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

2020 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ye Zhijie *(Chairman)*
Mr. Huang Wengui
Mr. Qiu Limiao
Mr. Ye Dan
Mr. Huang Kaining

Independent non-executive Directors

Ms. Wong Tuen Sau
Mr. Cai Huinong
Mr. Jiang Qinjian

BOARD COMMITTEES

Audit Committee

Ms. Wong Tuen Sau *(Chairlady)*
Mr. Cai Huinong
Mr. Jiang Qinjian

Nomination Committee

Mr. Cai Huinong *(Chairman)*
Ms. Wong Tuen Sau
Mr. Jiang Qinjian

Remuneration Committee

Mr. Jiang Qinjian *(Chairman)*
Ms. Wong Tuen Sau
Mr. Cai Huinong

JOINT COMPANY SECRETARIES

Mr. Yuen Chi Wai, *FCPA*
Mr. Zhong Dezhu

AUTHORISED REPRESENTATIVES

Mr. Ye Zhijie
Mr. Yuen Chi Wai

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditors

COMPLIANCE ADVISER

Kingsway Capital Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1#, No. 55, Guankou Avenue, Jimei District
Xiamen City
Fujian Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite No. 2, 3/F, Sino Plaza
255 Gloucester Road
Causeway Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank, Xinglin Branch
Industrial Bank Co., Ltd., Xiamen Wenbin Branch

COMPANY'S WEBSITE

www.xiamenzhixin.com

STOCK CODE

2187

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I hereby present the first annual report of the Company for FY2020 since the successful listing of the Company's shares on the Main Board of the Stock Exchange on 26 March 2021.

The Group is a manufacturer and supplier of concrete-based building materials in Xiamen City, Fujian Province of the PRC. The principal products can be broadly categorised into two types, namely ready-mixed concrete and PC components.

REVIEW

Despite the outbreak of COVID-19 in the PRC and certain countries around the world which has caused disruptions to the business activities in the PRC for a short period of time during FY2020, the Group has achieved a revenue of approximately RMB784.9 million, representing an increase of approximately RMB194.1 million or approximately 32.9% from approximately RMB590.8 million for the year ended 31 December 2019. Such increase was mainly attributable to the significant increase in sale of PC components and a moderate increase in sale of ready-mixed concrete.

Gross profit increased from approximately RMB114.4 million for the year ended 31 December 2019 to approximately RMB152.5 million for FY2020, representing a year-on-year growth of approximately 33.3%. As a result, the profit for the year increased from approximately RMB41.8 million for the year ended 31 December 2019 to approximately RMB62.6 million for FY2020, representing an increase of approximately 49.8%.

For FY2020, the gross profit margin and net profit margin was approximately 19.4% and 8.0% respectively.

OUTLOOK

Looking ahead, we strive to strengthen our leading market position in Fujian Province and continue to expand our scale of operations to achieve long-term sustainable business growth, particularly by increasing our market share in the fast-growing PC component industry.

The enhanced capital structure after the Share Offering will increase our pace to expand the production scale to meet the anticipated higher demand of PC components going forward as encouraged in the recent government policy to speed up the upgrade and transformation of the construction industry by vigorously promote prefabricated construction. The Group is optimistic on the prospect of the PC component industry and our aim is to maximise returns for our shareholders.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my utmost gratitude to the staff of the Group for their dedication and contribution over the past year.

Ye Zhijie
Chairman

Hong Kong, 30 April 2021

Management Discussion and Analysis

BUSINESS REVIEW

Revenue

The Group derived its revenue from sales of (i) ready-mixed concrete and (ii) PC component products. For FY2020, the Group's revenue increased by approximately RMB194.1 million or approximately 32.9% from approximately RMB590.8 million for the year ended 31 December 2019 to approximately RMB784.9 million for FY2020.

Ready-mixed concrete

Revenue derived from sale of ready-mixed concrete increased from approximately RMB446.8 million for the year ended 31 December 2019 to approximately RMB537.4 million for FY2020, representing an increase of approximately 20.3%. The increase was mainly due to (i) the overall increase in sales volume of ready-mixed concrete; and (ii) the overall increase in average selling price of ready-mixed concrete products mainly attributable to the ability to negotiate favorable pricing terms with customers.

PC components

Revenue derived from sale of PC components increased from approximately RMB144.0 million for the year ended 31 December 2019 to approximately RMB247.5 million for FY2020, representing an increase of approximately 71.9%. The increase was attributable to the combined effects of (i) increase in revenue from sale of other construction components by approximately RMB145.8 million mainly due to increase in sales volume and average selling price of other construction components; and (ii) decrease in revenue from sales of tunnel segments by approximately RMB42.4 million as the Group's tunnel segment projects on hand were close to their completion.

Cost of Sales

Cost of sales increased by approximately RMB156.0 million or approximately 32.7% from approximately RMB476.4 million for the year ended 31 December 2019 to approximately RMB632.4 million for FY2020. Such increase was mainly attributable to the (i) overall increase in sales volume of ready-mixed concrete and PC components; and (ii) increase in outsourcing cost for the increased reliance on outsourced workers to supplement the production of PC components and on-site assembly works of the underground utility tunnel projects.

Gross profit and gross profit margin

The Group's overall gross profit increased by approximately RMB38.1 million or approximately 33.3% from approximately RMB114.4 million for the year ended 31 December 2019 to approximately RMB152.5 million for FY2020. The Group's overall gross profit margin remained stable at approximately 19.4% for FY2020.

Ready-mixed concrete

The gross profit of ready-mixed concrete increased from approximately RMB72.9 million for the year ended 31 December 2019 to approximately RMB84.2 million for FY2020. Such increase was primarily due to the foregoing reason for revenue growth of ready-mixed concrete and the effect was partially offset by the decrease in gross profit margin from approximately 16.3% for the year ended 31 December 2019 to approximately 15.7% for FY2020 mainly attributable to the change in product grade mix.

PC components

The gross profit of PC components increased from approximately RMB41.5 million for the year ended 31 December 2019 to approximately RMB68.3 million for FY2020 primarily due to the foregoing reason for the Group's revenue growth of PC components. Such increase was partially offset by the slight decrease of gross profit margin from approximately 28.8% for the year ended 31 December 2019 to approximately 27.6% for FY2020, which was attributable to the change in product mix.

OTHER INCOME

Other income increased by approximately RMB1.3 million or approximately 33.9% from approximately RMB3.7 million for the year ended 31 December 2019 to approximately RMB4.9 million for FY2020 mainly due to the increase in non-recurring government grants and awards.

SELLING EXPENSES

Selling expenses increased by approximately RMB8.3 million or approximately 60.8% from approximately RMB13.7 million for the year ended 31 December 2019 to approximately RMB22.0 million for FY2020 primarily attributable to the increase in transportation costs mainly due to the increase in sales of PC components to projects outside of Xiamen City, Fujian Province of the PRC.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately RMB2.1 million or approximately 7.3% from approximately RMB28.2 million for the year ended 31 December 2019 to approximately RMB30.2 million for FY2020. Such increase was mainly attributable to the increase in the (i) overall salary increment of administrative staff; and (ii) increase in performance bonus paid to them, which is linked to the Group's production volume.

FINANCE COSTS — NET

Finance costs — net increased by approximately RMB4.9 million or approximately 55.6% from approximately RMB8.7 million for the year ended 31 December 2019 to approximately RMB13.6 million for FY2020 primarily due to (i) the additional bank borrowings of RMB37.5 million drawn during FY2020; and (ii) three entrusted loans with total principals amounting to approximately RMB68.8 million obtained during the fourth quarter of 2019.

INCOME TAX EXPENSE

Income tax expense increased by approximately RMB6.9 million or approximately 42.7% from approximately RMB16.1 million for the year ended 31 December 2019 to approximately RMB23.0 million for FY2020 as a result of the increase in taxable profit from the Group's operation in the PRC.

PROFIT FOR THE YEAR

Due to the factors of the foregoing, the profit for the year increased from approximately RMB41.8 million for the year ended 31 December 2019 to approximately RMB62.6 million for FY2020.

LIQUIDITY AND FINANCIAL RESOURCES

During FY2020, the Group funds its operations mainly with cash generated from its operations and borrowings. As at 31 December 2020, the Group's net current assets was approximately RMB61.9 million (31 December 2019: approximately RMB2.4 million), while the Group's cash and cash equivalents as at 31 December 2020 was approximately RMB30.5 million (31 December 2019: approximately RMB16.1 million). The Company was successfully listed on 26 March 2021 with net proceeds from the Share Offering amounting to approximately HK$238.7 million, further strengthening the Group's capital base.

As at 31 December 2020, the Group had current borrowings of approximately RMB159.5 million (31 December 2019: approximately RMB122.0 million) and non-current borrowings of approximately RMB68.8 million (31 December 2019: approximately RMB68.8 million).

Gearing ratio is calculated based on total debts divided by total equity as at the end of FY2020 and multiplied by 100%. The Group's gearing ratio as at 31 December 2020 was approximately 152.8% (31 December 2019: 208.0%).

CURRENCY RISK

Majority of the subsidiaries of the Group operate in the PRC and their functional currency is RMB. The Group does not expect to face any significant currency risk that might have a material impact on the operating results of the Group. Currently, the Group does not have any hedging policy for foreign currencies. Nevertheless, the Group's management will continue to monitor the foreign currency risk and will consider hedging significant foreign currency risk when necessary.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group's capital commitments amounted to approximately RMB33.4 million (31 December 2019: RMB33.2 million).

PLEDGE OF ASSETS

Details of the pledge of assets of the Group are set out in Notes 14, 15, 16, 20, 21 and 25 of the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

SUBSEQUENT EVENTS

The Company was successfully listed on the Main Board of the Stock Exchange on 26 March 2021. The net proceeds from the Share Offering received by the Company, after deduction of the underwriting fees and listing expenses in connection with the Share Offering, were approximately HK$238.7 million.

CAPITAL STRUCTURE

The Group's capital structure has remained unchanged since the Listing. The Group's capital structure comprises equity attributable to owners of the Company (including issued share capital and reserves). The Board reviews the Group's capital structure on a regular basis. As part of the review, the Board has considered the costs of capital and risks relating to various types of capital.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

Pursuant to the Reorganisation, the Company became the holding company of the Group upon completion of the Reorganisation. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" under the section "History, Reorganisation and Corporate Structure" in the Prospectus.

During FY2020, the Group did not have any significant acquisitions and disposals relating to subsidiaries, associates and joint ventures.

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group did not have any significant investments.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2020, the Group employed 639 (31 December 2019: 617) employees. Employees' remunerations are determined with reference to factors such as qualifications, duties, contributions and experience. Besides, the Group outsourced some factory workers for the PC component production lines from several employment agents to enhance workforce efficiency, workforce flexibility and manageability.

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. The Directors intend to apply such net proceeds for the following purposes:

— approximately HK$199.6 million (or approximately 83.6% of the net proceeds) will be used for expanding the Group's PC component production capacity;

— approximately HK$8.8 million (or approximately 3.7% of the net proceeds) will be used for enhancing the Group's information technology system;

— approximately HK$4.4 million (or approximately 1.9% of the net proceeds) will be used for improving the Group's environmental protection system;

— approximately HK$2.0 million (or approximately 0.8% of the net proceeds) will be used for acquiring mixer and concrete pump trucks; and

— approximately HK$23.9 million (or approximately 10.0% of the net proceeds) will be used as general working capital.

As at the date of this report, the Group has not utilised any of the net proceeds and the Directors do not anticipate any change to the plan as to the use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

OUTLOOK

The increasing urbanisation rate and the rapid development of the construction industry in the PRC have stimulated the demand for building materials production over the past few years, together with impetus from recent supportive government policies on prefabricated construction in the PRC. With the funding support from the Share Offering as a catalyst, the Group will continue to expand the scale of operations to with an aim to achieve long-term sustainable business growth and increase market share in the fast-growing PC component industry in the PRC.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for FY2020.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 November 2018. The address of the Company's registered office and the principal place of business is disclosed in the section headed "Corporate Information" in the annual report.

The shares of the Company have been listed on the Main Board of the Stock Exchange on 26 March 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is a manufacturer and supplier of ready-mixed concrete and PC components in Xiamen City, Fujian Province of the PRC.

RESULTS AND APPROPRIATIONS

The results of the Group for FY2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 66 of this annual report.

The Board does not recommend any distribution of final dividend for FY2020.

DIVIDEND POLICY

The Company does not have a dividend policy. The declaration of future dividends will be subject to the recommendation by the Board at its discretion in accordance with the Articles of Association and will depend on a number of factors, including market conditions, strategic plans and prospects, business opportunities, financial condition and operating results, working capital requirements and anticipated cash needs, statutory and contractual restrictions on the payment of dividends and other factors that the Board considers relevant.

BUSINESS REVIEW

Detailed business review and future development of the Company's business is set out in the sections of "Chairman's Statement" and "Management Discussion and Analysis" in this annual report from pages 4 to 9. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

KEY RISKS AND UNCERTAINTIES

The Group believes that the risk management practices are important and use its best effort to ensure it is sufficient to mitigate the risks present in the operations and financial position as efficiently and effectively as possible.

The Group's key business risk exposures are summarised as follows:

(i) cash flow position of the Group may deteriorate owing to a mismatch between the time in receipt of payments from the customers and payments to the suppliers if the cash flow mismatch could not be managed properly;

(ii) the Group is exposed to the credit risk of and may experience increasing balance of trade receivables from customers and longer trade receivable turnovers;

(iii) demand for concrete products is bounded by seasonality, particularly climatic seasonality, hence the weather conditions may impinge on the process of construction activities; and

(iv) fluctuation in the prices of major raw materials or failure to acquire raw materials may adversely affect the business operations and performance.

For other risks and uncertainties facing by the Group, please refer to the section headed "Risk Factors" in the Prospectus.

RESERVES

Details of movements in the reserves of the Group during FY2020 are set out in the consolidated statement of changes in equity in this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

Share premium and retained profit of the Company are available for distribution to ordinary shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. As at 31 December 2020, the Company had no distributable reserve available for distribution to shareholders.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out on page 136 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed approximately 18.6% of the total revenue for FY2020 while the Group's five largest customers accounted for approximately 41.6% of the total revenue for FY2020.

The Group's largest supplier contributed approximately 17.9% of the total purchases for FY2020 while the Group's five largest suppliers accounted for approximately 54.8% of the total purchases for FY2020.

None of the Directors, their respective close associates (as defined in the Listing Rules) or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers referred to above.

CONNECTED TRANSACTIONS

During FY2020, there were no transactions which need to be disclosed as connected transactions pursuant to Chapter 14A of the Listing Rules. Details of the related party transactions are set out in Note 31 to the consolidated financial statements. These related party transactions did not constitute connected transactions under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

For the period from the Listing Date to the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 22 to the consolidated financial statements.

DIRECTORS

The Directors during FY2020 and up to the date of this annual report were:

Executive Directors

Mr. Ye Zhijie *(Chairman)*	*(appointed on 14 November 2018)*
Mr. Huang Wengui	*(appointed on 14 November 2018)*
Mr. Qiu Limiao	*(appointed on 2 March 2020)*
Mr. Ye Dan	*(appointed on 2 March 2020)*
Mr. Huang Kaining (formerly known as Huang Kai)	*(appointed on 2 March 2020)*

Independent non-executive Directors

Ms. Wong Tuen Sau	*(appointed on 4 March 2021)*
Mr. Cai Huinong	*(appointed on 4 March 2021)*
Mr. Huang Youling	*(appointed on 4 March 2021 and resigned on 30 April 2021)*
Mr. Jiang Qinjian	*(appointed on 30 April 2021)*

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent in accordance with the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors had entered into a service contract with the Company for an initial term of three years commencing from 4 March 2021.

The Company has entered into an appointment letter with each of the independent non-executive Directors, being Ms. Wong Tuen Sau, Mr. Cai Huinong and Mr. Jiang Qinjian, for an initial term of two years commencing from 4 March 2021, 4 March 2021 and 30 April 2021, respectively.

All the service contracts and appointment letters of the Directors are automatically renewed for a term of one year commencing from the next day after the expiry of the initial term of appointment, unless terminated by either party by not less than three-month's prior written notice.

In accordance with Article 105 of the Articles, Mr. Ye Zhijie, Mr. Huang Wengui and Mr. Huang Kaining will retire from the office of Directors by rotation and, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting.

In accordance with Article 109 of the Articles, Mr. Jiang Qinjian will hold his office only until the forthcoming general meeting of the Company. Mr. Jiang Qinjian, being eligible, will offer himself for re-election as Director at the forthcoming annual general meeting.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Since the Shares were not listed on the Stock Exchange as at 31 December 2020, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Company, the Directors and chief executive of the Company as at 31 December 2020.

As at the date of this report, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Director	Nature of Interest	Number of Shares interested[1]	Approximate percentage of Interest in the issued share capital of the Company[2]
Mr. Ye Zhijie[3]	Interested in a controlled corporation	364,706,100 (L)	48.76%
Mr. Huang Wengui[4]	Interested in a controlled corporation	121,568,700 (L)	16.25%

Notes:

1. The letter "L" denotes the person's long position in the Shares.

2. Based on 748,000,000 issued Shares as at the date of this report.

3. Mr. Ye Zhijie is the sole shareholder of Zhixin Investment Holding Limited which holds 364,706,100 Shares. Therefore, Mr. Ye Zhijie is deemed to be interested in Zhixin Investment Holding Limited's interest in the Shares pursuant to the SFO.

4. Mr. Huang Wengui is the sole shareholder of Yaohe Holding Limited which holds 121,568,700 Shares. Therefore, Mr. Huang Wengui is deemed to be interested in Yaohe Holding Limited's interest in the Shares pursuant to the SFO.

Save as disclosed above, as at the date of this report, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time from the Listing Date and up to the date of this report was the Company, or any of its holding companies and subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Since the Shares were not listed on the Main Board of the Stock Exchange as at 31 December 2020, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable in respect of the shareholding in the Company as at 31 December 2020.

As at the date of this report, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company, had, or were deemed to be have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Long Positions in the Shares of the Company

Name	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company[(1)]
Zhixin Investment Holding Limited[(2)]	Beneficial interest	364,706,100	48.76%
Ms. Hong Wei[(2)]	Interest of spouse	364,706,100	48.76%
Yaohe Holding Limited[(3)]	Beneficial interest	121,568,700	16.25%
Ms. Lin Lingling[(3)]	Interest of spouse	121,568,700	16.25%
Pakhim Chen Capital Limited[(4)]	Beneficial interest	74,725,200	9.99%
Ms. Chen Manhong[(4)]	Interest in controlled corporation	74,725,200	9.99%
Mr. Chen Qishi[(5)]	Interest of spouse	74,725,200	9.99%

Notes:

1. Based on 748,000,000 issued Shares as at the date of this report.

2. Ms. Hong Wei is the spouse of Mr. Ye Zhijie. By virtue of the SFO, Ms. Hong Wei is deemed to be interested in all the Shares in which Mr. Ye Zhijie is deemed to be interested; Mr. Ye Zhijie is the sole shareholder of Zhixin Investment Holding Limited. Therefore, Mr. Ye Zhijie is deemed to be interested in Zhixin Investment Holding Limited's interest in the Shares, pursuant to the SFO.

