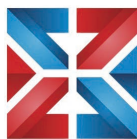


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Zhixin Group Holding Limited

智欣集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2187)

MAJOR TRANSACTION INVESTMENT AGREEMENT WITH YONGDING NATURAL RESOURCES BUREAU

THE INVESTMENT AGREEMENT

The Board is pleased to announce that on 16 May 2023 (after trading hours), the Company entered into the Investment Agreement with Yongding Natural Resources Bureau, pursuant to which the Company has conditionally agreed to invest in a project involving deep processing of quartz ore and the production of lightweight and eco-friendly building materials in Yongding District, Longyan City, Fujian Province, the PRC for a total investment amount of RMB1,100 million (equivalent to approximately HK\$1,242.5 million).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Investment Agreement and the transactions contemplated thereunder based on the total investment amount exceeds 25% but are all less than 100%, the Investment Agreement and the transactions contemplated thereunder constitute a major transaction for the Company and are subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Investment Agreement and the transactions contemplated thereunder. Insofar as the Company is aware, no Shareholder has any material interest in the Investment Agreement and the transactions contemplated thereunder. Accordingly, no Shareholder is required to abstain from voting on the resolutions in relation to the Investment Agreement and the transactions contemplated thereunder at the EGM. A circular containing, among other things, further details of the Investment Agreement, the notice convening the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders within 15 business days from the date of this announcement.

The Project is subject to the satisfaction of the condition precedent as described in this announcement. There is no assurance that such condition precedent will be fulfilled. Therefore, the Investment Agreement, the Project and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 16 May 2023 (after trading hours), the Company entered into the Investment Agreement with Yongding Natural Resources Bureau, pursuant to which the Company has conditionally agreed to invest in the Project.

THE INVESTMENT AGREEMENT

The principal terms of the Investment Agreement are summarized as follows:

Date: 16 May 2023

Parties: (1) the Company

(2) Yongding Natural Resources Bureau

Condition precedent

The Project is subject to the obtaining of the necessary approval of the Board and the Shareholders.

As at the date of this announcement, the Board has approved the Investment Agreement and the transactions contemplated thereunder, including the Project.

Total investment

RMB1,100 million (equivalent to approximately HK\$1,242.5 million).

The total investment amount is determined after arm's length negotiations between the Company and Yongding Natural Resources Bureau with reference to the expected total amount to be incurred in the construction of automotive production lines and other incidental costs for the exploration of deep processing of quartz ore and the production of silica flour and lightweight and eco-friendly building materials. The Company currently intends to fund the investment amount of the Project by internal resources of the Group and bank borrowings, subject to the progress of the Project.

The Project

The Project is divided into three phrases as follows:

Phase 1

Description	Planned site area and floor area	Total investment
The construction of an automotive production line with annual production capacity of 200,000 tonnes of silica flour	Site area: 100 acres Floor area: 40,000 sq.m.	RMB500 million (equivalent to approximately HK\$564.7 million)

In addition, Yongding Natural Resources Bureau agreed to provide land use right of a parcel of land in Yongding District with site area of 20 acres for the Company to construct professional talents accommodation housing and staff quarters.

Phase 2

Description	Planned site area and floor area	Total investment
The construction of an automotive production line of lightweight and eco-friendly building materials with annual output of 200,000 cubic meters	Site area: 100 acres Floor area: 20,000 sq.m.	RMB300 million (equivalent to approximately HK\$338.9 million)

Phase 3

Description	Planned site area and floor area	Total investment
The construction of an automotive production line of lightweight and eco-friendly building materials with annual output of 200,000 cubic meters	Site area: 100 acres Floor area: 20,000 sq.m.	RMB300 million (equivalent to approximately HK\$338.9 million)

Construction period

- Phase 1: 2 years after (i) the grant of exploration right to the Mine and the commencement of the relevant work of “exploration to mining”; and (ii) the obtaining of the land use right of the relevant site area through public auction
- Phase 2: 1 year within 1 year after the completion of the construction and commencement of production of Phase 1
- Phase 3: 1 year within 1 year after the completion of the construction and commencement of production of Phase 2

Location of the Project

The Project shall be erected on parcels of land for industrial use located at Phase II of the Yongding Stone Material Industrial Park* (永定石材產業園二期). The Company shall obtain the land use right of the Project Land through public auction in accordance with the applicable laws and regulations of the PRC. The Company shall not transfer the land use right of or lease the Project Land without prior consent of Yongding Natural Resources Bureau.

Performance guarantee amount

The Company shall pay RMB1.0 million (equivalent to approximately HK\$1.1 million) to Yongding Natural Resources Bureau within five business days from the date of the Investment Agreement, of which 50% shall be returned to the Company upon the commencement of the structural work, 30% shall be returned to the Company upon completion of the structural work, and 20% shall be returned to the Company upon formal production, of Phase 1 of the Project.

