospectus, the 2020 Annual Report and this announcement, and will revise or amend such plans to cope with the changing market conditions to ensure the business growth of the Group.

By order of the Board
Zhixin Group Holding Limited
Ye Zhijie
Chairman and Executive Director

Hong Kong, 18 August 2021

As at the date of this announcement, the Board comprises Mr. Ye Zhijie, Mr. Huang Wengui, Mr. Qiu Limiao, Mr. Ye Dan and Mr. Huang Kaining as executive Directors; and Ms. Wong Tuen Sau, Mr. Cai Huinong and Mr. Jiang Qinjian as independent non-executive Directors.

For illustration purpose only, RMB is converted into HK\$ at an exchange rate of RMB1.0=HK\$1.1 in this announcement.

* *For identification purpose only*