3. Ms. Lin Lingling is the spouse of Mr. Huang Wengui. By virtue of the SFO, Ms. Lin Lingling is deemed to be interested in all the Shares in which Mr. Huang Wengui is deemed to be interested; Mr. Huang Wengui is the sole shareholder of Yaohe Holding Limited. Therefore, Mr. Huang Wengui is deemed to be interested in Yaohe Holding Limited's interest in the Shares, pursuant to the SFO.

4. Ms. Chen Manhong is the sole shareholder of Pakhim Chen Capital Limited which holds 74,725,200 Shares. Therefore, Ms. Chen Manhong is deemed to be interested in Pakhim Chen Capital Limited's interest in the Shares pursuant to the SFO.

5. Mr. Chen Qishi is the spouse of Ms. Chen Manhong. By virtue of the SFO, Mr. Chen Qishi is deemed to be interested in all the Shares in which Ms. Chen Manhong is deemed to be interested.

Save as disclosed above, as at the date of this report, the Directors are not aware of any other person, other than Directors and the chief executive of the Company, who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO; or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during FY2020 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 31 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During FY2020, none of the Directors had an interest in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

EMOLUMENT POLICY

The Remuneration Committee reviews the Group's emolument policy and structure for remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

PERMITTED INDEMNITY PROVISION

At no time during FY2020 and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors (whether made by the Company or otherwise), or an associated company (if made by the Company).

An associated company is defined in Section 2(1) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and the five highest paid individuals for FY2020 are set out in Notes 32 and 9 to the consolidated financial statements respectively.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2020.

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the section headed "Corporate Governance Report" from pages 18 to 33 of this annual report.

ENVIRONMENTAL, SOCIETY AND CORPORATE RESPONSIBILITY

The Group is committed to support environmental protection to ensure business development and sustainability. We implement green office practices to reduce the consumption of energy and natural resources. These practices include but not limited to reducing energy consumption by switching off idle lightings, computers and electrical appliances and the use of environmentally friendly products whenever possible.

For FY2020 and up to the date of this annual report, the Company has complied with all relevant laws and regulations which include the Companies Law of the Cayman Islands and the Listing Rules and maintained good relationship with its customers, suppliers, employees and investors.

AUDITOR

A resolution will be submitted to the shareholders of the Company at the annual general meeting of the Company to re-appoint Messrs. PricewaterhouseCoopers, Certified Public Accountants, as auditor of the Company.

EVENTS AFTER REPORTING PERIOD

The Company was successfully listed on the Main Board of the Stock Exchange on 26 March 2021. The net proceeds from the Share Offering received by the Company, after deduction of the underwriting fees and listing expenses in connection with the Share Offering, were approximately HK$238.7 million.

On behalf of the Board

Ye Zhijie
Chairman

Hong Kong, 30 April 2021

Corporate Governance Report

The Board is pleased to present the first corporate governance report ("CG Report") for the annual report of the Company to the Shareholders for reporting the corporate governance of the Company for FY2020.

This CG Report is prepared by the Board in the principle of "comply or explain" and in accordance to the code provisions as set out in the CG Code.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to building a robust corporate governance principles and practices and attaining good corporate governance standards. The Directors believe that good corporate governance standards are essential to the protection the interests of Shareholders, promotion and formulation of the corporate values and business strategies, implementation of effective policies, and enhancement of transparency and accountability of the Company.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has applied the principles and complied with the code provisions and, where appropriate, adopted the recommended best practices as set out in the CG Code during FY2020 except for the deviations with considered reasons as explained stated in the relevant paragraphs below. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the securities transactions of the Directors on terms no less than exacting than the required standard set out in the Model Code as its code of conduct for dealings in securities of the Company by the Directors. The Company has made specific enquiries to all the Directors and they confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' transactions during the Year. The Company has also adopted the Model Code as the standard of dealings in the Company's securities by the relevant employees who are likely to possess inside information of the Company and/or its securities.

The Company is not aware of any incident of non-compliance with the required standard set out in the Model Code by the Directors and employees.

BOARD OF DIRECTORS

During FY2020 and up to the date of this annual report, the members of the Board are set out below:

Executive Directors

Mr. Ye Zhijie *(Chairman)*	*(appointed on 14 November 2018)*
Mr. Huang Wengui	*(appointed on 14 November 2018)*
Mr. Qiu Limiao	*(appointed on 2 March 2020)*
Mr. Ye Dan	*(appointed on 2 March 2020)*
Mr. Huang Kaining (formerly known as Huang Kai)	*(appointed on 2 March 2020)*

Independent non-executive Directors

Ms. Wong Tuen Sau	*(appointed on 4 March 2021)*
Mr. Cai Huinong	*(appointed on 4 March 2021)*
Mr. Huang Youling	*(appointed on 4 March 2021 and resigned on 30 April 2021)*
Mr. Jiang Qinjian	*(appointed on 30 April 2021)*

Mr. Ye Zhijie is the father of Mr. Ye Dan and father-in-law of Mr. Qiu Limiao. Mr. Huang Wengui is the father of Mr. Huang Kaining. There is no other relationship (including financial, business, family or other material/relevant relationship(s) among the Directors.

The Directors must disclose to the Company the number and nature of offices they hold in public companies or organizations and/or other significant commitments. The Board is of the view that all the Directors have devoted sufficient time and interest to the Company's affairs.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is ultimately responsible for making decisions with respect to the Company's strategic plans, ensuring sustainable development, maintaining a diversified board, presenting true and fair financial statements, and other functions and significant operational matters assigned to the Board as set out in the Listing Rules and the Articles of Association of the Company. Important matters, such as entering into major contracts and transactions, making investment decisions, providing or accepting financial assistance and guarantee must be reserved to the decisions of the Board. The Directors also acknowledge that they must act in the best interest of the Company and its shareholders.

The senior management is delegated to be responsible for the daily operations of the Company, the execution of the Board's decisions and strategic plans and the implementation of risk management and internal controls decided by the Board. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to entering into any significant transactions.

The Board is committed to regularly review the composition and contribution of the Directors in respect of their independence, fulfillment of directorial responsibilities, sufficiency of time and interest devotion on the Company, their diversity and attributes to the sustainable development of the Company. The Board is satisfied with the diversity, contribution and attributes of each directors as presented in the matrix below.

Experience, expertise or attribute	Executive Director					Independent Non-executive Director			
	Mr. Ye Zhijie	Mr. Huang Wengui	Mr. Qiu Limiao	Mr. Ye Dan	Mr. Huang Kaining	Ms. Wong Tuen Sau	Mr. Cai Huinong	Mr. Huang Youling (resigned on 30 April 2021)	Mr. Jiang Qinjian (appointed on 30 April 2021)
Strategy development & top management	✓	✓							
General management & business operation	✓	✓	✓	✓	✓				
Academic achievement & recognition							✓	✓	✓
Industry achievement & recognition								✓	✓
Finance & accounting experience						✓			
Regulatory compliance experience						✓			
Corporate governance & risk Management experience						✓			
Company secretarial & compliance experience in a listed company						✓			

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

BOARD MEETINGS AND GENERAL MEETING

As the Company was listed on the Main Board of the Stock Exchange on 26 March 2021, no board meeting was held during FY2020 and three board meetings were held after FY2020. Individual attendance records of each Director at the board meetings are set out below:

Directors	Attendance/ Number of meetings
Mr. Ye Zhijie *(Chairman)*	3/3
Mr. Huang Wengui	3/3
Mr. Qiu Limiao	3/3
Mr. Ye Dan	3/3
Mr. Huang Kaining	3/3
Ms. Wong Tuen Sau	3/3
Mr. Cai Huinong	3/3
Mr. Huang Youling	1/2[Note 1]
Mr. Jiang Qinjian	1/1[Note 2]

Notes:

(1) Mr. Huang Youling has resigned from the director of the Company on 30 April 2021 and entitled to attend two board meetings.

(2) Mr. Jiang Qinjian has been appointed as a director of the Company on 30 April 2021 and entitled to attend one board meeting.

The Company will hold its first general meeting in June 2021. The chairman of the Board and the chairpersons of all board committees have expressed their commitment to attend and all other directors have also expressed their intention to attend.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since the Listing Date, the positions of chairman and chief executive officer ("CEO") of the Company are held by Mr. Ye Zhijie and Mr. Huang Wengui respectively.

The chairman is responsible for the effective functioning and leadership of the Board, ensuring the overall corporate governance of the Company, and encouraging Directors to make full and active contribution to the Board's affairs. The CEO is responsible for the Company's daily management and the effective implementation of the business strategy, policy and risk management control laid down by the Board.

There is a clear and effective division of responsibilities between the chairman and the CEO to ensure a balance of power and authority.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Since the Listing Date, the Board has at all time met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has obtained an annual written confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the Rule 3.13 of Listing Rules. The Company considers all independent non-executive Directors are independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors had entered into a service contract with the Company for an initial term of three years. The Company has entered into an appointment letter with the independent non-executive Directors for an initial term of two years. All the service contracts and appointment letters of the Directors are automatically renewed for a term of one year commencing from the next day after the expiry of the initial term of appointment, unless terminated by either party by not less than three-month's prior written notice upon the expiry of the initial term of appointment.

Under the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The Directors to retire by rotation shall include (so far as rotation and retirement of Directors necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Company has arranged training sessions conducted by the legal advisers for all Directors to participate in continuous professional development to develop and refresh their knowledge and skills.

The training sessions covered a relevant topic including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manuals, legal and anti-corruption materials have been provided to the Directors for their reference and studying. The Directors undertake to comply with the code provision A.6.5 of the CG Code. A summary of training records of the Directors during their terms of appointment are summarized as follows:

Training Records	Type A of Training(Note)	Type B of Training(Note)
Mr. Ye Zhijie	✓	✓
Mr. Huang Wengui	✓	✓
Mr. Qiu Limiao	✓	✓
Mr. Ye Dan	✓	✓
Mr. Huang Kaining	✓	✓
Ms. Wong Tuen Sau	✓	✓
Mr. Cai Huinong	✓	✓
Mr. Huang Youling	✓	✓
Mr. Jiang Qinjian	N/A#	✓

Note:

Types of Training:

Type A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

Type B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Mr. Jiang Qinjian has been briefed by the CEO and the joint company secretaries of the key business strategy, operation and policy of the Company on his inception on 30 April 2021, at his inception of directorial office.

BOARD COMMITTEE

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. All Board committees of the Company are established with specific written terms of reference which set forth their authorities and duties. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange.

Corporate Governance Function

The Board confirms its ultimate responsibilities for acting as the corporate governance function of the Company and has performed and fulfilled, with the assistance from the Audit Committee, the Remuneration Committee and the Nomination Committee, the related duties set out in the code provision D.3.1 of the CG Code.

Audit Committee

The Audit Committee consists of three independent non-executive Directors at any given time from the Listing and up to the date of this annual report. Ms. Wong Tuen Sau is the chairlady of the Audit Committee, who has appropriate professional qualifications or accounting or related financial management expertise as required in Rule 3.10(2) of Listing Rules.

As the Company was listed on 26 March 2021, no audit committee's meetings were held during FY2020. Subsequently, the Company has held one audit committee's meeting in April 2021.

Members of the Audit Committee	**Attendance/ Number of meetings**
Ms. Wong Tuen Sau *(Chairlady)*	1/1
Mr. Cai Huinong	1/1
Mr. Huang Youling	0/0 (Note)
Mr. Jiang Qinjian	1/1

Note: Mr. Huang Youling has resigned as a member of audit committee before the first audit committee's meeting on 30 April 2021 was held.

The Audit Committee has fulfilled its main responsibilities and duties set out in the terms of reference and CG Code, including, but not limited to the following:

1. to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The committee also discusses with the auditor the nature and scope of the audit and reporting obligations;

3. to develop and implement policy on engaging an external auditor to supply non-audit services;

4. to develop, review and monitor the code of conduct applicable to the Company's employees and the Board;

5. to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments before submission to the Board, including:

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from audit;

    (iv) the going concern assumptions and any qualifications;

    (v) compliance with accounting standards; and

    (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

6. to review the Company's financial and accounting policies and practices;

7. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

8. to discuss the compliance and risk management and internal control system with management to ensure that management has performed its duty to have effective systems. This discussion also includes the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

9. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and

10. to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

The quorum of the Audit Committee meeting shall be two members of the Audit Committee. The joint company secretaries are also the secretaries of the Audit Committee.

Remuneration Committee

The Remuneration Committee consists of three independent non-executive Directors at any given time from the Listing and up to the date of this annual report. Mr. Huang Youling has been the chairman of the Remuneration Committee until his resignation on 30 April 2021. Mr. Jiang Qinjian has been appointed as chairman on 30 April 2021 upon the resignation of Mr. Huang Youling.

As the Company was listed on 26 March 2021, no remuneration committee's meeting was held during FY2020. Subsequently, the Company has held two remuneration committee's meetings in April 2021.

Members of Remuneration Committee	Attendance/ Number of meetings
Mr. Huang Youling *(Chairman until 30 April 2021)*	0/1 (Note 1)
Mr. Jiang Qinjian *(Chairman since 30 April 2021)*	1/1 (Note 2)
Ms. Wong Tuen Sau	2/2
Mr. Cai Huinong	2/2

Notes:

(1) Mr. Huang Youling is only entitled to attend the first remuneration committee's meeting until his resignation on 30 April 2021.

(2) Mr. Jiang Qinjian is only entitled to attend the second remuneration committee's meeting upon his appointment as director on 30 April 2021.

The Remuneration Committee has adopted the recommendation model descripted in B.1.2(c)(ii) of CG code.

The Remuneration Committee has fulfilled its main responsibilities and duties set out in the terms of reference and CG Code, including, but not limited to the following:

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and

5. to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee has reviewed the remuneration of Directors and senior management which are disclosed in Notes 9 and 32 to the consolidated financial statements in this annual report.

The quorum of the Remuneration Committee meeting shall be two members of the Remuneration Committee and a majority of which shall be the independent non-executive Directors. The joint company secretaries are also the secretaries of the Remuneration Committee.

Nomination Committee

The Nomination Committee consists of three independent non-executive Directors at any given time from the Listing and up to the date of this annual report. Mr. Cai Huinong is the chairman of the Nomination Committee.

As the Company was listed on 26 March 2021, no nomination committee's meeting was held during FY2020. Subsequently, the Company has held two nomination committee's meetings in April 2021.

Members of Nomination Committee	**Attendance/ Number of meetings**
Mr. Cai Huinong *(Chairman)*	2/2
Ms. Wong Tuen Sau	2/2
Mr. Huang Youling	0/1 (Note 1)
Mr. Jiang Qinjian	1/1 (Note 2)

Notes:

(1) Mr. Huang Youling is only entitled to attend the first nomination committee's meeting until his resignation on 30 April 2021.

(2) Mr. Jiang Qinjian is only entitled to attend the second nomination committee's meeting upon his appointment as director on 30 April 2021.

The Nomination Committee has fulfilled its main responsibilities and duties set out in the terms of reference and CG Code, including, but not limited to the following:

1. to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of the independent non-executive Directors;

4. to make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive; and

5. to make recommendations to the Board on the policy concerning the diversity of Board members.

The quorum of the Nomination Committee meeting shall be two members of the Nomination Committee and a majority of which shall be the independent non-executive Directors. The joint company secretaries are also the secretaries of the Nomination Committee.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their obligations to prepare and present true and fair financial statements on an on-going basis in accordance with applicable statutory requirements and accounting standards in accordance with the code provision C.1.3 of the CG Code.

The Directors confirm that they are not aware of any material uncertainties that may affect the business of the Company or raise significant doubts about the Company's ability to operate on an on-going basis in accordance with the code provision C.1.3 of the CG Code.

AUDITOR'S STATEMENT AND REMUNERATION

A statement by the Company's auditors on their reporting obligations in respect of the Company's financial statements for FY2020 is set out in the "Independent Auditor's Report" section of this annual report.

The remuneration of external auditors of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for FY2020 is set out below:

Service rendered	**2020** **RMB'000**	2019 RMB'000
Annual audit service	**280**	—
Non-audit service	**2,740**	2,200
Total	**3,020**	2,200

Non-audit service for the years ended 31 December 2019 and 2020 was related to the service for acting as the reporting accountant for the Share Offering.

JOINT COMPANY SECRETARIES

Mr. Yuen Chi Wai is appointed as the joint company secretary of the Company. Mr. Yuen, a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Ye Zhijie, the chairman of the Board, has been designated as the primary contact person of the Company who would work and communicate with Mr. Yuen on the Company's corporate governance and secretarial and administrative matters.

For FY2020, Mr. Yuen Chi Wai has taken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Mr. Zhong Dezhu is an employee in position of financial manager and the joint company secretaries of the Company. The Company has begun arranging relevant professional training for Mr. Zhong since the Listing on 26 March 2021.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has established policies and procedures for identifying, evaluating, and monitoring key risks associated with its financial, operational and compliance activities. It has also reviewed and approved the risk management and internal control systems designed, implemented and/or monitored by the management of the Company.

The Company adopts a risk management and internal control framework referenced with the internationally recognized framework issued by Committee of Sponsor Organization ("COSO framework") which has the following features.

Control Environment

The Company has ensured good corporate governance at the tone of the top.

Risk Assessment

The Company has a process to identify and evaluate key risks or concerned areas in accordance to the significance of effect and likelihood of occurrence.

Control Activities

The Company has designed and implemented relevant policies and procedures, at both entity level and business activities level, to address the significant risks of the Company.

Information Communication

The Company has designed and implemented effective communication channel and mechanism within the Company and with other stakeholders, such as suppliers and shareholders.

Monitoring

The Company has assigned management at appropriate level to implement and monitor relevant policies and procedure on a daily basis, and have performed independent review of the effectiveness of such implementation and monitoring.

The Company does not have an internal audit department. The Board and the Audit Committee have reviewed the need for an internal audit function and consider it more cost-effective to appoint external independent professionals to independently review and continuously evaluate the Company's internal monitoring systems and risk management systems, taking into account the size and nature of the Company. The Board will review the need for an internal audit function at least once a year.

