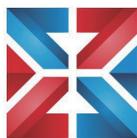


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Zhixin Group Holding Limited

智欣集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2187)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF ENTIRE EQUITY INTERESTS IN THE TARGET COMPANY

Financial Adviser to the Company



THE ACQUISITION

The Board is pleased to announce that on 12 November 2021, the Purchasers, each of which being an indirect wholly-owned subsidiary of the Company, and the Vendors entered into the Sale and Purchase Agreement, pursuant to which (1) Purchaser 1 has conditionally agreed to acquire and Vendor 1 has conditionally agreed to sell the Sale Interest 1, representing approximately 84.317% of the equity interests in the Target Company, at a consideration of RMB50,590,200; and (2) Purchaser 2 has conditionally agreed to acquire and Vendor 2 has conditionally agreed to sell the Sale Interest 2, representing approximately 15.683% of the equity interests in the Target Company at a consideration of RMB9,409,800.

The Target Company is a company incorporated in the PRC with limited liability. It is principally engaged in processing solid waste, with which it produces and sells eco-friendly construction materials (including aggregates, bricks, pavers and tiles). The principal assets of the Target Company are the Properties located at Changjiang Li Autonomous County, Hainan Province, the PRC.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is subject to the fulfillment or, where applicable waiver of the Condition(s) as set out in the Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and public investors should exercise caution when dealing in the securities of the Company.

SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 12 November 2021, the Purchasers, each of which being an indirect wholly-owned subsidiary of the Company, and the Vendors entered into the Sale and Purchase Agreement. The major terms of the Sale and Purchase Agreement are set out below:

Date

12 November 2021

Parties

1. the Vendors; and
2. the Purchasers.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Vendors and their respective ultimate beneficial owners (as the case may be) is an Independent Third Party.

Subject Matter

Pursuant to the Sale and Purchase Agreement, (1) Purchaser 1 has conditionally agreed to acquire and Vendor 1 has conditionally agreed to sell the Sale Interest 1, representing approximately 84.317% of the equity interests in the Target Company; and (2) Purchaser 2 has conditionally agreed to acquire and Vendor 2 has conditionally agreed to sell the Sale Interest 2, representing approximately 15.683% of the equity interests in the Target Company.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Consideration

The consideration of the Sale Interest 1 is RMB50,590,200. The consideration of the Sale Interest 2 is RMB9,409,800.

Pursuant to the Sale and Purchase Agreement, upon fulfillment of all the Conditions as set out below (other than being waived by the Purchasers in writing) and the Purchasers having confirmed the same in writing (the “**Conditions Precedent Fulfillment Date**”), (i) Purchaser 1 shall partially settle the consideration of the Sale Interest 1 by paying RMB10,000,000 to Vendor 1 within 5 days after the Conditions Precedent Fulfillment Date (the “**First Payment Date**”); (ii) Purchaser 1 shall further partially settle the consideration of the Sale Interest 1 by paying RMB20,000,000 to Vendor 1 within 5 days from the Completion Date; (iii) Purchaser 1 shall further partially settle the consideration of the Sale Interest 1 by paying RMB15,000,000 to Vendor 1 within 90 days after the Conditions Precedent Fulfillment Date; (iv) Purchaser 1 shall settle the remaining consideration of the Sale Interest 1 by paying RMB5,590,200 to Vendor 1 within 180 days after the Conditions Precedent Fulfillment Date; and (v) Purchaser 2 shall fully settle the consideration of the Sale Interest 2 by paying RMB9,409,800 to Vendor 2 within 180 days after the Conditions Precedent Fulfillment Date.

The consideration of the Sale Interests will be financed by the internal resources of the Group.

The total consideration of the Sale Interests of RMB60,000,000 was arrived at after arm’s length negotiations between the Purchasers and the Vendors having taken into account of, among other things, (a) the unaudited net asset value of the Target Company as at 30 September 2021 ; (b) the valuation of the market value of the Properties as at 30 September 2021 conducted by an independent property valuer; and (c) the benefits that would be brought to the Group by the Acquisition as explained in more detail in the paragraph headed “Reasons for and benefits of the Acquisition” in this announcement. In view of the above, the Directors consider that the consideration of the Acquisition is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions

Completion shall be conditional upon the fulfillment or, when applicable, waiver (by the Purchasers) of the following Conditions precedent:

- (i) each of the Vendors and the Target Company has passed the shareholders’ or board resolutions to approve the Acquisition;
- (ii) the financial conditions of the Target Company remain substantially unchanged and no material adverse change of the Target Company that leads to the dissatisfaction of the Purchasers has occurred, and there having been no distributing and/or other events beyond the ordinary course of business of the Target Company since the date of the Sale and Purchase Agreement to the Completion Date;

