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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 AND CHANGE IN USE OF PROCEEDS

Reference is made to (i) the announcement of Zhixin Group Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 26 November 2021 (the “**Announcement**”); and (ii) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the 2021 Annual Report.

USE OF PROCEEDS AS AT 31 DECEMBER 2021

As disclosed in the section headed “Management Discussion and Analysis — Use of Proceeds” in the 2021 Annual Report, (i) 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; (ii) as set out in the Announcement, the Company has applied part of the unutilised net proceeds for early repayment of borrowings and for general working capital before the expected utilisation time; and (iii) as at 31 December 2021, part of the unutilised net proceeds of HK\$204.2 million (equivalent to approximately RMB167.0 million) has been applied for repayment of borrowings and general working capital.

The following table sets forth the status of the use of the net proceeds from the Share Offering as at 31 December 2021 after taking into account of the application of part of the unutilised net proceeds for early repayment of borrowings and for general working capital as disclosed in the Announcement:

	Intended utilisation of net proceeds as disclosed in the Prospectus		Updated intended utilisation of net proceeds as at the date of the Announcement	Utilised net proceeds up to 31 December 2021	Unutilised net proceeds as at 31 December 2021	Expected timeline for utilising the unutilised net proceeds
	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	
Expanding the Group's PC component production capacity	199.6	83.6	83.5	7.1	76.4	By January 2025
Enhancing the Group's information technology system	8.8	3.7	8.8	0.9	7.9	By June 2023
Improving the Group's environmental protection system	4.4	1.9	4.4	0.6	3.8	By December 2022
Acquiring mixer and concrete pump trucks	2.0	0.8	2.0	2.0	—	N/A
General working capital	23.9	10.0	35.5	35.5	—	N/A
Repayment of borrowings	—	—	104.5	104.5	—	N/A
Total:	238.7	100.0	238.7	150.6	88.1	

CHANGE IN USE OF PROCEEDS

In light of the change in business environment, in particular, the persistent high level of trade receivables resulting from longer duration of project completion in certain construction projects due to increase in days with adverse weather conditions, during the six months ended 30 June 2022, the Company has applied part of the unutilised net proceeds as to approximately HK\$69.8 million (equivalent to approximately RMB60.0 million) for general working capital, of which approximately HK\$58.2 million (equivalent to approximately RMB50.0 million) was used for purchase of raw materials and approximately HK\$11.6 million (equivalent to approximately RMB10.0 million) was used for payment of staff costs.

The following table sets forth the status of the use of the net proceeds from the Share Offering as at 30 June 2022 after taking into account of the application of approximately HK\$69.8 million for general working capital:

	Updated intended utilisation of net proceeds as at the date of this announcement <i>HK\$ million</i>	Utilised net proceeds up to 30 June 2022 <i>HK\$ million</i>	Unutilised net proceeds as at 30 June 2022 <i>HK\$ million</i>	Expected timeline for utilising the unutilised net proceeds
Expanding the Group's PC component production capacity	24.5	16.8	7.7	By June 2023
Enhancing the Group's information technology system	1.2	1.2	—	N/A
Improving the Group's environmental protection system	1.2	1.2	—	N/A
Acquiring mixer and concrete pump trucks	2.0	2.0	—	N/A
General working capital	105.3	105.3	—	N/A
Repayment of borrowings	104.5	104.5	—	N/A
Total	<u>238.7</u>	<u>231.0</u>	<u>7.7</u>	

The Company intends to finance its future plan as disclosed in the Prospectus by using (i) unutilised net proceeds (which amounted to approximately HK\$7.7 million as at 30 June 2022); (ii) its cash and bank balances (which amounted to approximately RMB30.4 million (equivalent to approximately HK\$35.5 million) as at 30 June 2022); (iii) available undrawn financing facilities (which amounted to approximately RMB80.0 million (equivalent to approximately HK\$93.5 million) as at 30 June 2022); and (iv) fund to be generated from the Group's business operations. It is expected that there will not be any significant impact to and change in the Group's future plan as disclosed in the Prospectus.

The Board considers that the change in use of the unutilised net proceeds from the Share Offering for better allocation and utilisation of the Group's financing resources to cope with the change in business environment is in the best interest of the Company and its shareholders as a whole.

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

Hong Kong, 26 August 2022

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.