For FY2020, the Company has engaged an independent internal control consultant firm (the "Internal Control Consultant") to review the key business process and internal control systems, policies and procedures from financial, operational and compliance aspects. The Internal Control Consultant has also submitted its independent report, inclusive of the findings and recommendations, to the Board and the Audit Committee.

The Board has conducted an annual review of the effectiveness of the Company's and its subsidiaries' risk management and internal control system in accordance with the code provision C.2.1 of the CG Code through the review/approval of the Company's policies and procedures, the review of independent reports submitted by Internal Control Consultants, discussion with external auditors and management and the analysis of the overall financial, operational and compliance performance of the Company.

The Board believes that the existing risk management and internal control systems commensurate with the nature, complexity and scale of operation and are adequate and effective in reasonably managing significant risks from financial, operational and compliance aspects.

KEY POLICIES OF THE COMPANY

➢ Nomination Policy ("Nomination Policy")

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has established a Nomination Policy for setting out the selection, nomination and appointment criteria and factors in relation to nomination and appointment of Directors of the Company. Key criteria and factors to be considered include, but not limited to:

1. Character, integrity and reputation;

2. Academic achievement and professional qualifications;

3. Skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

4. Knowledge of business;

5. Length of service;

6. Independence and objectivity;

7. Time and interest commitment as to discharge duties as a member of the Board and/or Board committee(s);

8. Board's succession planning; and

9. Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity.

If a Shareholder wishes to propose a person ("Candidate") for election as a director of the Company at a general meeting, he/she should deposit (i) a written notice of the intention to propose the Candidate for election as a Director; and (ii) a written notice by the Candidate of his willingness to be elected at either of the principal place of business in Hong Kong: Suite No. 2, 3/F, Sino Plaza 255 Gloucester Road Causeway Bay Hong Kong at least seven (7) clear days before the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) clear days in length.

For more details, Shareholders shall refer to the Company's policy "Procedures for shareholders to propose a person for election as a director" which is uploaded on the Company's website.

➢ Board Diversity Policy ("Board Diversity Policy")

The Company has adopted a Board Diversity Policy which aims to attain a balanced diversity of the Board, as to enhance the quality of the Board's performance. Pursuant to the Board Diversity Policy, the Nomination Committee will review the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile.

In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to skills, professional experience, knowledge, age, gender, cultural and educational background. The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business strategy and development.

The Nomination Committee is responsible for recommending measurable objectives to implement the Board Diversity Policy and reviewing such objectives regularly to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Board believes that gender diversity is a representing manifestation of board diversity, among all other measurable objective. Under the Board Diversity Policy, the Company aims to appoint at least one director of different gender at any given time and to achieve a 30% female representation in the Board in five years' time after Listing.

The Nomination Committee will review the Board Diversity Policy to ensure its effectiveness.

➢ Dividend Policy

The Company does not have a dividend policy. The declaration of future dividends will be subject to the recommendation by the Board at its discretion in accordance with the Articles of Association and will depend on a number of factors, including market conditions, strategic plans and prospects, business opportunities, financial condition and operating results, working capital requirements and anticipated cash needs, statutory and contractual restrictions on the payment of dividends and other factors that the Board considers relevant.

➢ Inside Information Procedures

The Company has established an inside information policy pursuant to the Part XIVA of the SFO. Key provisions of such policy are:

1. The Directors shall establish effective procedures to identify and report potential inside information to the Board from time to time;

2. The Directors, as soon as they are aware of any inside information or potential inside information, shall perform an evaluation of the information and document the evaluation process and result;

3. The Directors, senior management and any persons who might have access to the inside information shall implement precaution measures in relation to the confidentiality of unpublished inside information;

4. The Directors, senior management and any persons who might have access to the inside information shall not to deal in the Company's securities when they are in possession of unpublished inside information; and

5. The Directors shall ensure timely, fair and comprehensive dissemination of inside information, in principle of maintaining a fair and informed market, including issuing announcements and/or requesting trading halt in situation of unexpected and significant event.

SHAREHOLDERS' COMMUNICATION AND RIGHT

The Company is committed to provide shareholders and investors with accurate and timely information regarding the Company's financial, operational and compliance performance, important development and major events through annual, interim reports and announcements.

All published information is uploaded to the Company's website at www.xiamenzhixin.com.

Right to Convening an Extraordinary General Meeting

The Directors may, whenever they think fit, convene an extraordinary general meeting.

Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Secretary for the purpose of requiring an Extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

All other general meetings (including an extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days.

Right to make enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the joint company secretaries at the Company's principal place of business in Hong Kong: Suite No. 2, 3/F, Sino Plaza, 255 Gloucester Road, Causeway Bay, Hong Kong.

Procedures for putting forward proposals at shareholders' meetings

To put forward proposals at a shareholders' meeting of the Company, a shareholder should lodge a written notice of his/her proposal with his/her detailed contact information at the Company's principal place of business in Hong Kong.

The request will be verified with the Company's share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the proposal in the agenda for the general meeting.

INVESTORS' RELATIONSHIP

Since the Listing Date and up to the date of this annual report, there had been no significant change in the Company's constitutional documents. The Memorandum and Articles of Association of the Company are available on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

This is the first ESG report published by the Company. This ESG report discloses the management approach and performance of the Group in environmental, social and governance aspects.

This ESG report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) and its upcoming amendments, as set out in Appendix 27 to the Listing Rules. The information stated in this report covers the period from 1 January 2020 to 31 December 2020, which aligns with the financial year as the 2020 annual report of the Group.

The Board has reviewed and approved this ESG report and confirmed that, to the best of its knowledge, this report describes material ESG issues and fairly presents the Company’s ESG management approach and related performance.

A complete index in compliance with the ESG Reporting Guide is also available at the end of this ESG report for reference. The Company has complied with the “comply or explain” provisions set out in the ESG Reporting Guide in FY2020.

ESG GOVERNANCE STRUCTURE

The Board retains overall responsibility for the governance of ESG which includes, but not limited to identifying and evaluating ESG related risks, determining ESG strategy and scope, setting forth related risk management and internal control system and approving the disclosure in this report.

An ESG working group, consisting of four members including the chairman of the Audit Committee, the chief executive officer, the chief operating officer and an executive Director, is established by the Board for the purpose of implementing the ESG initiatives, collecting and continuously monitoring ESG data and preparing this ESG report.

The key features, authorities and responsibilities of the ESG working group are:

1. Knowledge of business

Most members of the ESG working group are highly involved in the daily operation and management of the Group’s business and operations.

2. Active involvement

Members of the ESG working group shall meet regularly, no less than an interval of once a year.

3. Right to exercise

The ESG working group has the rights to access to all ESG-related facts and information and to engage specialists to assist in the study and preparation of ESG matters at the cost of the Company.

4. Responsibilities to exercise

The ESG working group is instructed by the Board to implement and monitor the ESG-related initiatives.

5. **Independent reporting**

The ESG working group has the rights and responsibilities to report to the Board independently on important ESG matters.

6. **Grievance mechanisms**

The Company has monitored the effectiveness of the ESG activities and welcome feedback from the stakeholders as to improve the ESG initiatives from time to time.

REPORTING BOUNDARIES AND PRINCIPLES

The Board, with the assistance of the ESG working group, has identified key ESG risks of the Company based on the consideration of a series of factors such as business nature and scale, geographic location, regulatory requirements, operating practices and stakeholders' expectations.

The key considerations that the Board has taken the business operations of the Company including:

1. business is headquartered in Xiamen City, Fujian Province of the PRC with production and logistic operations in the same area;
2. operation involves production of ready-mixed concrete and PC components;
3. production and logistic arrangement involve emissions and use of natural resources;
4. operation is subject to the various work safety related regulations; and
5. operation is subject to the various environmental protection related regulations.

In preparing this report, the ESG working group has followed the principles of materiality, quantitative and consistency and "comply or explain" as set out in the ESG Reporting Guideline, under which Company believes it has applied a consistent and structured methodology for determining the materiality level, measuring in meaningful quantitative units and reporting ESG matters in a scope that is relevant and significant to the Company.

Based on the Group's assessment, the reporting boundary for this report shall be set at the management, production, manufacturing and logistic function of the Group's operations.

The Board and ESG working group have understood, concurred with and applied the four core ESG principles in the course of setting ESG strategy, conducting the Group's ESG initiatives, collecting ESG data, calculating ESG KPI and preparing and issuing this ESG report. The four core ESG principles are materiality, consistency, balance and quantitative.

Stakeholder engagements

To determine important ESG issues of the Company, the Company must also understand the concerns of the stakeholders. The Company continued to maintain communication with stakeholders, establishes diversified communication channels, constantly listened to the expectations and appeals of stakeholders, and responded to the opinions in a timely manner. While operating in compliance with laws and regulations, the Company fulfilled its social responsibilities, and created value for stakeholders. The Company have identified the following key stakeholders in accordance with the mutual dependency and influence.

List of Stakeholders' Communication

Key Stakeholders	Major Communication Channels	Main Concerns
Government departments & regulators	☑ Regulatory updates correspondence ☑ Interaction and visits ☑ Compliance advisor ☑ Government inspections	■ Legal compliance ■ Work safety ■ Environmental protection ■ Increase local employment
Investors & shareholders	☑ Corporate website and emails ☑ General meetings ☑ Announcements and disclosures ☑ Prospectus & interim/annual reports	■ Performance and profitability ■ Scale and capacity ■ Market share ■ Supply chain management ■ Reputation
Employees	☑ Regular management meetings ☑ Employee suggestion boxes ☑ Performance evaluation ☑ Trainingi	■ Career development ■ Remuneration and benefits ■ Staff training ■ Work health and safety ■ Equal employment ■ Diversified recruitment
Customers	☑ Site visits ☑ Prospectus & interim/annual reports ☑ Customer service hotline ☑ Sales representative visit ☑ Instant messaging applications	■ Product quality ■ Product pricing ■ Image and reputation ■ Environmental protection ■ Protection of rights and interests
Suppliers	☑ Meeting and correspondence ☑ On-site visits ☑ Product quality inspection ☑ Suppliers' code of conduct ☑ Suppliers' background check ☑ Instant messaging applications	■ Product and service pricing ■ Stability and sustainability ■ Product and service quality ■ Manage justly, fairly and openly
Media, community and the public	☑ Community events ☑ Employee voluntary activities ☑ Community welfare subsidies	■ Community service ■ Environmental protection

The Board and ESG working group acknowledge that the stakeholders' engagement is an important step to obtain different views of sustainability development and to form a basis for the Company to provide feedback. Accordingly, on top of the regular engagements, the Group has formulated plans to strengthen the stakeholders' engagement process, including the intended use of an ESG survey and interview program, from which the information and feedback to be collected and exchanged, will further enable the Company to take appropriate actions and enhance ESG initiatives and reporting.

MATERIALITY ASSESSMENT

The ESG working group gathers important facts and information through continuous communications with stakeholders. The ESG working group has evaluated those facts and information, collated them with industry reference and evaluated them against materiality, quantitative measures, balance and consistency of this ESG report. Based on that, the ESG working group identified 12 most concerned ESG issues for this report as presented below.

Environmental	• Environmental protection • Efficiency use of energy • Climate change impact on business
Social	• Quality product • Sustainable income • Labour compliance • Staff competency • Green supply chain • Stable supply • Care for society
Governance	• Anti-corruption • Diversity and equity

The Board has reviewed and approved the assessment of the ESG working group.

A. CARE FOR THE ENVIRONMENT

The Group is recognised as a Green Factory by the Energy Conservation and Resources Utilisation Department of the Ministry of Industry and Information Technology of the PRC.

The Group injects green concepts in the production activities. In respect of environmental aspect, the Group has established three objectives:

1 Minimise the use of natural resources
2 Full compliance with all applicable environmental laws and regulations
3 Minimise the impact of business on the environment

The Group actively promotes environmental awareness among the employees through encouraging them of the four principles of "recycle", "reuse", "save water" and "save energy".

Overall environmental compliance status

During FY2020, the Group has complied with all applicable laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, including, but not limited to the following:

1 Environmental Protection Law of the PRC
2 Air Pollution Prevention and Control Law of the PRC
3 Water Pollution Prevention and Control Law of the PRC

The Group were not subject to any material claims or penalties in relation to environmental protection during FY2020.

Emission and conservation measures

The Group has adopted an environmental management system certified under ISO 14001.

The Group's greenhouse gas ("GHG") emissions are mainly generated from diesel consumed in the logistic activities. The indirect GHG emissions are mainly generated from the purchased electricity in the Group's operations. The Group is dedicated in reducing the emission and, accordingly, have established relevant policies and initiatives, including:

1 Careful design and monitor the logistic routing of delivery;
2 Use of proper diesel for truck team;
3 Sending truck team to periodic inspection and repairment for any emission issues;
4 Encouraging driver to turn off the trucks' engine at prolong stoppage; and
5 Considering and planning the use of more environmentally friendly trucks model at next replacement.

Water consumption and management

The major water consumption of the Company is mainly for the production processes. The Group has established controls and procedures to ensure the water usage is within the reasonable range necessary for the production without over-using concerns.

The Group attaches great importance to the water consumption and management.

Waste wash water can generally be collected during the recycling of concrete and during cleaning of batching plant and equipment. The Group discharges the waste wash water in accordance with the "Integrated Wastewater Discharge Standard" (GB8978-1996), jointly issued by General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China ("**AQSIQ**") and The Ministry of Ecology and Environment of the People's Republic of China ("**MEE**"). The Group mainly acquires the waste wash water from rinsing (i) the tank of the mixer truck after each delivery; (ii) mixing equipment; and (iii) trucks and transporters of raw material. The collected waste wash water will then be discharged to the precipitation tanks set up in the production facility for sedimentation. The precipitation process of waste wash water will separate the aggregates and pulverised fuel ash which results from the burning of pulverised coal in coal-fired electricity power stations from other non-recyclable materials for reuse in the production process.

Other water consumption is related to office water consumption, which is considered minimal in quantity. The Group has encouraged all employees to develop the habit of conserving water consciously. The domestic sewage is discharged into the urban sewage pipe network.

The Group did not encounter any problems in sourcing water that is fit for purpose during FY2020.

Waste management

The Group does not generate hazardous waste, but does generate minimal level of non-hazardous industrial wastes, including dust and solid waste during the production process.

Dust

Dust is generated mainly from the loading process of aggregates, the unloading of powder and particle materials, the batch charging process and the agitation of ground dust. The Group minimises the Particulate Matter ("**PM**") level in the atmosphere of the batching plant in accordance with the "Emission Standard of Air Pollutants for Cement Industry" (GB4915-2013), jointly issued by AQSIQ and MEE.

To reduce dust generated from the loading process of aggregates, the Group's warehouses are installed with automatic sprinkler systems and utilise a dust tight seal design to confine the amount of dust being released into the atmosphere. The Group also requires trucks to be covered when loaded with aggregates. The Group designates specific personnel to regularly check the effectiveness of the dust removal devices in the tubular powder material bins to ensure that the dust removal devices are operating normally and that no dust is discharged. The Group also designates specific personnel to manage raised dust during the production process, by adopting methods such as spraying water and covering the dust source or spraying covering agents.

Solid waste

Solid waste such as obsolete concrete blocks may be generated from the production process. The Group handles the solid waste in accordance with the "Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Waste" (GB18599-2001), jointly issued by AQSIQ and MEE. The Group stores the solid wastes before they are transferred to a qualified third party for disposal in order to prevent pollution of the environment caused by industrial solid wastes.

Noise pollution

Noise may be generated during the loading and mixing phase of the production of ready-mixed concrete. The Group minimises the noise emission in accordance with the "Emission Standard for Industrial Enterprises Noise at Boundary" (GB12348-2008), jointly issued by AQSIQ and MEE. The Group tends to select low noise generating equipment and machinery for the production whenever possible in order to minimise noise emission.

Packaging material

Due to the nature of business, the Group uses minimal level of packaging materials. The final products produced are transported by trucks without packaging materials. Products are also transported to the locations designated by customers through corresponding transport vehicles, so no packaging materials are involved.

In other area of operation, the Group is dedicated to promote the principles by encouraging employees to adopt the following "green" actions, among other environmental measures mentioned above:

1 Minimising the paper usage;
2 Reusing or recycling used paper;
3 Turning off lights at off-office hours and holidays; and
4 Using light-emitting diode (LED) lighting in efforts to reduce energy consumption.

B. ENVIRONMENTAL KEY PERFORMANCE INDICATORS

The table below sets forth the environment key performance indicators of the Company in FY2020.

Emission Type	Indicator	FY2020	FY2020 Intensity
Greenhouse gas[1]	Direct emissions — Scope 1[3] (tonnes CO_2)	8,058	10.3
	Indirect emissions — Scope 2[4] (tonnes CO_2)	4,032	5.1
Exhaust gas[1]	Sulphur Dioxide (SOx) — tonnes	70	0.09
	Nitrogen Oxides (NOx) — tonnes	23	0.029
	Particulate Matter (PM)—tonnes	1.67	0.0021

Major Consumption of Natural Resources	Unit	FY2020	Intensity[2]
Water	'000 m^3	133	0.17
Electricity	Kwh in '000s	3,910	5
Diesel	Liter in '000s	4,546	5.8

Major non-hazardous waste	Unit	FY2020	Intensity[2]
Dust	tonnes	0.95	Close to zero
Solid waste[8]	tonnes	435	0.55

Notes to above table:

1 GHG emissions data is presented in terms of carbon dioxide equivalent and are based on including, but not limited to, "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" 2010 Edition and "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.
2 Intensity is calculated by the emissions divided by the Group's revenue for FY2020.
3 Major source of Scope 1 emission came from usage of diesel.
4 Major source of Scope 2 emission came from usage of purchased electricity.
5 Major source of Scope 3 emission came from processing fresh water and sewage by government departments.
6 The Group's operation does not generate hazardous waste.
7 Domestic waste totals have been deemed immaterial to the Group's operations. Thus, the Group do not maintain relevant record.
8 Solid waste refers to industrial waste discharged during the Group's production and disposed of by an accredited institutional waste disposal provider.

Environmental targets

The Company considers that it has reached an optimal point in relation to emission control and resources use, taking consideration of its new expansion.

The Company sets a target of maintaining emission control and use of resource, by intensity or by production volume, in the next two years. Upon new systems and another optimal point are seen to be achievable, the Company will set a reduction target and disclose such goal from time to time.

C. MANAGING CLIMATE CHANGES IMPACT

In assessing the climate changes impact on the Company, the Company follows recommendations and approach set out by the Task Force of Climate-related Financial Disclosures issued by the Financial Stability Board in 2015. The ESG working group measures the climate change impact by the following two risk categories:

Transition risk

- Referring to a situation where the transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.