- (iii) all representations, warranties and undertakings given by the Vendors remain true, accurate, with no major omission and are not misleading, and that the Target Company and/or the Vendors have not breached any of their obligations under the Sale and Purchase Agreement on or before the Conditions Precedent Fulfillment Date;
- (iv) all parties thereto shall have obtained the internal approval or the consents permits, authorisations and approvals from the relevant governmental or regulatory authorities that are necessary and expedient to the signing and execution of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (v) the Purchasers having obtained the reply letter from Changjiang Li Autonomous County Rural Credit Cooperative Association* (昌江黎族自治县农村信用合作联社) agreeing to cooperate with the Target Company in the change of equity interest following the Acquisition and to require the Target Company to cooperate with the Purchasers in the registration procedures of the continuous provision of pledge guarantee in relation to the Sale Interests in accordance with the existing pledge agreement at the same time of the change of equity interest; and
- (vi) the Purchasers may in their absolute discretion at any time waive in writing any of the above Conditions (other than Conditions (i) and (iv) above) or any part thereof on such terms as it may decide and such waiver may be made subject to such reasonable terms and conditions as are determined by the Purchasers.

Completion

Completion shall take place within 10 business days from the First Payment Date (“**Completion Date**”).

The Target Company shall complete all necessary industrial and commercial change registration or filing in respect of the Acquisition on the Completion Date.

Breach of representations and warranties

The Vendors are responsible for the economic or legal liabilities in respect of the breach of the representations and warranties in the Sale and Purchase Agreement by the Vendors and the Target Company, and shall compensate the Purchasers for any direct or indirect loss arising from the breach of any representations and warranties in the Sale and Purchase Agreement. The Purchasers are responsible for the economic or legal liabilities in respect of the breach of the representations and warranties in the Sale and Purchase Agreement by the Purchasers, and shall compensate the Vendors for any direct or indirect loss arising from the breach of any representations and warranties in the Sale and Purchase Agreement.

INFORMATION ON THE COMPANY, THE COUNTERPARTIES AND THE TARGET COMPANY

The Company

The Company is a manufacturer and supplier of concrete-based building materials in Xiamen, Fujian Province of the PRC. The Company's principal products can be broadly categorised as (i) ready-mixed concrete; and (ii) precast concrete components. Each of the Purchasers is an indirect wholly-owned subsidiary of the Company.

The Vendors

Vendor 1 is principally engaged in the research and development and solutions for solid waste (construction waste, fly-ash and mining waste) disposal and reuse, and is wholly-owned by Vendor 2.

Vendor 2 is principally engaged in investment holding and is wholly-owned by ReTo Eco-solutions, Inc., a company listed on NASDAQ (NASDAQ: RETO) and engaged in the manufacture and distribution of eco-friendly construction materials.

The Target Company

The Target Company is a company incorporated in the PRC with limited liability. It is principally engaged in processing solid waste, with which it produces and sells eco-friendly construction materials (including aggregates, bricks, pavers and tiles). The principal assets of the Target Company are the Properties located at Changjiang Li Autonomous County, Hainan Province, the PRC, the details of which are as follows:

Property 1:

The property comprises 6 residential units in a 11-storey residential building, having a total gross floor area of approximately 339.78 sq.m.. The land-use rights of the property were granted for a term expiring on 9 April 2069 for residential use.

Property 2:

The property comprises a parcel of land together with 9 single to 3-storey industrial and ancillary buildings and structures erected thereon, having a total site area and gross floor area of approximately 183,132.72 sq.m. and 10,719.88 sq.m. respectively. The land-use rights of the property were granted for a term expiring on 25 May 2062 for industrial, mining and storage uses.

Property 3:

The property comprises portions of a parcel of land with a total site area of approximately 122,867.28 sq.m.. The land-use rights of the Property were granted for a term expiring on 25 May 2062 for industrial, mining and storage uses.