Other principal obligations of the Company

Pursuant to the Investment Agreement:

- (i) the Company shall establish the Project Company in Yongding District, Longyan City which shall undertake the rights and obligations of the Investment Agreement and its supplemental agreements (if any). The Company shall be jointly and severally liable if the Project Company is in breach of the Investment Agreement;
- (ii) the Company shall ensure that Phase 1 of the Project shall be completed within 3 years after obtaining the land use right therefor and Phase 2 of the Project shall be completed within 5 years after obtaining the land use right for the Phase 2 of the Project;
- (iii) upon completion and operation of each phase of the Project, the annual tax contributions shall be no less than RMB120,000 per acre of land each tax year and the Company is required to make-up any shortfall by cash; and
- (iv) if Phase 2 of the Project is not completed within the timeframe, Yongding Natural Resources Bureau shall have the right to recall the exploration right or mining right then held by the Company at a discounted price and shall have the right to unilaterally cancel the preferential conditions given to the Company and recover any preferential treatment that has been realised.

Termination

The Investment Agreement shall lapse automatically if the construction of the Project fails to satisfy the requirements of the environmental assessment.

Further, Yongding Natural Resources Bureau has the right to terminate the Investment Agreement if:

- (i) the Company fails to deliver the performance guarantee amount within the agreed time;
- (ii) after obtaining the land use right of the Project Land, the Company fails to commence the construction of the Project within the agreed time or let the Project Land be idle for more than two years;
- (iii) after obtaining the land use right of the Project Land, the Company commences but subsequently suspends the construction of the Project for more than three months; or

- (iv) within 12 months after obtaining the land use right of the Project Land, the developed area of the Project is less than one-third of the agreed amount or the fixed assets invested in the Project (excluding the consideration for the Project Land) is less than 25% of the agreed amount.

INFORMATION ON THE PARTIES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Group is a manufacturer and supplier of concrete-based building materials in Xiamen, Fujian Province of the PRC, and engages in the comprehensive utilisation of iron ore tailings and the business of manufacturing eco-friendly bricks in Changjiang, Hainan Province of the PRC.

Yongding Natural Resources Bureau is a bureau of the PRC government responsible for managing the natural resources in Yongding District, Longyan City, Fujian Province, the PRC.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Yongding Natural Resources Bureau is independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company.

REASONS FOR AND BENEFITS OF THE INVESTMENT AGREEMENT

Quartz ore is the raw material for the production of lightweight building materials. There are rich and high-quality quartz ore resources in and around Yongding District, Longyan City, Fujian Province, in particular in Fengshi Town, Yongding District. However, the overall deep processing and utilisation of such resources has not been fully developed.

As a leading concrete-based building materials manufacturer and supplier in Xiamen, Fujian Province, in light of the “13th Five-Year Plan” where the PRC government promotes the high-tech strategic transformation from the downstream to the upstream of the industrial chain, the Group explores the possibility of expanding its business to upstream resources to capture new business opportunities. Leverage on the Group’s capabilities and strengths, upon the investment in the Project, the Group is able to form an industrial chain from exploration to deep processing of quartz ore, and to the production and sales of lightweight and eco-friendly building materials.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Investment Agreement are fair and reasonable and on normal commercial terms, and the Project is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Investment Agreement and the transactions contemplated thereunder based on the total investment amount exceeds 25% but are all less than 100%, the Investment Agreement and the transactions contemplated thereunder constitute a major transaction for the Company and are subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Investment Agreement and the transactions contemplated thereunder. Insofar as the Company is aware, no Shareholder has any material interest in the Investment Agreement and the transactions contemplated thereunder. Accordingly, no Shareholder is required to abstain from voting on the resolutions in relation to the Investment Agreement and the transactions contemplated thereunder at the EGM. A circular containing, among other things, further details of the Investment Agreement, the notice convening the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders within 15 business days from the date of this announcement.

The Project is subject to the satisfaction of the condition precedent as described in this announcement. There is no assurance that such condition precedent will be fulfilled. Therefore, the Investment Agreement, the Project and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless otherwise defined, terms used shall have the following meanings:

“Board”	the board of Directors
“Company”	Zhixin Group Holding Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, approve the Investment Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong Special Administrative Region of the PRC
“Investment Agreement”	the investment agreement dated 16 May 2023 entered into between the Company and Yongding Natural Resources Bureau in relation to the Project
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mine”	a vein quartz mine for glass located at Fengshi Town, Yongding District, Longyan City, Fujian Province, the PRC (中國福建省龍巖市永定區峰市鎮)
“PRC”	the People’s Republic of China
“Project”	the investment project involving deep processing of quartz ore and the production of lightweight and eco-friendly building materials pursuant to the Investment Agreement

“Project Company”	a company to be established in the PRC and a wholly-owned subsidiary of the Company
“Project Land”	parcels of land located at Phase II of the Yongding Stone Material Industrial Park* (永定石材產業園二期) with a total site area of approximately 300 acres for industrial use
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square meter(s)
“Yongding Natural Resources Bureau”	Natural Resources Bureau of Yongding District, Longyan City* (龍巖市永定區自然資源局)
“%”	per cent

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

Hong Kong, 16 May 2023

As at the date of this announcement, the Board comprises Mr. Ye Zhijie, Mr. Huang Wengui, Mr. Lai Quanshui, 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 purposes only*