Physical risk

- Referring to direct damage to assets and indirect impacts from supply chain disruption that may have financial implications for the Company. Physical risk can be event driven (as "Acute events risk") or gradually shifted over in a period of time (as "Chronic shift risk").

The Company is considered to be subjected to the following climate change impacts to which the Company has developed relevant action plans to manage them as presented in below table. The Company will continue its study on climate change impacts, commit to on-going monitoring of relevant risks and update its climate changes impact from time to time.

Relevant climate change risk	Driving forces	The Company's action
Acute events risk	Production's efficiency is affected by rainfall, which could be affected by climate change.	Good work scheduling to manage the risk and looking for technological solution in the future.
Political & legal risk	More tightened emission standards in the future.	Plan to use Euro VI compliant vehicle for its logistic activities.
Political & legal risk	Fuel cost may rise or may be subject to direct or indirect environmental tax, which may drive up the transportation costs.	Manage to shift a portion of such additional costs as it is a general situation applied to all industry's participants.
Reputation risk	Customers have higher expectation that the Group shall operate an "greener" and environmentally friendly business.	Manage suppliers and dedicated in engaging environmentally friendly suppliers.
Chronic shift risk	Protection of river bank and mountain thus reduce extraction of rock and sand.	Use a supply chain management plan to diversify its supply chain. Continue to monitor the financial and operational performance of the suppliers.

D. SUPPLY CHAIN MANAGEMENT

Amongst our supply chain consisted of, among others, cement manufacturers, rebar manufacturers, quarry miners and river sand miners.

As at 31 December 2020, there were a total number of 229 critical suppliers. Critical suppliers are referred to those who supply the Group with aggregates and other necessary production materials. These critical suppliers are all located in China, mainly in Fujian Province.

We conduct business with approved suppliers only after they have passed the Group's initial assessment. To be admitted as the approved supplier, they must satisfy the Group with:

1. having relevant experience, resources and/or certifications (if applicable);
2. the ability to provide satisfactory product; and
3. good compliance status.

In managing the critical suppliers, the Group has adopted the following measures:

Supplier's selection
- Obtain necessary business license and certificate
- Inspect and examine samples provided by suppliers

Suppliers' code of conduct
- Set out expectation on suppliers regarding their ethical and compliance acts

Supplier's due diligence check
- Perform background check of critical suppliers' regarding their business and compliance status

Suppliers' code of conduct

The Group has established and circulated a suppliers' code of conduct to the critical suppliers. The suppliers' code of conduct sets out the Group's expectation on them regarding their ethical and compliance acts, including respecting human rights, prohibiting use of forced or child labour, anti-corruption and compliance with applicable environmental laws and regulations. The Group will take necessary actions, including termination of service in situation of serious non-compliance incidents of suppliers identified.

Suppliers' due diligence

During FY2020, the Group has performed a large scale of suppliers' due diligence by reviewing the critical suppliers' background (for those who transacts with the Group with over 1% of the Group's total purchases for the year), including their latest business and compliance status. The Group made use of reputable background check system to perform the due diligence.

Environmentally preferable products and services

The Group highly promotes the use of environmentally preferable products and services. On that, the Group requires the critical suppliers to comply with applicable regulations that they must have obtained necessary permits to source the related materials in restricted areas.

E. COMMITMENT TO PRODUCT QUALITY

The Group has adopted a quality management system certified under ISO 9001.

The Group committed to produce high quality concrete product. Due to the nature of business, the Group's operation and products are subjected to high product responsibilities, particularly over timely and reliable basis to meet customer's safety and regulatory requirements. On top of the standard formula and safety measure, the Group manages product quality concern through quality control and operation management.

Quality control management

The Group operates in compliance with all national laws and regulations, and for continuous improvement. The Group also has a quality control process including rigorous checking, inspections and testing, are implemented throughout all of the business activities from design and material selection, to the delivery of works to the customers.

The Group has implemented a number of key measures in various stages of operation to ensure the products are safe and meeting the requirements of customers and the product responsibility can be substantially discharged, as tabled below.

Materials	1. Suppliers' selection and assessment
	2. Inspection before accepting incoming materials
	3. Sample examination on quality
Inventory	4. Accepted materials are labelled and stored accordingly
	5. Materials are stacked and stored under first-in-first-out method
Production	6. Quality sample testing and inspection on products are performed before delivery
Delivery	7. All finished products are subject to a final comprehensive test prior to loading for delivery

Product recall management

Generally, the Group is subject to lower product recall risk as substantial part of the product liabilities are technically and contractually discharged once the Group has delivered the products to the customers. In situations where there are unresolved matters, the Group will follow the standard recall procedures, including:

1. Perform investigations of the situations directly managed by executive Directors,
2. Obtain advices from legal adviser regarding the assessment of the Group's responsibilities,
3. Mutual agreement with the customers regarding the methods of redress, such as re-work or monetary compensation.

During FY2020, the Group did not encounter any of the following situations:

1. Recalls of products sold or delivered on the ground of safety and health reasons; and
2. Material customer complaints that lead to or likely to lead to product recall or compensations.

Advertising and labelling

In connection with advertising and labeling, the Company has appointed an external legal advisor to provide legal opinions. In case that any advertisement or labeling is found false or exaggerating, the Company will immediately cease circulating such false advertisement and eliminate the negative effects by issuing a clarification announcement accordingly.

Intellectual property rights, consumer data and privacy policy

The Company highly respects intellectual property rights protection and consumer data. In the course of operation, the Group might have access to the intellectual properties or confidential data of customers, such as patents, trademark, copyrights and trade secrets (e.g. design of products), personalised information or contractual documents.

It is the Group's policy that the Group will only use and/or store these intellectual properties or customer data in accordance to the purpose they are originally provided to or collected by the Group. The Group prohibits all kinds of unauthorised use or leakage of intellectual properties by the employees. The Group will take appropriate actions against breach of intellectual property rights and consumer data, including termination of employment or legal proceeding.

Compliance status

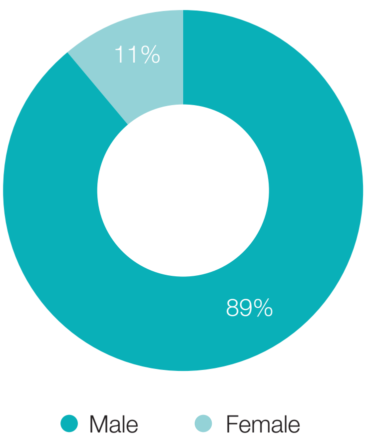
During FY2020, the Group has complied with all applicable laws and regulations in relation to product liabilities, advertising and labelling and privacy matters. For FY2020, the Group were not subject to any material product recall, liabilities claim or failed regulatory inspection in relation to its product quality.

F. CARE FOR THE EMPLOYEES

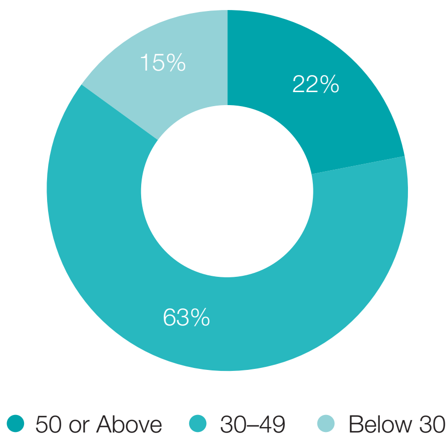
The Group is committed to provide employees with a safe and fair working environment.

As at 31 December 2020, the Group employed a total of 639 employees (2019: 617).

Workforce by Gender



Workforce by Age Group



By geographical region, the full-time workforce is basically residing and operating in Xiamen City, Fujian Province of the PRC. During FY2020, the Group employed no part-time and temporary workers.

The overall employee turnover rate of full-time staff in FY2020 is 31.9%, with further breakdowns by different categories as presented below. The ESG working group has made an assessment and come up with relevant action plans in relation to the turnover rate.

By category	Turnover rate	Management assessment and actions
Female	13.9%	Considered as a healthy turnover
Male	34.0%	Considered as a healthy turnover
Under 30	51.1%	The Board considered this turnover rate is within the normal norm of the industry and the Company's risk appetite while it will continue paying additional attention to younger aged staff's needs and expectations
Between 31–50	29.1%	Considered stable
Over 50	26.6%	Considered stable

Employment and remuneration

The Group has formulated a reasonable compensation system to effectively motivate employees to work, and pay pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund for employees in accordance with the national laws.

The working hours of employees meet the requirements of relevant national laws. The Group also has a comprehensive human resource planning to determine the optimal size of staff force that fits the Group's business operation. The Group's human resource department manages the hiring process, which is considered fair and transparent. The Group generally enters into a standard form of employment contract with the employees, which contains confidentiality clauses and standard covenants.

The Group endeavours to provide competitive remuneration package and various benefits to attract and retain talents. Employees are remunerated according to their job scope, responsibilities, and performance and entitled to discretionary performance bonus.

Equal opportunity

The Group is committed to building and maintaining a fair workplace and valuing equal opportunity and diversity, throughout all stages of employment, including in the remuneration, recruitment, training and promotion of staff.

The Group's employees will not be treated in less favourable terms or discriminated against on grounds of gender, sexual orientation, disability, marital status, materiality, race, religion, age, nationality or ethnic origin. Employees are hired, appointed, promoted and remunerated on a fair scale and in accordance to objective measures such as their qualifications, experiences, hardships, competencies and contributions.

Labour standards

The Group fully adopts and adheres to the human rights framework that creates an environment where human rights issues can be openly discussed. The Group is committed to do the right thing and the Group encourages workers to engage in candid and respectful dialogue to explore feasible solutions.

The Group prohibits the use of child labour and forced labour. The Group strictly abides the relevant national legal requirements such as the Protection Law for Minors and Prohibition on the Use of Child Labour, and avoids any use of child labor or forced labour in its business operations and holds a zero-tolerance attitude and stance on any form of child labour and forced labour.

The recruitment process includes inspection of the personal identity documents and conducting interviews with the applicants. At the same time, the Group's employee dismissal process strictly follows various staffing related national laws and regulations such as the Labour Law and the Labour Contract Law of the PRC. In case that the Group would identify any forms of forced or child labour, the Group would disengage with such activities immediately, investigate into the causes and take legal actions against involved persons.

The Group's compliance status

During the Year, the Group has been in compliance with the laws and regulations in PRC relevant to the labour standards such as relating to compensation and dismissal, recruitment and promotion, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including, but not limited to Labour Law and Labour Contract Law of the PRC.

G. DEVELOPMENT AND TRAINING

The Company encourages and supports the Directors and staff to receive internal and external training to promote operational compliance and sustainable development of the staff and the Company.

The Company identifies the training needs of the employees through regular performance appraisal, technological changes or any major changes of regulatory rules, operational model and market trends.

At inception, new employees are required to participate in orientation training before the start of their work and undergo on-the-job training. Generally, the training areas are related to their work scope and duties of their respective department. The typical training topics involve code of conducts, work duties and work safety, and employee illness and communicable disease.

All the Directors, including the independent non-executive Directors, have attended training to reinforce their knowledge and skills as a director, and knowledge on the latest development regarding the Listing Rules and the business environment to facilitate them to discharge their responsibilities.

During the Year, the employees received 1,839 hours of training. The average training hours per staff was 2.89.

The Group's external training courses are mainly provided by relevant professional associations and industry organisations and its internal courses are conducted through its experienced management at appropriate level, mainly covering the areas of health and work safety, occupational skills and knowledge, accounting and compliance, such as construction safety. The percentage of employees trained by employee ranking and gender is illustrated below.

Anti-corruption training

The Company has rolled out a rotation plan of anti-corruption trainings in FY2020. As of the date of this report, the Group intends to provide anti-corruption trainings, through professional organisation, to the Directors, management and front-line sales department personnel first. The Group will also extend such training to its staff on a 3-year rotation plan targeting to attain a 100% training coverage within 4 years.

Nevertheless, all the Directors are provided with anti-corruption guidelines published by Independent Commission Against Corruption of Hong Kong.

H. HEALTH AND SAFETY

During the Year, one of the subsidiaries is certified under Occupational Health and Safety Management System Certification OHSAS 18001 and has obtained a Work Safety Standardization Certificate granted by Xiamen Security Production Management Association.

Employees' safety and health are the Group's top concerns. The Group has established a comprehensive work safety system covering different aspects of work safety to prepare for foreseeable contingencies. The procedures and guidelines include but not limited to (i) personal hygiene; (ii) work instructions in handling machines and safety gadgets required such as safety shoes and safety helmet; and (iii) handling of employees' illness and communicable disease. The Group also ensures machines and equipment are thoroughly tested and safe for use.

The Group had 9 minor work-related injuries or accidents in FY2020, which led to a number of days-loss of 283 days (2019: 1,380). The days-loss is mainly due to the longer recovery time of the injured personnel in three incidents. The Group has made reasonable rest and recovery arrangements for the injured personnel and has provided them with appropriate compensation. The Group has not received any legal disputes related to these incidents.

The Group believes that the rate of injuries and day losses have been an immaterial impact on its Group's financial, operational and compliance aspects. The Group also maintains work injury compensation policies, personal accident and medical insurance for workers.

Number of work-related fatalities	Year 2018	Year 2019	**Year 2020**
Leading to injured or illness or disabilities	10	21	**9**
Leading to death	0	0	**0**
Resulting loss of working days	298	1,380	**283**

The Group has enhanced safety training for all frontline staff working. In order to further enhance the safety environment and awareness, the Group has developed comprehensive preventive measures and contingency plans to protect the safety of the staff and minimise the impact of accidents.

Efforts and measures against COVID-19

In respect of COVID-19, the Group has met all lockdown and quarantine requirements imposed by government authorities. In addition, the Group has put in place the necessary precautions, including regular workplace disinfection, allowing flexible workplaces and work hours, minimising social activities, requiring the wearing of masks, and establishing a reporting mechanism overseen by an environmental management committee to promptly report suspected or confirmed cases among the employees and their associates.

Compliance status

During the Year, the Group has been in compliance with the national laws and regulations the PRC relating to occupational health and safety, including, but not limited to the Occupational Disease Prevention and Control Law of the PRC, the Regulations on Occupational Health Supervision and Management in the Workplace, and the Work Injury Insurance Regulations. The Group did not encounter any incidents and accidents that led to serious work injuries or fatalities, and the Group did not receive any material staff claims in relation to work safety and health during the Year.

I. STAND WITH INTEGRITY

Anti-corruption

The Group has established an anti-corruption policy as to maintain a high-standard for honesty, integrity and trust. In compliance with the policy, the Group prohibit all forms of bribes, kickbacks or other similar remuneration. The Group does not allow the Directors and employees to offer or accept excessive gifts and benefits in the course of their employment. In situation where there are conflicts of interest, the Group requires employees to disengage with such activities or to report to the Directors on a timely and complete basis.

Anti-money laundering

The Group is also committed to fight financial crime that it is the Group's policy not to engage in significant cash transactions, any kinds of transfer from unknown or suspicious third parties, or transfers and payments without legitimate business relation and purpose.

Whistleblowing policy

The Group encourages goodwill reporting of any suspicious or confirmed cases relating to bribery, extortion, fraud and money laundering.

The Group has delegated the monitoring duties to its human resources department which acts as first-line communication channels with the employees.

The Group has also implemented a whistleblowing policy that serves as a deterrence and monitoring over fraud, misconduct, malpractices and non-compliance with the Group's internal policies or any relevant laws and regulations. Goodwill whistleblowers can also submit their reports to the Group at email: ir@zjzx-xm.com. Whistleblowing reports will be firstly reviewed by the executive Directors and, if stand, will be escalate to the chairman of the Board and the Audit Committee.

The Group's whistleblowing policy has a protection clause under which it prohibits all kinds of harassment and discrimination of goodwill whistleblowers on the grounds of their goodwill whistleblowing.

During the Year, the Group has not received any whistleblowing reports in material aspects.

Compliance status

During the Year, the Group has been in compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering. The Group did not encounter any anti-corruption confirmed cases, incidents, reporting, enforcements and/or legal proceedings against the Group, Directors and employees.

J. CARE FOR THE COMMUNITY

The Group is committed to maintain a close communication and interaction with the community and to care the minority of the community.

For FY2020, the Group has made charitable donations of RMB300,000 to support the community in fighting COVID-19.

HKEx ESG Reporting Guide General Disclosures		Reference Section/Remark
A. Environment		
A1 Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Care for the Environment
KPI A1.1	The types of emissions and respective emissions data.	Environmental Key Performance Indicators
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group does not have material hazardous waste produced
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	The Group is assessing if any emission target can be set and feasible For details, please refer to “Environmental targets”
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste management
A2 Use of Resources	Policies on efficient use of resources including energy, water and other raw materials.	Care for the Environment
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	The Group is assessing if any emission target can be set and feasible For details, please refer to “Environmental targets”
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water consumption and management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Care for the Environment

HKEx ESG Reporting Guide General Disclosures		Reference Section/Remark
A3 The Environment and Natural Resources	Policies on minimising the operation's significant impact on the environment and natural resources.	Care for the Environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Care for the Environment
A4: Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Managing Climate Changes Impact
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Managing Climate Changes Impact
B. Social		
B1 Employment	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Care for the Employees
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Care for the Employees
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Care for the Employees
B2 Health and Safety	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

HKEx ESG Reporting Guide General Disclosures		Reference Section/Remark
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category.	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
B4 Labour Standards	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.	Care for the Employees
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Care for the Employees
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Care for the Employees
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Commitment to Product Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group did not have any product recalls for safety and health reason during the Year

HKEx ESG Reporting Guide General Disclosures		Reference Section/Remark
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	The Group did not receive any product or service-related complaints during the Year
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Commitment to Product Quality
KPI B6.4	Description of quality assurance process and recall procedures.	Commitment to Product Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Commitment to Product Quality
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Stand with Integrity
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Stand with Integrity
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Stand with Integrity
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Development and Training
B8 Community Investment	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests.	Care for the Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Care for the Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Care for the Community

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ye Zhijie (葉志杰), aged 59, is the founder of the Group. Mr. Ye is an executive Director and the chairman of the Board, and is currently responsible for the Group's strategic planning and supervision of implementation of the Group's policies. Mr. Ye is also the sole director of each of Zhixin Enterprises Limited (智欣實業有限公司), Zhixin Group (HK) Limited (智欣集團(香港)有限公司), Pakhim Chen (Hong Kong) Limited (柏謙陳(香港)有限公司) and Xiamen Zhixin Construction Technology Limited* (廈門智欣建工科技有限公司) (formerly known as Xiamen Tangsong Mechanic Technology Company Limited* (廈門唐松機器人科技有限公司) and Xiamen Zhongjian Zhixin Construction Technology Limited* (廈門中建智欣建工科技有限公司)) ("Zhxin Construction Technology"), the chairman of the board of directors of Xiamen Zhixin Construction Material Group Limited* (廈門智欣建材集團有限公司) (formerly known as Xiamen Jichangxin Ready-mixed Concrete Company Limited* (廈門吉昌鑫預拌混凝土有限公司) and Xiamen Zhixin Construction Material Company Limited* (廈門智欣建材有限公司)) ("Zhixin Construction Material"). Since Mr. Ye founded the Group, he was repeatedly awarded as an Excellent Entrepreneur in the China Concrete Industry* (中國混凝土行業優秀企業家) by the China Construction Industry Association Concrete Branch* (中國建築業協會混凝土分會) in the year 2008–2009, 2010–2011, 2014–2015 and 2016–2017. Mr. Ye graduated from Xiamen Jimei Guankou Secondary School* (廈門市集美區灌口中學) in July 1978.