Set out below is a summary of the unaudited financial information of the Target Company for the two financial years ended 31 December 2019 and 31 December 2020 respectively:

	For the year ended	
	31 December	
	2019	2020
	<i>(RMB)</i>	<i>(RMB)</i>
Net loss before taxation	7,141,000	6,306,000
Net loss after taxation	7,141,000	6,306,000

The unaudited net asset value of the Target Company as at 30 September 2021 was approximately RMB12,957,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is of the view that entering into the Sale and Purchase Agreement with the Vendors will create synergy between the business of the Target Company and that of the Group. In 2019, the Target Company and the Municipal People’s Government of Changjiang Li Autonomous County of Hainan Province in the PRC (the “**Changjiang Government**”) entered into an investment cooperation framework agreement in relation to the establishment of an ecological demonstration production line for comprehensive utilization of iron ore tailings (“**IOTs**”), which is a solid waste processing project and will have a maximum annual capacity to process approximately three million tonnes of IOTs (the “**Project**”). The Project will be located on a plot of land, which form part of the Properties, and it will be located adjacent to an IOTs site owned by the Changjiang Government. The Target Company has the sole authority to the processing, producing, utilization and sales of such IOTs. The Group will establish a production line for comprehensive utilization of IOTs for the Project. The IOTs, after being processing, will extract iron ore and aggregates, which can be sold at a premium price in the market. The Group expects that part of the Properties will be reserved as an expansion base for its construction material production and since aggregates are essential raw materials in the Group’s production operations, the Group intends to consume part of the aggregates generated by the Project in its production, thereby achieving cost and time efficiency in aggregates procurement.

The Board considers that the Acquisition provides an opportunity for the Group to generate additional revenue from selling of iron ore and aggregates generated from the Project. Furthermore, the Board considers the Acquisition will also enable the Group to tap into the solid waste processing industry, which will be beneficial to the stabilization of the supply channels of aggregate raw material required for the production of the Group, so as to promote the Group’s orderly expansion of the entire industry chain and to effectively assist our Group in gaining a market advantage by leveraging on the national environmental protection policies issued by the State Council of the PRC to intensify its effort for green, low-carbon and circular development in the country. The Board is optimistic about the future development and prospect of solid waste processing engaged by the Target Company and is of the view that the Target Company will enrich the Group’s portfolio of business production chain. The Board considers that the Acquisition is in line with the overall business direction of the Group and is a good

investment opportunity to step into the solid waste processing industry in the PRC and is advantageous to the promotion of business diversification and the extension of business production chain of the Group.

Taking into consideration the reasons for and benefits of the Acquisition to the Company as mentioned above, the Board considers that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is subject to the fulfillment or, where applicable, waiver of the Condition(s) as set out in the Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and public investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

The following expressions have the following meanings in this announcement unless the content requires otherwise:

“Acquisition”	the acquisition of the Sale Interests by the Purchasers from the Vendors in accordance with the terms of the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	Zhixin Group Holding Limited (智欣集團控股有限公司) (Stock Code: 2187), a company incorporated in the Cayman Islands with limited liability with its Shares listed on the Stock Exchange
“Completion”	completion of the Acquisition
“Conditions”	the condition(s) precedent to Completion as set out in the section headed “Conditions precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	the third party(ies) which is/are independent of the Company and its connected persons
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“NASDAQ”	The NASDAQ Stock Market in the United States
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Properties”	three properties located at Changjiang Li Autonomous County, Hainan Province, the PRC, the land use rights of which are owned by the Target Company as at the date of this announcement
“Purchaser 1”	Xiamen Zhixin Construction Material Group Limited* (廈門智欣建材集團有限公司), an indirect wholly-owned subsidiary of the Company
“Purchaser 2”	Zhixin Group (HK) Limited (智欣集團(香港)有限公司), an indirect wholly-owned subsidiary of the Company
“Purchasers”	Purchaser 1 and Purchaser 2
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 12 November 2021 entered into by the Vendors and the Purchasers in relation to the Acquisition
“Sale Interest 1”	the registered and paid up capital in amount of RMB100,000,000 of the Target Company, which is legally and beneficially owned by Vendor 1, representing approximately 84.317% of the equity interest of the Target Company
“Sale Interest 2”	the registered and paid up capital in amount of RMB18,600,000 of the Target Company, which is legally and beneficially owned by Vendor 2, representing approximately 15.683% of the equity interest of the Target Company
“Sale Interests”	the Sale Interest 1 and the Sale Interest 2
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“sq.m.”	Square meter(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	REIT Mingsheng Environment Building Materials (Changjiang) Co., Ltd. (瑞圖明盛環保建材(昌江)有限公司), a company incorporated in the PRC with limited liability
“Vendor 1”	Beijing REIT Technology Development Co., Ltd (北京瑞圖科技發展有限公司), a company established in the PRC with limited liability
“Vendor 2”	REIT Holdings (China) Limited (瑞圖控股(中國)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of ReTo Eco-solutions, Inc., a company listed on NASDAQ (NASDAQ: RETO)
“Vendors”	Vendor 1 and Vendor 2
“United States”	the United States of America
“%”	per cent

On behalf of the Board
Zhixin Group Holding Limited
Ye Zhijie
Chairman and Executive Director

Hong Kong, 12 November 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 identification purpose only*