Mr. Ye has over 13 years of experience in the ready-mixed concrete industry, and over 7 years of experience in the construction industry before engaging in the ready-mixed concrete industry. Prior to founding the Group in 2007, Mr. Ye served as deputy general manager of Xiamen Jichang Construction Engineering Co., Ltd.* (廈門吉昌建築工程有限公司), a company principally engaged in building construction, between November 1999 and April 2007 and was mainly responsible for assisting the general manager in comprehensive management work.

Mr. Huang Wengui (黃文桂), aged 54, is an executive Director and the chief executive officer of the Group, and is mainly responsible for the Group's strategic planning and supervision of implementation of the Group's policies. Mr. Huang joined the Group in May 2017 as a supervisor of Xiamen Zhixin Logistics Limited* (廈門智欣物流有限公司) ("Zhixin Logistics"). He was later appointed as a director and the general manager of Zhixin Logistics in November 2017, the supervisor of Zhixin Construction Technology in December 2017, and the vice chairman of the board of directors of Zhixin Construction Material in January 2019. Mr. Huang graduated from Fujian Longyan Yongding Fushi Secondary School* (福建省龍岩市永定縣撫市中學) in July 1984.

Mr. Huang has over 15 years of management experience in the construction and construction material industry. Prior to joining the Group, he served as a sales manager of Xiamen Heqiang Construction Materials Co., Ltd.* (廈門市禾強建材有限公司), a company principally engaged in manufacturing and sale of cement, between October 2005 and September 2007 and was mainly responsible for daily sales operation. Mr. Huang served in Xiamen Guishun Logistics Limited* (廈門市桂順運輸有限公司) ("Guishun Logistics"), a company principally engaged in goods transportation and wholesale of construction materials, as director from June 2007 to March 2016, where he was mainly responsible for general management and supervision of logistics business. Since June 2008, Mr. Huang has served as a director and the general manager of Xiamen Yaohe Trading Company Limited* (廈門耀和貿易有限公司) ("Yaohe Trading"), a company principally engaged in wholesale of construction materials, where he has been mainly responsible for sale of construction materials including cement.

Mr. Qiu Limiao (邱禮苗), aged 35, joined the Group in December 2013 as the deputy general manager of Zhixin Construction Material. He is mainly responsible for assisting in the Group's strategic planning and supervision of implementation of the Group's policies. Mr. Qiu is a son-in-law of Mr. Ye Zhijie and brother-in-law of Mr. Ye Dan, each an executive Director. Mr. Qiu completed an administrative management programme at the Nanchang Normal University (formerly known as Jiangxi Institute of Education* (江西教育學院)) in February 2012. He obtained a bachelor's degree in administrative management (through online learning) from Nankai University (南開大學) in July 2014. He completed a general manager training programme at the School of Economics and Management, Tsinghua University (清華大學) in August 2014. Prior to joining the Group, Mr. Qiu served as an inspector in Shishi Tobacco Monopoly Bureau* (石獅市煙草專賣局) from December 2008 to June 2013 and was mainly responsible for tobacco case investigation.

* *For identification purposes only*

Mr. Ye Dan (葉丹), aged 31, joined the Group in December 2013 as the assistant to general manager of Zhixin Construction Material and was appointed as a director of Zhixin Construction Material in January 2019. He is mainly responsible for assisting in the Group's strategic planning and supervision of implementation of the Group's policies. He is a son of Mr. Ye Zhijie and brother-in-law of Mr. Qiu Limiao, each an executive Director. He obtained a diploma in financial accounting from Central Radio & Television University* (中央廣播電視大學) in July 2011. Prior to joining the Group, Mr. Ye served as an engineering specialist (工程項目專員) in Xiamen Jiguan Development Co. Ltd.* (廈門集灌開發有限公司), a company principally engaged in civil engineering management, from August 2011 to June 2013 and was mainly responsible for engineering management.

Mr. Huang Kaining (黃楷寧) (formerly known as Huang Kai (黃凱)), aged 31, joined the Group in January 2019 as a supervisor of Zhixin Construction Material. He is mainly responsible for assisting in the Group's strategic planning and supervision of implementation of the Group's policies. He is a son of Mr. Huang Wengui, an executive Director. He completed a business management (logistics management) programme at Jimei University in June 2011. He completed the executive development programme (高級經理研修班) organised by Executive Development Center* (高級經理培訓中心) of the School of Management, Xiamen University, in July 2016.

Prior to joining the Group, Mr. Huang served as a logistics and distribution supervisor of Guishun Logistics, a company which was principally engaged in goods transportation and wholesale of construction materials, between October 2011 and January 2013, and was mainly responsible for planning of logistics system and operation. He served as the sales manager of Yaohe Trading, a company principally engaged in wholesale of construction materials, from February 2013 to September 2018, and was mainly responsible for sales planning and operation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Tuen Sau (王端秀), aged 53, was appointed as an independent non-executive Director on 4 March 2021. Ms. Wong obtained a bachelor's degree in business administration in accounting from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in January 1992 and a master's degree in finance from The Chinese University of Hong Kong in December 2007. Ms. Wong has been a member of the Hong Kong Institute of Certified Public Accountants since February 1995.

Ms. Wong has over 29 years of experience in accounting and compliance sector. From August 1991 to August 1996, Ms. Wong worked at KPMG (formerly known as KPMG Peat Marwick) and her last position was assistant manager. From November 1997 to November 2009, Ms. Wong worked at Hong Kong Exchanges and Clearing Limited (formerly known as The Stock Exchange of Hong Kong Limited) and her last position was a manager in the risk management division. From July 2010 to February 2011, Ms. Wong worked as a vice president of compliance section at Sun Hung Kai Securities Limited. From April 2013 to September 2015, Ms. Wong worked as a compliance manager of Orient Securities Limited.

Since May 2016, Ms. Wong has been the company secretary of XiangXing International Holding Limited, the shares of which were listed on GEM of the Stock Exchange since July 2017 (stock code: 8157) and was subsequently transferred to the Main Board of the Stock Exchange in September 2019 (stock code: 1732), where she is primarily responsible for company secretarial, legal, regulatory and other compliance matters of the company.

* *For identification purposes only*

Mr. Cai Huinong (蔡慧農) (formerly known as Cai Huinong (蔡惠農)), aged 63, was appointed as an independent non-executive Director on 4 March 2021. Mr. Cai obtained a bachelor's degree in microbiology from Xiamen University in July 1982. He obtained a graduate diploma in industrial fermentation from Jiangnan University (formerly known as Wuxi Institute of Light Industry* (無錫輕工業學院)) in July 1987. Mr. Cai has over 30 years of experience in the education industry. Mr. Cai served in Jimei University from July 1987 to November 2017, where he started as a teacher and was promoted as associate professor and professor in July 1997 and August 2004, respectively, and was mainly responsible for teaching and faculty and department administration. During the same period, Mr. Cai was also appointed as deputy director and director of the Department of Food Engineering (食品工程系), Jimei University from June 1997 to June 1999, and from June 1999 to March 2001, respectively. He was appointed as the dean of Faculty of Biological Engineering* (生物工程學院), Jimei University from March 2001 to January 2011. He was appointed as the secretary of party committee of the Faculty of Biological Engineering, Jimei University from January 2011 to December 2014.

Mr. Jiang Qinjian (蔣勤儉), aged 53, was appointed as an independent non-executive Director on 30 April 2021. Mr. Jiang obtained a bachelor of engineering degree in Building Materials and Products, Department of Civil Engineering* (土木工程系建築材料與製品) from Southeast University in the PRC in July 1990 and completed a master degree in Architecture and Civil Engineering from Tsinghua University in the PRC in July 2005. Mr Jiang obtained the Senior Engineer (Professor Level)* (高級工程師(教授級)) qualification accredited by the Beijing Senior Specialized Technique Qualification Evaluation Committee in May 2008.

Mr. Jiang has over 30 years of experience in construction industry. He was employed as an assistant engineer at Beijing No. 2 Building Component Factory* (北京市第二建築構件廠) from June 1990 to October 1991. He worked as head of research department, deputy head of engineer and head of engineer at Beijing Yugou Co., Ltd.* (北京榆構有限公司) from November 1992 to August 2011. He has been serving as the dean* (院長) of Beijing Prefabricated Construction Work Research Company Limited* (北京預製建築工程研究院有限公司) since 2011. Mr. Jiang has been working as the chairman of the Prefabricated Concrete Components Subdivision of the China Concrete and Concrete Products Association* (中國混凝土與水泥製品協會預製混凝土構件分會) since April 2016. He has also been serving as the deputy chairman committee member of the Technical Committee for Standardization of Building Products and Components of the Ministry of Housing and Urban-Rural Development* (住房和城鄉建設部建築製品與構配件標準化技術委員會) since February 2017, and committee member and deputy secretary general of the National Technical Committee for Standardization of Building Structure Parts* (全國建築構配件標準化技術委員會) since May 2017. Since September 2020, Mr. Jiang has been appointed as the independent director of Ningbo Zhongchun High Technology Co., Ltd.* (寧波中淳高科股份有限公司).

SENIOR MANAGEMENT

Mr. Ding Fulin (丁福林), aged 46, joined the Group in October 2008. He currently serves as the chief operating officer of the Group and is mainly responsible for the overall operation and management of Zhixin Construction Material. He served as sales department manager of Zhixin Construction Material and was mainly responsible for procurement of raw materials and sale of products from October 2008 to October 2010. He was promoted as deputy general manager of Zhixin Construction Material in October 2010 and was mainly responsible for communication and coordination between the sales department and various departments. He was later promoted as general manager of Zhixin Construction Material in January 2019 and was mainly responsible for comprehensive company management including production, procurement and sales. He was appointed as deputy general manager of Zhixin Logistics in 1 January 2013. Mr. Ding obtained his high diploma in civil engineering majoring in industrial and civil construction (工業與民用建築) from Nanchang University (南昌大學) in July 1996 and a bachelor's degree in social work and management (through self-learning) from Xiamen University (廈門大學) in December 2014.

* *For identification purposes only*

Mr. Ding has over 13 years of experience in construction material industry. Prior to joining the Group, Mr. Ding served as the supply and marketing department manager (供銷部經理) of Kangda (Xiamen) Construction Material Co., Ltd.* (康達(廈門)建材有限公司), a company principally engaged in production of commodity concrete and sale of construction material, from November 2007 to September 2008 and was mainly responsible for daily operational management and products marketing.

Mr. You Zhongpeng (尤仲鵬), aged 56, joined the Group in August 2011 as the chief engineer of Zhixin Construction Material. He has been appointed as the chief engineer of the Group since March 2019 and responsible for the Group's technology and quality control. Mr. You obtained a bachelor's degree in construction material engineering majoring in concrete materials and products from Tongji University (同濟大學) in July 1986. He obtained the qualification as senior engineer from Xiamen Personnel Bureau* (廈門市人事局) in December 2004.

Mr. You has over 25 years of experience in the concrete industry. Prior to joining the Group, he worked in Xiamen Huaxin Concrete Engineering Co., Ltd.* (廈門華信混凝土工程開發有限公司), a company which was principally engaged in manufacturing and processing of commercial concrete, first as a laboratory director from January 1996 to December 2002 and mainly responsible for the daily management of laboratory, and later as the technical director and the director of general office from January 2003 to December 2004 and mainly responsible for the daily management of the quality control system and technical personnel training. He served as a deputy technology director of Kangda (Xiamen) Construction Material Co., Ltd.* (康達(廈門)建材有限公司), a company principally engaged in production of commodity concrete and sale of construction material, from January 2005 to July 2005 and was mainly responsible for products quality control. He served as deputy technology director and a manager representative of Xiamen Santai Concrete Engineering Co., Ltd.* (廈門三泰混凝土工程有限公司), a company principally engaged in wholesale and retail of concrete, cement, sand and stone, from September 2005 to July 2011, and was mainly responsible for technology and quality management.

Mr. Zhong Dezhu (鍾德注), aged 48, joined the Group in December 2013 as the financial manager of the Group and was later appointed as one of the joint company secretaries of the Company in May 2019. He is responsible for the Group's financial accounting and audit, and corporate secretarial matters. Mr. Zhong graduated from Fujian Qiaoxing Light Industry School* (福建省僑興輕工學校) with a diploma degree in industrial corporate financial accounting (工業企業財會) in July 1991. He obtained the qualification of accounting (middle level) (會計(中級)) from Xiamen Civil Service Bureau* (廈門市公務員局) in November 2011.

Mr. Zhong has approximately 18 years of experience in accounting and finance. Prior to joining the Group, he served as the finance section chief (財務課長) in Xiamen Kaijia Industry and Trade Co., Ltd.* (廈門凱嘉工貿有限公司), a company which was principally engaged in manufacturing and sale of metal products, plastic products, rubber products, electronic products, construction materials and electroplated electrical components, from September 2002 to February 2013 and was mainly responsible for general management of finance department.

Mr. Zhu Fenyong (朱奮勇), aged 52, joined the Group in May 2017 as the chief financial officer of the Group and is responsible for comprehensive financial management of the Group. He completed a supply and marketing financial accounting programme at Fujian Sanming Supply and Marketing School* (福建省三明市供銷學校) in July 1988. He completed a higher education programme in accounting (through self-learning) at Xiamen University (廈門大學) in April 1996. He was qualified as an accountant by MOF in December 1996. He obtained the directorate secretary qualification from the Shanghai Stock Exchange in July 2017.

* *For identification purposes only*

Mr. Zhu has over 32 years of experience in accounting and finance. Prior to joining the Group, Mr. Zhu worked in Fujian Sangang Group Co., Ltd.* (福建省三鋼(集團)有限責任公司), a company principally engaged in steel manufacturing, from July 1988 to June 2006 and he last served as an accountant mainly responsible for accounting matters. During the period from June 2006 to September 2015, he worked in the subsidiaries of San'an Optoelectronics Co., Ltd. (三安光電股份有限公司), a company principally engaged in researching, producing and selling of semiconductors, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600703), and he served in various positions including audit manager, marketing management manager and liaison manager. Mr. Zhu served as the chief financial officer of Xiamen Guangliang Industrial Co., Ltd.* (廈門光亮實業有限公司), a company principally engaged in timber processing and manufacturing of furniture, from October 2015 to April 2017 and was mainly responsible for financial management.

Save as disclosed above, each of the Directors and senior management (i) did not hold other positions in the Company or other members of the Group; and (ii) had no other relationship with any Directors, senior management members or substantial or controlling shareholders.

JOINT COMPANY SECRETARIES

Mr. Yuen Chi Wai (袁志偉), FCPA, aged 45, joined the Group in May 2019 as a joint company secretary of the Company and is primarily responsible for corporate secretarial matters. Mr. Yuen obtained his bachelor of commerce in accounting and finance degree from The University of New South Wales in April 1998. He was admitted of a fellow of the Hong Kong Institute of Certified Public Accountants in March 2013 and a fellow of CPA Australia in July 2014. Mr. Yuen is experienced in auditing, corporate internal control, as well as financial and risk management. He used to work in Charles Mar Fan & Co. from February 1998 to April 2000, Arthur Andersen & Co. from May 2000 to June 2002 and PricewaterhouseCoopers from July 2002 to December 2009 as an auditor. Mr. Yuen worked in Bolina Holding Co., Ltd. (航標控股有限公司) ("Bolina"), the shares of which were listed on the Main Board of the Stock Exchange (stock code: 1190), as the chief financial officer and company secretary from May 2011 to May 2015 and as the Assistant President from May 2015 to October 2015. Bolina was delisted on 10 March 2021. Mr. Yuen has been an independent non-executive director of Central China Securities Co., Ltd. (中原證券股份有限公司) since June 2014, the shares of which are listed on the Stock Exchange (stock code: 1375) and the Shanghai Stock Exchange (stock code: 601375). Mr. Yuen has been the Managing Director of Venture Executive Services Limited since August 2014, which is principally engaged in provision of company secretarial and other corporate services to various listed and unlisted companies.

Mr. Zhong Dezhu (鍾德注), aged 48, was appointed as one of the joint company secretaries of the Company in May 2019. For the biography of Mr. Zhong, please refer to the paragraph headed "Senior management" in this section.

* *For identification purposes only*

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Zhixin Group Holding Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Zhixin Group Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 135, which comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Impairment assessment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to note 2.21 and note 5 to the consolidated financial statements. The Group is engaged in manufacturing and sale of concrete and precast building component products. For the year ended 31 December 2020, revenue from sales of concrete and precast building component products amounted to RMB537 million and RMB247 million, respectively. Revenue from sales of concrete and precast building component products are recognised when control of the products has been transferred to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when (i) the products have been shipped to the specified location, (ii) the risks of obsolescence and loss have been transferred to the customer, and (iii) either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. We focus on revenue recognised during the year because the acceptance and the point in time of revenue recognition of the Group's products vary due to different contract terms. Revenue could be recognised in the incorrect accounting period which may lead to misstatement on cut-off.	We understood, evaluated and tested key management internal controls over revenue recognition of concrete and precast building component products. We inspected key customer contracts, on a sample basis, to identify performance obligations, terms and conditions relating to goods acceptance, and assessed the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards. We tested revenue recognised during the year to the underlying supporting documents including sales orders, goods delivery notes signed by customers and invoices on a sample basis. Furthermore, we tested sales transactions that took place shortly before and after the balance sheet date, by reconciling recognised revenue with the goods delivery notes signed by customers, to assess whether revenue was recognised in the correct reporting period. We obtained external confirmations, on a sample basis, directly from customers to confirm the trade receivable balances at the year end and transactions recorded during the year. Based on the work performed, we found the Group's revenue from sales of concrete and precast building component products being tested were supported by the evidences that we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables Refer to note 3.1(b) and note 20 to the consolidated financial statements. As at 31 December 2020, the Group's had gross trade receivables of approximately RMB515 million, related provision for impairment of approximately RMB5 million, and net trade receivables of approximately RMB510 million. The Group performed impairment assessment on individual impaired receivables individually and the remaining receivables on a collective basis by grouping trade receivables based on shared credit risk characteristics. The Group applied the simplified approach to assess expected credit loss and the expected lifetime losses were recognised from initial recognition of the trade receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. In assessing forward-looking information, the Group considered factors including economic policies, macroeconomic indicators, industry risks and changes in customers' conditions.	We understood, evaluated and tested the management's internal controls related to the impairment assessment of trade receivables. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity, subjectivity and level of other inherent risk factors. We circulated confirmations of trade receivables on a sample basis. For those confirmations without reply, we performed alternative procedures by inspecting the relevant documents supporting the trade receivable balances. For trade receivables for which provision for impairment was assessed collectively, we performed following procedures: • We examined the grouping of trade receivables by checking evidence supporting the credit risk characteristics of these receivables on a sample basis; • We assessed the historical default loss rates by evaluating the Group's actual credit losses incurred in the past; and • We cross referenced the forward-looking factors and assumptions to public macroeconomic information.

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this area as the impairment assessment of trade receivables involved significant judgement and estimates by management.	For trade receivables for which provision for impairment was assessed individually, we evaluated management's assessment of the financial position and creditworthiness, historical payment records and forecasted future economic conditions of the relevant customers. We also corroborated management's assessment by searching for customers' background, considering the Group's historical transactions with the customers and collection patterns, and examined key assumptions adopted in determining forward-looking factors. We also tested the cash collections subsequent to year end on a sample basis. Based on the work performed, we found the judgement and estimates made by management in assessing the impairment of trade receivables were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 April 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	5	784,902	590,797
Cost of sales	5,8	(632,397)	(476,420)
Gross profit		152,505	114,377
Other income	6	4,945	3,693
Other gains/(losses) — net	7	171	(1,572)
Selling expenses	8	(22,033)	(13,699)
Administrative expenses	8	(30,242)	(28,188)
Net impairment losses on financial assets	3.1(b)	239	(1,431)
Listing expenses	8	(6,379)	(6,512)
Operating profit		99,206	66,668
Finance income	10	82	105
Finance costs	10	(13,667)	(8,836)
Finance costs — net	10	(13,585)	(8,731)
Profit before income tax		85,621	57,937
Income tax expense	11	(22,998)	(16,115)
Profit and total comprehensive income for the year		62,623	41,822
Profit attributable to:			
Owners of the Company		62,623	41,822
		62,623	41,822
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (RMB)	12	62.62	41.82
Diluted earnings per share (RMB)	12	62.62	41.82

The notes on pages 71 to 135 are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	144,111	140,431
Right-of-use assets	15	39,663	41,057
Investment properties	16	10,045	10,554
Intangible assets	17	187	213
Trade receivables	20	17,886	17,343
Deferred income tax assets	28	1,583	1,535
		213,475	211,133
Current assets			
Inventories	19	50,432	27,825
Trade receivables	20	493,454	400,446
Prepayments, deposits and other receivables	20	15,767	15,382
Restricted bank balance	21	4,710	4,710
Cash and bank balances	21	30,485	16,144
		594,848	464,507
Total assets		808,323	675,640
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	9	9
Other reserves	23	112,371	105,642
Retained earnings/(Accumulated losses)		54,589	(1,305)
		166,969	104,346
Total equity		166,969	104,346

Consolidated Statement of Financial Position (Continued)

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	25	**68,790**	68,790
Lease liabilities	26	**10,351**	12,406
Amounts due to related parties	31(c)	**26,876**	26,283
Deferred income	27	**2,402**	1,682
		108,419	109,161
Current liabilities			
Trade and bills payables	24	**286,010**	286,494
Other payables and accruals	24	**58,673**	31,435
Amounts due to related parties	31(c)	**4,789**	—
Current income tax liabilities		**16,514**	4,149
Borrowings	25	**159,500**	122,000
Contract liabilities	5(c)	**643**	12,360
Lease liabilities	26	**6,806**	5,695
		532,935	462,133
Total liabilities		**641,354**	571,294
Total equity and liabilities		**808,323**	675,640
Net current assets		**61,913**	2,374
Total assets less current liabilities		**275,388**	213,507

The notes on pages 71 to 135 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 66 to 135 were approved by the board of directors of the Company on 30 April 2021 and were signed on its behalf by:

Ye Zhijie	**Huang Wengui**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
As at 1 January 2020		9	105,642	(1,305)	104,346
Comprehensive income					
Profit for the year		—	—	62,623	62,623
Total comprehensive income		—	—	62,623	62,623
Transactions with owners					
Profit appropriation to statutory reserves		—	6,729	(6,729)	—
Total transactions with owners		—	6,729	(6,729)	—
As at 31 December 2020		9	112,371	54,589	166,969
As at 1 January 2019		—	103,012	(40,497)	62,515
Comprehensive income					
Profit for the year		—	—	41,822	41,822
Total comprehensive income		—	—	41,822	41,822
Transactions with owners					
Profit appropriation to statutory reserves		—	2,630	(2,630)	—
Share allotment to Controlling Shareholders	22	9	—	—	9
Contribution from shareholders	23	—	91,014	—	91,014
Deemed distribution to shareholders	23	—	(91,014)	—	(91,014)
Total transactions with owners		9	2,630	(2,630)	9
As at 31 December 2019		9	105,642	(1,305)	104,346

The notes on pages 71 to 135 are an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows generated from operating activities			
Cash generated from operations	29	22,439	15,219
Income tax paid		(10,681)	(18,220)
Net cash generated from/(used in) operating activities		11,758	(3,001)
Cash flows used in investing activities			
Purchases of property, plant and equipment		(16,921)	(22,141)
Proceeds from disposal of property, plant and equipment		1,167	1,553
Purchases of investment properties		—	(104)
Loans repaid from related parties		—	13,940
Assets-related government grants		950	432
Loans repaid from third parties		—	2,007
Net cash used in investing activities		(14,804)	(4,313)
Cash flows generated from financing activities			
Proceeds from bank borrowings		176,000	264,790
Repayments of bank borrowings		(138,500)	(171,000)
Loans received from related parties		—	6,288
Loans repaid to third party		—	(4,000)
Principal elements of lease payments		(6,503)	(3,410)
Interest paid		(11,178)	(8,077)
Dividend paid to the then shareholders		—	(62,900)
Other financing costs		(827)	(328)
Share allotment	22	—	9
Contributions from shareholders	23	—	91,014
Deemed distributions to shareholders	23	—	(91,014)
Listing expenses		(1,605)	(1,721)
Net cash generated from financing activities		17,387	19,651
Net increase in cash and cash equivalents		14,341	12,337
Cash and cash equivalents at beginning of year		16,144	3,807
Cash and cash equivalents at end of year	21	30,485	16,144

The notes on pages 71 to 135 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1 GENERAL INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands on 14 November 2018 as an exempted company with limited liability under the Companies Act. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the manufacturing and sale of ready-mixed concrete and precast concrete components (the "Listing Business") in the People's Republic of China (the "PRC"). The Group's headquarters is in Xiamen city, Fujian province of the PRC.

To prepare for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group has undertaken a reorganisation (the "Reorganisation") pursuant to which the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company for the Listing dated 16 March 2021.

The Company successfully completed the Listing and its shares have been listed on the Stock Exchange since 26 March 2021.

The consolidated financial statements are presented in Renminbi ("RMB") and rounded to the nearest thousand yuan ("RMB'000"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the board of directors of the Company on 30 April 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 are set out below. The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 New standards and interpretations not yet adopted

All effective standards, amendments to standards and interpretations, including HKFRS 16, which is mandatory for the financial year beginning on 1 January 2019, are consistently applied to the Group for the annual reporting period.

Certain new accounting standards and interpretations have been published that are not mandatory for the annual reporting period and have not been early adopted by the Group. These new standards and interpretations are:

Standards and amendments	Effective for annual periods beginning on or after
HKFRS 10 (Amendment) and HKAS 28 (Amendment) 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined
HKFRS 16 (Amendment) 'COVID-19-related rent concessions'	1 June 2020
HKFRS 9 (Amendment), HKAS 39 (Amendment), HKFRS 7 (Amendment), HKFRS 4 (Amendment) and HKFRS 16 (Amendment) 'interest rate reform — phase 2'	1 January 2021
HKAS 16 (Amendment) 'Property, plant and equipment — proceeds before intended use'	1 January 2022
HKAS 37 (Amendment) 'Onerous contracts — cost of fulfilling a contract'	1 January 2022
HKFRS 3 (Amendment) 'Reference to the conceptual Framework'	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
HKAS 1 (Amendment) 'Classification of liabilities as current or non-current'	1 January 2023
HKFRS 17 'Insurance contracts'	1 January 2023
AG 5 (revised) 'Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations'	1 January 2022
HK Int 5 (2020) 'Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause'	1 January 2023

Management is currently assessing the effects of applying these new standards and amendments on the Group's consolidated financial information. None of these is expected to have a significant effect on the consolidated financial information of the Group. The Group does not expect to adopt these new standards and amendments until their effective dates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in other reserves within equity attributable to owners of the Company.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following:

- fair values of the assets transferred
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker of the Company assesses the financial performance and position of the Group and makes strategic decisions. The chief operating decision maker of the Group consists of the executive directors and the chief financial officer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Majority of the subsidiaries of the Group operate in the PRC and their functional currency is RMB. The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other (losses)/gains.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2.7 Investment properties

Investment properties, principally comprising buildings and land use right, are held for long-term rental yields and is not occupied by the Group. Investment properties is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives are from 20 to 35 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values of 5% over their estimated useful lives as follows:

Buildings	20–40 years
Machineries	3–15 years
Concrete mixer trucks	5–10 years
Office equipment and vehicles	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction-in-progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. The Group's intangible assets mainly comprise production management system software licences which are amortised using the straight-line method over an estimated useful life of 10 years. In determining the estimated useful lives, unlimited license period and actual economic lives are considered.

2.10 Impairment of non-financial assets

Other than goodwill and intangible assets that have an indefinite useful life, non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at a amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group has the following types of assets that are subject to HKFRS 9's expected credit loss model :

- trade receivables
- other receivables
- cash and bank balance
- restricted bank balance

While cash and bank balances, restricted bank balance and other receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(iv) Impairment (Continued)

For trade receivables with no significant financing component, the Group applies simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on cash and bank balances, restricted bank balance and other receivables are measured as lifetime expected credit losses if a significant increase in credit risk of a receivable has occurred since initial recognition.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

2.12 Inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Trade receivables

Trade receivables are amounts due from customers for products sold or services rendered in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are initially recognised at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.11 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables represent liabilities for products and services provided to the Group prior to the end of the reporting period which are unpaid. Trade and other payables are presented as current liabilities if payment is due within 12 months. If not, they are presented as non-current liabilities. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(iii) Offsetting deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.20 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits (Continued)

(ii) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(iii) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2.21 Revenue recognition

The Group is engaged in manufacturing and sale of concrete and precast building component products.

Revenue from sales of concrete and precast building component products are recognised when control of the products has been transferred to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Advances from customers that are related to sales of goods not yet delivered are recorded as contract liability when cash are received from the customers before the transfer of goods control.

Revenue from sales of products is based on the price specified in the sales contracts and is shown net of value-added tax and after eliminating sales within the Group. No element of financing is deemed present as the sales are made with a credit term. A receivable is recognised when the control of products are transferred as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of finance income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 10 below. Any other interest income is included in finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.23 Leases

The Group leases land and properties as lessee. Rental contracts of properties are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments are discounted using the Group's incremental borrowing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such rights are recorded as right-of-use assets, and are amortised over the lease periods of 30 years using the straight-line method.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures during the year.

(a) Market risk

(i) *Foreign exchange risk*

The Group mainly operates in mainland China and is exposed to foreign exchange risk arising from currency exposures with respect to HK dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Group does not hedge against any fluctuation in foreign currency.

At 31 December 2020, if HK dollar had weakened/strengthened by 10% against the RMB with all other variables held constant, post-tax profit for the years would have been RMB871,000 higher/lower (2019: RMB531,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of HK dollar-denominated other receivables, other payables and accruals, cash and bank balances.

(ii) *Interest rate risk*

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group does not hedge its cash flow and fair value interest rate risk.

During the year ended 31 December 2020, if interest rate on borrowings had been higher/lower by 100 basis points of current interest rate, with other variables held constant, post-tax profit for the years would have been approximately RMB840,000 lower/higher (2019: RMB532,000 lower/higher).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and bank balance, restricted bank balance, trade receivables and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) *Credit risk of cash and bank balances, restricted bank balance*

To manage this risk arising from cash and bank balances, restricted bank balance, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) *Credit risk of trade receivables*

The Group is engaged in manufacturing and sale of concrete and precast building component products. The Group's customers are mainly the construction companies for various types of construction projects including residential, commercial, industrial, municipal and infrastructure projects for the public and private sectors. The credit terms grant to customers are generally within 40 days from the date of issue of the payment certificate by the customer or the invoice date.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customers' ability to meet its obligations

- actual or expected significant changes in the operating results of customers

- significant changes in the expected performance and behaviour of customers, including changes in the payment status.

Individually impaired trade receivable is related to customer who is experiencing unexpected economic difficulties. The Group expects that the entire amounts of the receivables will have difficulty to be recovered and has recognised impairment losses. As at 31 December 2020, trade receivable of approximately RMB1,808,000 (2019: RMB2,188,000) has been fully provided for loss allowance for these individually assessed receivables.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables (Continued)

The expected loss rates of the remaining trade receivables are based on the payment profiles of sales over a period of 36 months before the balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, including but not limited to the impact of the COVID-19 pandemic on China's economic growth.

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables, the expected credit losses below have incorporated forward-looking information.

	Within 1 year RMB'000	1–2 years RMB'000	2–3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At 31 December 2020					
Gross carrying amount	422,912	81,685	9,012	1,095	514,704
Expected loss rate	0.42%	0.84%	4.26%	47.33%	
Loss allowance	1,776	686	384	518	3,364
Individually impaired receivables	—	—	—	1,808	1,808
Total loss allowance	1,776	686	384	2,326	5,172
At 31 December 2019					
Gross carrying amount	373,339	41,106	5,041	1,526	421,012
Expected loss rate	0.48%	1.13%	5.45%	46.00%	
Loss allowance	1,781	465	275	702	3,223
Individually impaired receivables	—	—	2,188	—	2,188
Total loss allowance	1,781	465	2,463	702	5,411

The Group assesses the credit quality of its customers by taking into account various factors such as their financial position, past experience and other factors including but not limited to the economic impact of the unprecedented COVID-19 pandemic on the customers and the region in which they operate. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by the management.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) *Credit risk of other receivables*

Other receivables mainly comprise deposits and other receivables. The Directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligation;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behaviour of the third party, including changes in the payment status of the third party.

As at 31 December 2020, there was no significant increase in credit risk since initial recognition, the Group assessed that the expected credit losses for these receivables were not material.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities and takes into account all available information on future business environment, including, among others, the economic impact of the unprecedented COVID-19 pandemic on the economies of the region in which the Group and its customers and suppliers operate. The Group manages its liquidity risk by controlling the level of inventories, closely monitoring the turnover days of trade receivables, monitoring its working capital requirements and maintaining credit facilities available. Management monitors rolling forecasts of the Group's bank facilities and cash and cash equivalents on the basis of expected cash flows.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2020				
Borrowings, including interest payables	168,729	71,777	—	240,506
Lease liabilities	7,554	6,366	4,560	18,480
Trade and bills payables	286,010	—	—	286,010
Other payables and accruals	34,340	—	—	34,340
Amounts due to related parties	4,789	28,249	—	33,038
	501,422	106,392	4,560	612,374

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2019				
Borrowings, including interest payables	131,600	71,777	—	203,377
Lease liabilities	6,584	4,484	9,066	20,134
Trade and bills payables	286,494	—	—	286,494
Other payables and accruals	17,927	—	—	17,927
Amounts due to related parties	—	—	28,254	28,254
	442,605	76,261	37,320	556,186

3.2 Capital management

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, lease liabilities and amounts due to related parties less cash and cash equivalents and restricted bank balance. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debt.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management (Continued)

The gearing ratios as at 31 December 2020 were as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Borrowings (note 25)	228,290	190,790
Lease liabilities (note 26)	17,157	18,101
Amounts due to related parties excluding dividend payable (note 31(c))	31,665	26,283
Total debt	277,112	235,174
Less: Cash and bank balances (note 21)	(30,485)	(16,144)
Restricted bank balance (note 21)	(4,710)	(4,710)
Net debt	241,917	214,320
Total equity	166,969	104,346
Total capital	408,886	318,666
Gearing ratio	59%	67%

The decrease in gearing ratio from 31 December 2019 to 31 December 2020 was resulted from combined effect of increase in borrowings and amounts due to related parties due to operation needs and the increase in equity.

3.3 Fair value estimation

As at 31 December 2020, the Group did not have any assets and liabilities that were measured at fair value other than the financial assets and liabilities which the carrying values are considered to approximate their fair values due to the short term maturity.

The fair value estimation of the investment property is categorised in level 3 hierarchy.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimated useful lives and residual values of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly because of technical innovations and competitors action in response to industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technical obsolete or nonstrategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives, and actual residual values. Periodic reviews could result in a change in useful lives and residual values and therefore, changes in depreciation expenses in the future periods.

(b) Provision for impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables on a forward-looking basis and the expected lifetime losses are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position including, among others, the economic impact of the unprecedented COVID-19 pandemic on the customers' and the region in which they operate. At every reporting date, historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management, see note 20 below.

(c) Provision for impairment of inventories

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of each reporting period to ensure inventory is shown at the lower of cost and net realisable value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, including, among others, the economic impact of the unprecedented COVID-19 pandemic on the operations of the Group and the region in which it operates. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Income taxes

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will affect the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed. Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management of the Group will revise the expectation where the intending tax rate is different from the original expectation.

5 SEGMENT INFORMATION

The Company's executive directors are the Group's chief operating decision maker. The Group's chief operating decision maker examines the Group's performance from a product perspective and has identified two operating segments of its business as follows:

(i) Ready-mixed concrete, and

(ii) Precast concrete components.

The Group derived its revenue mainly from the transfer of goods at point in time during the year.

5 SEGMENT INFORMATION (Continued)

(a) Segment information of the Group

	Year ended 31 December 2020		
	Ready-mixed concrete RMB'000	Precast concrete components RMB'000	Total RMB'000
Revenue	537,441	247,461	784,902
Cost of sales	(453,231)	(179,166)	(632,397)
Gross profit	84,210	68,295	152,505
Selling expenses	(5,391)	(16,642)	(22,033)
Administrative expenses	(13,416)	(12,738)	(26,154)
Segment results	65,403	38,915	104,318

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	104,318
Unallocated costs and expenses	(10,228)
Other income	4,945
Other gains — net	171
Finance income	82
Finance costs	(13,667)
Profit before income tax	85,621
Income tax expense	(22,998)
Profit and total comprehensive income for the year	62,623

	Ready-mixed concrete RMB'000	Precast concrete components RMB'000	Total RMB'000
Other items for the year ended 31 December 2020:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	11,356	13,079	24,435
Depreciation	5,688	15,776	21,464
Amortisation	26	—	26
As at 31 December 2020			
Segment assets	404,787	387,980	792,767
Unallocated assets			15,556
Total assets			808,323
Segment liabilities	221,298	143,570	364,868
Unallocated liabilities			276,486
Total liabilities			641,354

5 SEGMENT INFORMATION (Continued)

(a) Segment information of the Group (Continued)

	Year ended 31 December 2019		
	Ready-mixed concrete RMB'000	Precast concrete components RMB'000	Total RMB'000
Revenue	446,832	143,965	590,797
Cost of sales	(373,977)	(102,443)	(476,420)
Gross profit	72,855	41,522	114,377
Selling expenses	(7,845)	(5,854)	(13,699)
Administrative expenses	(15,763)	(11,129)	(26,892)
Segment results	49,247	24,539	73,786

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments			73,786
Unallocated costs and expenses			(9,239)
Other income			3,693
Other losses — net			(1,572)
Finance income			105
Finance costs			(8,836)
Profit before income tax			57,937
Income tax expense			(16,115)
Profit and total comprehensive income for the year			41,822
Other items for the year ended 31 December 2019:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	4,806	35,630	40,436
Depreciation	6,594	12,018	18,612
Amortisation	26	—	26
As at 31 December 2019			
Segment assets	391,512	269,932	661,444
Unallocated assets			14,196
Total assets			675,640
Segment liabilities	254,271	95,433	349,704
Unallocated liabilities			221,590
Total liabilities			571,294

5 SEGMENT INFORMATION(CONTINUED)

(b) Information about major customers

External customers that have contributed over 10% of total revenue of the Group for any of the years ended 31 December 2020 were as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Company A	**145,607**	61,255

(c) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contract liabilities		
Ready-mixed concrete	**632**	2,634
Precast concrete components	**11**	9,726
	643	12,360

The contract liabilities of the Group recognised are related to the non-refundable advance payment from customers of the Group. Such liabilities fluctuated as a result of the terms of different projects. A contract liability is the Group's obligation to a customer for which the Group has received consideration from the customer. A contract liability is recognised by the Group when the customer pays consideration but before the Group delivers goods to the customer.

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue, which was included in the contract liability balance at the beginning of the period, recognised during the year relates to carried-forward contract liabilities.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Ready-mixed concrete	**2,614**	1,015
Precast concrete components	**9,715**	5,101
	12,329	6,116

5 SEGMENT INFORMATION (Continued)

(c) Contract liabilities (Continued)

(ii) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations as at 31 December 2020.

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Ready-mixed concrete	350,339	367,854
Precast concrete components	413,159	185,202
	763,498	553,056

Management expects that 70% of the transaction price allocated to the unsatisfied contracts as at 31 December 2020 will be recognised as revenue before 31 December 2021, 17% will be recognised as revenue before 31 December 2022, and the remaining 13% will be recognised as revenue before 31 December 2023.

6 OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants		
— Received and recognised during the year	2,388	1,102
— Recognised from deferred income (note 27)	230	168
Rental income (note 16)	1,852	1,661
Others	475	762
	4,945	3,693

Other income recognised during the year mainly comprised rental income and incentives and subsidies received from government authorities by the Group's subsidiaries for the subsidiaries' contributions to environmental protection measures, contributions to local employment market, improvement in production efficiency and others.

7 OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment	**(27)**	(1,443)
Net foreign exchange gains/(losses) from operating activities	**198**	(129)
	171	(1,572)

8 EXPENSES BY NATURE

The expenses charged to cost of sales, selling expenses, listing expenses and administrative expenses are analysed below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Raw materials and consumables used	**483,077**	386,605
Changes in inventories of finished goods and work in progress	**(21,822)**	(11,104)
Employee benefit expenses (note 9)	**64,571**	54,598
Outsourcing service expense	**52,096**	14,689
Transportation expenses	**39,488**	22,418
Depreciation of property, plant and equipment (note 14)	**15,186**	14,477
Depreciation of right-of-use assets (note 15)	**5,769**	3,701
Depreciation of investment properties (note 16)	**509**	434
Amortisation of intangible assets (note 17)	**26**	26
Repair and maintenance expense	**3,360**	1,973
Electricity and water expenses	**7,511**	6,546
Short-term lease rental expenses	**11,225**	4,734
Other taxes and levies	**4,829**	2,927
Insurance expense	**1,573**	1,783
Detection expense	**1,987**	1,751
Provision for impairment of inventories (note 19)	**1,371**	765
Listing expenses	**6,379**	6,512
Auditors' remuneration	**64**	107
Others	**13,852**	11,877
Total	**691,051**	524,819

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Salaries, wages and bonuses	**58,234**	47,233
Contributions to pension plan	**275**	2,071
Housing fund, medical insurance and other social insurance	**2,213**	1,875
Other benefits	**3,849**	3,419
Total employee benefit expenses	**64,571**	54,598

The emolument paid or payable to the five highest paid individuals is as follows:

	Year ended 31 December 2020	2019
Directors	**3**	1
Non-directors	**2**	4
	5	5

The five individuals whose emoluments were the highest in the Group include three directors (2019: one) for the years ended 31 December 2020, whose emoluments are disclosed in note 32. The emoluments paid to the remaining two individuals (2019: four) during the year were as follows:

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Salaries and bonus	**971**	1,071
Contributions to pension plan	**1**	18
Housing fund, medical insurance and other social insurance	**16**	19
	988	1,108

The emoluments of the non-director highest paid employees fell within the following range:

	Year ended 31 December 2020	2019
— Within HKD1,000,000	**2**	4

10 FINANCE COSTS — NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance income		
— Interest income on bank deposits	**82**	105
Finance costs		
Interest expense on		
— bank borrowings	**(11,198)**	(7,090)
— lease liabilities	**(986)**	(717)
— loan from related parties	**(656)**	—
— loan from a third party	**—**	(701)
	(12,840)	(8,508)
Other financing costs	**(827)**	(328)
Finance costs — net	**(13,585)**	(8,731)

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax		
— PRC income tax	**23,046**	10,133
Deferred income tax (note 28)	**(48)**	5,982
Income tax expense	**22,998**	16,115

(i) Cayman Islands profits tax

The Company is an exempted company incorporated in the Cayman Islands and is not liable for taxation in the Cayman Islands.

(ii) BVI profits tax

The Group's subsidiary incorporated in the BVI is exempted company and is not liable for taxation in the BVI.

11 INCOME TAX EXPENSE (Continued)

(iii) Hong Kong profits tax

Hong Kong profits tax considered at the rate of 16.5% on the estimated assessable profits during the year. The Group did not have assessable profits in Hong Kong during the year.

(iv) PRC corporate income tax ('CIT')

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in PRC are subject to CIT at the rate of 25% during the year.

(v) PRC withholding income tax

According to the CIT Law, a 10% withholding tax on dividends received/receivable will be levied on the PRC companies' immediate holding companies established out of the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies and simultaneously certain conditions are satisfied.

During the year, no PRC withholding income tax has been provided since the parent entities are able to control the timing of distributions from their subsidiaries and are not expected to distribute these profits in the near future.

As at 31 December 2020, deferred income tax liabilities of RMB7,172,000 have not been recognised for the withholding tax that would be payable on unremitted earnings of PRC subsidiaries of the Group amounting to RMB71,716,000. The Group does not have the intention to distribute the respective unremitted profits in the foreseeable future.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the consolidated entities is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	85,621	57,937
Tax calculated at the applicable statutory tax rates in the respective regions	22,617	15,714
Adjustment for tax effect of:		
— Expenses not deductible for tax purpose	381	401
Income tax expense	22,998	16,115

The weighted average applicable statutory tax rate for the year ended 31 December 2020 was 27% (2019: 27%). The effective tax rate for the year ended 31 December 2020 was 27% (2019: 28%).

12 BASIC AND DILUTED EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective year. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the issuance of 10,000 shares of the Company in connection with the Reorganisation completed on 27 September 2019 and sub-division of shares on 4 March 2021 where each ordinary share was sub-divided into 100 ordinary shares deemed to have been in issue since 1 January 2017.

Pursuant to the resolutions passed by the shareholders' meeting on 4 March 2021, the authorised shares of the Company has been increased to 3,000,000,000 shares of HKD 0.01 par value each. An aggregate of 560,000,000 ordinary shares have been issued and allotted to the shareholders whose names appear on the register of members of the Company as of the date of these resolutions and 187,000,000 shares have been issued upon Listing on 26 March 2021.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	**62,623**	41,822
Weighted average number of ordinary shares in issue	**1,000,000**	1,000,000
Basic earnings per share (RMB)	**62.62**	41.82

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all potentially dilutive ordinary shares.

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 31 December 2020.

13 DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2020 (2019: nil).

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machineries RMB'000	Concrete mixer trucks RMB'000	Office equipment and vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2020						
Opening net book amount	44,856	76,390	4,301	3,483	11,401	140,431
Additions	—	5,027	9,824	728	4,481	20,060
Transferred from construction in progress	1,634	13,252	—	—	(14,886)	—
Disposals	—	(997)	(134)	(63)	—	(1,194)
Depreciation charge (note 8)	(1,386)	(10,285)	(2,099)	(1,416)	—	(15,186)
Closing net book amount	45,104	83,387	11,892	2,732	996	144,111
At 31 December 2020						
Cost	49,822	120,301	36,748	13,324	996	221,191
Accumulated depreciation	(4,718)	(36,914)	(24,856)	(10,592)	—	(77,080)
Net book amount	45,104	83,387	11,892	2,732	996	144,111
Year ended 31 December 2019						
Opening net book amount	46,342	79,123	8,516	5,430	352	139,763
Additions	—	5,849	98	250	11,944	18,141
Transferred from construction in progress	30	865	—	—	(895)	—
Disposals	(170)	(550)	(1,755)	(521)	—	(2,996)
Depreciation charge (note 8)	(1,346)	(8,897)	(2,558)	(1,676)	—	(14,477)
Closing net book amount	44,856	76,390	4,301	3,483	11,401	140,431
At 31 December 2019						
Cost	48,189	117,433	29,331	13,867	11,401	220,221
Accumulated depreciation	(3,333)	(41,043)	(25,030)	(10,384)	—	(79,790)
Net book amount	44,856	76,390	4,301	3,483	11,401	140,431

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year, the amounts of depreciation expense charged to profit or loss were as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation of property, plant and equipment		
— Cost of sales	13,008	12,083
— Selling expenses	34	37
— Administrative expenses	2,144	2,357
	15,186	14,477

As at 31 December 2020, buildings and machineries of the Group with a total net book value of RMB45,533,000 (2019: RMB45,751,000) were pledged to secure borrowings of the Group (note 25).

15 RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Lease of warehouse and factory premises RMB'000	Vehicles RMB'000	Total RMB'000
Year ended 31 December 2020				
Opening net book amount	22,361	17,003	1,693	41,057
Additions	—	4,375	—	4,375
Depreciation (note 8)	(621)	(4,661)	(487)	(5,769)
Closing net book amount	21,740	16,717	1,206	39,663
At 31 December 2020				
Cost	26,344	23,624	2,563	52,531
Accumulated depreciation	(4,604)	(6,907)	(1,357)	(12,868)
Net book amount	21,740	16,717	1,206	39,663

15 RIGHT-OF-USE ASSETS (Continued)

	Land use rights RMB'000	Lease of warehouse and factory premises RMB'000	Vehicles RMB'000	Total RMB'000
Year ended 31 December 2019				
Opening net book amount	22,982	347	2,180	25,509
Additions	—	19,249	—	19,249
Depreciation (note 8)	(621)	(2,593)	(487)	(3,701)
Closing net book amount	22,361	17,003	1,693	41,057
At 31 December 2019				
Cost	26,344	19,249	2,563	48,156
Accumulated depreciation	(3,983)	(2,246)	(870)	(7,099)
Net book amount	22,361	17,003	1,693	41,057

The land use rights represent the Group's interest in leasehold land that the Group has made prepayment for the lease of the land. These include the land lots for the factory office premises and production plants at Jimei district of Xiamen city, Fujian province, the PRC, which are under leases of 30 years.

The Group leases certain warehouses under lease periods from September 2017 to August 2019, certain factory premises and factory production plants under lease periods from June 2019 to May 2024 and certain warehouses under lease periods from July 2020 to June 2023.

As at 31 December 2020, land use rights of the Group with a total net book value of RMB21,740,000 (2019: RMB22,361,000) were pledged to secure borrowings of the Group (note 25).

15 RIGHT-OF-USE ASSETS (Continued)

The consolidated statements of comprehensive income and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended 31 December 2020 RMB'000	2019 RMB'000
(i) Profit or loss:		
Depreciation of right-of-use assets, charged to cost of sales and administrative expenses	5,769	3,701
Interest expenses relating to lease liabilities, charged to finance costs	986	717
Rental expense relating to short-term leases, charged to cost of sales and administrative expenses	11,225	4,734
(ii) Cash flow:		
The cash outflow for leases presented as financing activities	6,503	4,127
The cash outflow for short-term leases presented as operating activities	11,225	4,734
	17,728	8,861

16 INVESTMENT PROPERTIES

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Land and buildings, at cost		
Opening net book amount at 1 January	10,554	7,942
Additions	—	3,046
Depreciation charge (note 8)	(509)	(434)
Closing net book amount at 31 December	10,045	10,554
Closing net book amount:		
Cost	13,806	13,806
Accumulated depreciation	(3,761)	(3,252)
	10,045	10,554

16 INVESTMENT PROPERTIES (Continued)

During the year ended 31 December 2019, the Group obtained the ownership of a commercial shop property from a customer as settlement of the trade receivables due from the customer. The Group planned to lease the property for rental purpose and therefore recorded it as addition to investment properties.

As at 31 December 2020, investment properties with a net book amount of RMB7,214,000 (2019: RMB7,578,000) were pledged to secure borrowings of the Group (Note 25).

The Group's investment properties were stated at historical cost less subsequent accumulated depreciation and any accumulated impairment losses at the end of each reporting period.

The fair values of the factory building and commercial shop investment properties of the Group as at 31 December 2020 were determined by valuation based on income approach and market approach, respectively, by an independent property valuer. The total fair values of the investment properties of the Group amounted to RMB18,100,000 (2019: RMB18,700,000). The fair value estimation of the investment property is categorised in level 3 hierarchy.

Valuation techniques

(i) Income approach takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property;

(ii) Market approach is based on comparing the subject asset with identical or similar assets for which price information is available, such as a comparison with market transactions in the same, or closely similar, type of asset within an appropriate time horizon.

There were no changes to the valuation techniques for each of the two investment properties during the annual reporting period.

Information about fair value measurements of investment properties using significant unobservable inputs (level 3)

Factory building, income approach:

	As at 31 December	
	2020	2019
Fair value (RMB'000)	**15,100**	15,600
Unobservable inputs		
— Term Yield	**6.0% per annum**	6.0% per annum
— Reversion Yield	**7.0% per annum**	7.0% per annum
— Annually Market Rent (RMB/square meter/annum)	**37–185**	36–180

16 INVESTMENT PROPERTIES (Continued)

Commercial shop, market approach:

	As at 31 December	
	2020	2019
Fair value (RMB'000)	**3,000**	3,100
Unobservable inputs — Adopted Unit Rate	**G/F: RMB21,500/ square meter 2/F: discount over G/F–20%**	G/F: RMB22,000/ square meter 2/F: discount over G/F–20%

During the year, amounts recognised in profit or loss for investment properties were as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Rental income (Note 6)	**1,852**	1,661
Depreciation of investment properties (Note 8)	**(509)**	(434)
Direct operating expenses of properties that generated rental income	**(100)**	(91)

17 INTANGIBLE ASSETS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Software		
Opening net book amount at 1 January	**213**	239
Amortisation charge (note 8)	**(26)**	(26)
Closing net book amount at 31 December	**187**	213
Closing net book amount:		
Cost	**338**	338
Accumulated amortisation	**(151)**	(125)
	187	213

The Group's intangible assets consisted of (i) one production management system for operation purchased in 2008 at RMB80,000 which was still in use by the Group during the year, and (ii) system enhancement of the production management system (for new functionalities of production management) purchased in 2018 at the cost of RMB258,000 and there is no limited license period for the production management system (including the system enhancement).

During the year, the amounts of amortisation expense charged to profit or loss were as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Amortisation of intangible assets		
— Cost of sales (note 8)	**26**	26

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
(i) Financial assets at amortised cost		
Cash and bank balances (note 21)	**30,485**	16,144
Restricted bank balance (note 21)	**4,710**	4,710
Trade receivables and other receivables and amount due from a related party excluding prepayments, prepayments for listing expenses, deductible value-added tax recoverable (note 20)	**516,655**	423,119
	551,850	443,973
(ii) Financial liabilities at amortised cost		
Borrowings (note 25)	**228,290**	190,790
Lease liabilities (note 26)	**17,157**	18,101
Trade and bills payables, other payables and accruals and amounts due to related parties excluding non-financial liabilities (note 24)	**352,015**	330,704
	597,462	539,595

19 INVENTORIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Raw materials	13,310	11,761
Work-in-progress	1,309	810
Finished goods	37,342	16,019
Less: provision for impairment of inventories	(1,529)	(765)
	50,432	27,825

The provision for impairment of inventories reconciles to the opening balance for that provision as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
As at the beginning of year	765	779
Increase in provision recognised in profit or loss during the year	1,371	765
Write-off of provision upon sales of inventories	(607)	(779)
As at the end of year	1,529	765

The costs of individual items of inventory were determined using weighted average costs at the end of each month.

During the year ended 31 December 2020, the cost of inventories recognised as expense and included in "cost of sales" amounted to RMB461,255,000 (2019: RMB375,501,000).

20 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables (a)		
Current:		
Trade receivables	**498,438**	405,660
Less: provision for impairment	**(4,984)**	(5,214)
	493,454	400,446
Non-current:		
Retention receivables	**18,074**	17,540
Less: provision for impairment	**(188)**	(197)
	17,886	17,343
Total	**511,340**	417,789
Prepayments, deposits and other receivables (b)		
Prepayments for raw materials and operating expenses	**6,621**	8,006
Refundable deposits receivable(i)	**3,783**	3,048
Prepayments for listing expenses	**3,831**	2,046
Other receivables	**1,532**	2,282
Total	**15,767**	15,382
Total	**527,107**	433,171

20 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

The Group is engaged in manufacturing and sale of concrete and precast building component products. The Group's customers are mainly construction companies for various types of construction projects including residential, commercial, industrial, municipal and infrastructure projects for the public and private sectors. The credit terms grant to customers are generally within 40 days.

Certain of the Group's sales receivables are required to be held back the settlement for up to 6 months after the completion of defects liability periods grant to the customers which normally last for 3 months to 24 months. The Group is responsible for remedial works, which may arise from the defective works or materials used and the related costs are usually immaterial. In the consolidated statements of financial position, retention receivables are presented as non-current assets.

(i) Transferred receivables

The carrying amounts of the trade receivables as at 31 December 2020 include receivables amounting to RMB1,000,000 which are subject to a factoring arrangement (2019: nil). Under this arrangement, the Group has transferred the relevant receivables to the factors (two banks in the PRC) in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as secured borrowing (note 25). The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost (note 25).

(ii) Ageing analysis of trade receivables

The ageing analysis of the trade receivables on demand and retention receivables as at the balance sheet dates based on invoice date was as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**422,912**	373,339
1 and 2 years	**81,685**	41,106
2 and 3 years	**9,012**	7,229
Over 3 years	**2,903**	1,526
	516,512	423,200

(iii) Impairment of trade receivables

The Group applies the simplified approach to provide for expected credit loss, which was a lifetime expected loss allowance for all trade receivables and retention receivables as prescribed by HKFRS 9. Details of the expected loss rates based on the payment profile of sales are set out in Note 3.1 b(ii).

20 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

(iii) Impairment of trade receivables

The movements in provision for impairment of trade receivables were as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
As at 1 January	5,411	3,980
Loss allowance recognised in profit or loss during the year	(239)	1,431
As at 31 December	5,172	5,411

(b) Prepayments, deposits and other receivables

(i) The refundable deposits receivable mainly represented rental deposits, project guarantee deposits and deposit to independent third party credit guarantee corporation for granting guarantee to the Group's borrowings.

(ii) Impairment of other financial assets at amortised cost

Other financial assets at amortised cost include amounts due from third parties and other receivables.

All these financial assets are considered to have a low risk of default and each of the counterparties has a strong capacity to meet its contractual cash flow obligations in the near term, hence, the Group considers them to have low credit risk. Accordingly, the impairment provision recognised is limited to 12-month expected losses.

The Group has assessed that the expected credit losses for these financial assets are not material under the 12-month expected losses method. Thus, no loss allowance was recognised during the year. The Group does not hold any collateral in relation to these receivables.

The carrying amounts of the Group's trade receivables, prepayments, deposits and other receivables approximated their fair values as at the balance sheet dates, and were denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	523,233	431,125
HKD	3,874	2,046
	527,107	433,171

21 CASH AND BANK BALANCES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents		
— Cash on hand and at banks	**30,485**	16,144
Restricted bank balance	**4,710**	4,710
Total	**35,195**	20,854

The restricted bank balance was deposits held at banks and pledged for issue of bills payable (note 24).

The cash and bank balances were denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	**35,141**	20,845
HKD	**54**	9
	35,195	20,854

22 SHARE CAPITAL

	Number of ordinary shares	**Share capital** HKD	**Share capital** RMB
Authorised:			
From 14 November 2018 (date of incorporation) to 31 December 2020			
— Ordinary shares of HKD1.00 par value	50,000	50,000	42,500
Issued:			
At 14 November 2018 (date of incorporation)	1	1	1
Issue of shares to Mr. Ye Zhijie and Mr. Huang Wengui	99	99	84
At 31 December 2018 and 1 January 2019	100	100	85
Issue of shares to:			
— Mr. Ye Zhijie and Mr. Huang Wengui	8,568	8,568	7,283
— Third party investor	1,332	1,332	1,132
At 31 December 2019 and 2020	10,000	10,000	8,500

22 SHARE CAPITAL (Continued)

The following movements in share capital happened subsequently to the year ended 31 December 2020:

On 4 March 2021, each ordinary share of the Company was sub-divided into 100 shares of HK$0.01 each. Following the sub-division of ordinary shares, the number of issued shares of the Company was increased from 10,000 shares to 1,000,000 shares.

Pursuant to the resolutions passed by the shareholders' meeting on 4 March 2021, the authorised shares of the Company was increased to 3,000,000,000 shares of HKD0.01 par value each. An aggregate of 560,000,000 ordinary shares have been issued and allotted to the shareholders whose names appear on the register of members of the Company as of the date of these resolutions. In addition, upon the Listing of the Company's shares on the Stock Exchange on 26 March 2021, 187,000,000 shares were issued.

23 OTHER RESERVES

	Capital reserves RMB'000	Statutory reserves RMB'000	Total RMB'000
At 1 January 2019	100,000	3,012	103,012
Profit appropriation to statutory reserves (i)	—	2,630	2,630
Contribution from shareholders (ii)	91,014	—	91,014
Deemed distribution to shareholders (ii)	(91,014)	—	(91,014)
At 31 December 2019 and 1 January 2020	100,000	5,642	105,642
Profit appropriation to statutory reserves (i)	**—**	**6,729**	**6,729**
At 31 December 2020	**100,000**	**12,371**	**112,371**

(i) Statutory reserves

Pursuant to the Company Law of the PRC and the articles of association of PRC subsidiaries, the subsidiaries in the PRC are required to appropriate 10% of each year's net profit (after offsetting previous years' losses) to statutory surplus reserve until the fund aggregates to 50% of their registered capital; after the appropriation to statutory surplus reserve, the subsidiaries in the PRC can appropriate profit, subject to respective equity holders' approval, to discretionary surplus reserve.

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to equity holders. These reserves shall only be used to make up for previous years' losses, to expand production operations, or to increase the capital of the respective company. The entities in the PRC may transfer their respective statutory surplus reserves into paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital before the transformation.

23 OTHER RESERVES (Continued)

(ii) Capital reserves

As part of the Reorganisation for the Listing, during March to April 2019, Mr. Ye Zhijie and Mr. Huang Wengui, through companies owned by them, made cash contributions totalling HK$107,000,000 (equivalent to RMB91,014,000) to the Company. The cash contributions were subsequently used to settle the considerations payable to the two shareholders for the acquisition of the equity interest in Zhixin Construction Material from the two shareholders. The cash contribution from and payment for considerations to the two shareholders were regarded as contributions from and deemed distributions to shareholders, respectively.

24 TRADE AND BILLS PAYABLES AND OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade and bills payables		
Trade payables		
— Related parties (note 31 (c))	—	289
— Third parties	270,310	270,505
	270,310	270,794
Bills payable	15,700	15,700
Total trade and bills payables	286,010	286,494
Other payables and accruals		
Payables for purchase of property, plant and equipment	9,224	6,283
Employee benefits payables	6,227	6,717
Accrual for operating expenses	19,996	7,418
Interest payable	690	670
Other taxes payable excluding income tax liabilities	18,106	6,791
Payable for listing expenses	2,019	1,302
Others	2,411	2,254
Total other payables and accruals	58,673	31,435
Total	344,683	317,929

24 TRADE AND BILLS PAYABLES AND OTHER PAYABLES AND ACCRUALS (Continued)

The ageing analysis of trade and bills payables as at 31 December 2020 based on invoice date was as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	285,106	285,915
1–2 years	904	579
	286,010	286,494

The carrying amounts of trade and bills payables and other payables and accruals approximated their fair values as at the balance sheet dates due to their short-term nature.

The carrying amounts of the Group's trade and bills payables and other payables and accruals were denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	339,379	311,297
HKD	5,304	6,632
	344,683	317,929

25 BORROWINGS

	As at 31 December					
	2020 RMB'000			2019 RMB'000		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings (i)						
— Secured	141,500	—	141,500	104,000	—	104,000
— Unsecured	18,000	—	18,000	18,000	—	18,000
	159,500	—	159,500	122,000	—	122,000
Entrusted loans from a third party (ii)						
— Unsecured	—	68,790	68,790	—	68,790	68,790
Total borrowings	159,500	68,790	228,290	122,000	68,790	190,790

(i) Bank borrowings

The bank borrowings of the Group as at 31 December 2019 and 2020 were secured by the pledge of assets of the Group as set out below, corporate guarantees provided by two subsidiaries of the Group, and guarantees from Mr. Ye Zhijie, Mr. Huang Wengui and his spouse and one independent third party credit guarantee corporation.

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Assets of the Group pledged as securities:		
— Property, plant and equipment (note 14)	45,533	45,751
— Right-of-use assets (note 15)	21,740	22,361
— Investment properties (note 16)	7,214	7,578
— Transferred receivables (note 20)	1,000	—
Total	75,487	75,690

For the years ended 31 December 2020, the weighted average effective interest rates on bank borrowings were 5.17% (2019: 5.64%).

The carrying amounts of the Group's bank loans were denominated in RMB.

25 BORROWINGS (Continued)

(ii) Entrusted loans from a third party

The Group obtained three two-year long-term loans totalling RMB68,790,000 from a third party through a bank in Xiamen, the PRC, for working capital purpose. The loans were unsecured, interest bearing at 5% per annum and will be due for repayment in October and December 2022.

(iii) Repayment periods

At 31 December 2020, the Group's borrowings were repayable as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	159,500	122,000
Between 1 and 2 years	68,790	68,790
	228,290	190,790

(iv) Undrawn financing facilities

The Group had the following undrawn financing facilities:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Bank borrowings, at floating rates		
— Expiring within 1 year	140,510	50,000
— Expiring between 1 and 2 years	—	23,010
	140,510	73,010

26 LEASE LIABILITIES

	As at 31 December					
	2020 RMB'000			2019 RMB'000		
	Current	Non-current	Total	Current	Non-current	Total
Land and buildings for warehouses and factory	6,806	10,351	17,157	4,593	12,266	16,859
Vehicles	—	—	—	1,102	140	1,242
	6,806	10,351	17,157	5,695	12,406	18,101

The Group leases land, buildings and vehicles for its operations and these liabilities were measured at the net present value of the lease payments during the lease terms that are not yet paid.

The effective interest rates ranged from 5.66% to 8.80% per annum as at 31 December 2019 and 2020.

27 DEFERRED INCOME

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deferred income on asset-related government grants	2,402	1,682

The government grants were received from the local government as subsidies to the Group's purchase of property, plant and equipment. They were recognised in profit or loss on a straight-line basis over the expected useful lives of the related assets.

The movements of the above deferred income during the year were as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At beginning of year	1,682	1,418
Additions	950	432
Credited to profit or loss (note 6)	(230)	(168)
At end of year	2,402	1,682

28 DEFERRED INCOME TAX

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred income tax assets (a)	**6,986**	7,267
Deferred income tax liabilities (b)	**(5,403)**	(5,732)
	1,583	1,535

(a) Deferred income tax assets

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
Accrued employee benefits	**216**	518
Deferred income	**615**	421
Provision for impairment of inventories and loss allowance of trade receivables	**1,675**	1,540
Lease liabilities	**4,480**	4,525
Tax deductible losses	**—**	263
	6,986	7,267

28 DEFERRED INCOME TAX (Continued)

(a) Deferred income tax assets (Continued)

The movements in deferred income tax assets were as follows:

	Accrued employee benefits RMB'000	Deferred income RMB'000	Provision for impairment and loss allowance RMB'000	Lease liabilities	Tax deductible losses RMB'000	Total RMB'000
At 1 January 2020	518	421	1,540	4,525	263	7,267
Credited/(charged) to profit or loss	(302)	194	135	(45)	(263)	(281)
At 31 December 2020	216	615	1,675	4,480	—	6,986
At 1 January 2019	640	355	1,189	563	6,632	9,379
Credited/(charged) to profit or loss	(122)	66	351	3,962	(6,369)	(2,112)
At 31 December 2019	518	421	1,540	4,525	263	7,267

(b) Deferred income tax liabilities

	As at 31 December 2020 RMB'000	2019 RMB'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment — capitalisation of interest of construction in progress	1,114	1,207
Right-of-use assets	4,289	4,525
	5,403	5,732

28 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities (Continued)

The movements in deferred income tax liabilities were as follows:

	Capitalisation of interest relating to construction in progress RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2020	1,207	4,525	5,732
Credited to profit or loss	(93)	(236)	(329)
At 31 December 2020	1,114	4,289	5,403
At 1 January 2019	1,299	563	1,862
(Credited)/charged to profit or loss	(92)	3,962	3,870
At 31 December 2019	1,207	4,525	5,732

29 CASH FLOW INFORMATION

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	85,621	57,937
Adjustments for		
— Depreciation of property, plant and equipment (note 14)	15,186	14,477
— Depreciation of right-of-use asset (note 15)	5,769	3,701
— Depreciation of investment properties (note 16)	509	434
— Amortisation of intangible assets (note 17)	26	26
— Provision for impairment of inventories (note 19)	1,371	765
— Provision for impairment of receivables (note 20)	(239)	1,431
— Finance costs	13,667	8,836
— Amortisation of deferred income (note 27)	(230)	(168)
— Losses on disposal of property, plant and equipment	27	1,443
	121,707	88,882
Changes in working capital:		
— Restricted bank balance	—	4,291
— Inventories	(23,978)	(8,059)
— Trade receivables, prepayments, deposits and other receivables	(91,912)	(115,411)
— Contract liabilities	(11,717)	6,244
— Trade and bills payables, other payables and accruals	28,339	39,272
Net cash generated from operations	22,439	15,219

(b) Proceeds from disposal of property, plant and equipment

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net book amount (note 14)	1,194	2,996
Losses on disposal (note 7)	(27)	(1,443)
Proceeds from disposal of property, plant and equipment	1,167	1,553

29 CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities

	Borrowings and interest payable due within 1 year RMB'000	Borrowings and interest payable due after 1 year RMB'000	Lease liabilities due within 1 year RMB'000	Lease liabilities due after 1 year RMB'000	Amounts due to related parties excluding dividend payable RMB'000	Total RMB'000
Total debt as at 1 January 2020	122,193	69,267	5,695	12,406	26,283	235,844
Cash flows — principal	37,500	—	(6,503)	—	—	30,997
Cash flows — interest	(7,725)	(3,453)	(986)	—	—	(12,164)
Increase of right-of-use assets	—	—	—	5,559	—	5,559
Other non-cash movements — listing expenses paid by shareholder (note 29(d))	—	—	—	—	4,789	4,789
Other non-cash movements — Net foreign exchange gain	—	—	—	—	(63)	(63)
Other non-cash movements — interest expenses	7,778	3,420	986	—	656	12,840
Reclassification	—	—	7,614	(7,614)	—	—
Total debt as at 31 December 2020	159,746	69,234	6,806	10,351	31,665	277,802

29 CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Borrowings and interest payable due within 1 year RMB'000	Borrowings and interest payable due after 1 year RMB'000	Lease liabilities due within 1 year RMB'000	Lease liabilities due after 1 year RMB'000	Amounts due to related parties excluding dividend payable RMB'000	Total RMB'000
Total debt as at 1 January 2019	101,239	—	1,009	1,241	95	103,584
Cash flows — principal	21,000	68,790	(3,410)	—	6,288	92,668
Cash flows — interest	(7,360)	—	(717)	—	—	(8,077)
Increase of right-of-use assets	—	—	2,374	16,887	—	19,261
Other non-cash movements — interest expenses	7,314	477	717	—	—	8,508
Other non-cash movements — reclassification from dividend payable (note 31(c))	—	—	—	—	19,900	19,900
Reclassification	—	—	5,722	(5,722)	—	—
Total debt as at 31 December 2019	122,193	69,267	5,695	12,406	26,283	235,844

(d) Significant non-cash transactions

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Listing expenses paid by shareholder	4,789	—

30 COMMITMENTS

(a) Capital commitments

Significant capital expenditure commitments were set out below:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contracted but not provided for:		
— Property, plant and equipment	**383**	246
Share capital of a PRC incorporated subsidiary to be paid up	**32,975**	32,975

(b) Non-cancellable short-term operating leases

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Warehouses		
— Less than 1 year	**1,947**	2,698

31 RELATED PARTY TRANSACTIONS

(a) Names and relationship with related parties

The following individuals/entities are related parties of the Group that had balances and/or transactions with the Group as at/during the year ended 31 December 2020.

Name of related parties	Relationship
Mr. Ye Zhijie	Controlling shareholder and Chairman
Mr. Huang Wengui	Substantial shareholder and Executive director
Xiamen Jichang Construction Engineering Co., Ltd. ("Ji Chang")	A Company controlled by brother of Mr. Ye Zhijie
Xiamen Yaohe Trading Co., Ltd. ("Yao He")	A Company controlled by Mr. Huang Wengui
Xiamen Guishun Logistics Limited ("Gui Shun")	A Company controlled by Mr. Huang Wengui
Ms. Du Lifang	Close family member of Mr. Ye Zhijie

Note: The entities shown above do not have official English names and their Chinese names have been translated into English, for reference only, by the Directors on a best effort basis.

31 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

Save as disclosed in elsewhere in this report, during the year ended 31 December 2020, the Group had the following transactions with related parties:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Related party transactions that will not continue after the Listing:		
(i) Sales of goods to a related party		
— Ji Chang	—	4,803
(ii) Purchases of raw materials and logistics services from related parties		
— Gui Shun	—	77
	—	77
(iii) Listing expenses paid by shareholder		
— Mr. Ye Zhijie	4,789	—
(iv) Interest expense on loan from related parties		
— Mr. Ye Zhijie	531	—
— Mr. Huang Wengui	125	—
	656	—

The above transactions were conducted according to the agreed terms between relevant related parties and the Group and in the ordinary course of business.

31 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade in nature:		
(i) Trade receivable from a related party		
— Ji Chang	–	2,713
(ii) Trade payable to related parties		
— Yao He	–	241
— Gui Shun	–	48
	–	289

The above balances were trade in nature and were settled according to the contract terms.

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Non-trade in nature:		
Amounts due to related parties		
— Mr. Ye Zhijie		
Three-year loan	21,776	21,308
Listing expenses paid by shareholder	4,789	—
— Mr. Huang Wengui		
Three-year loan	5,100	4,975
Total	31,665	26,283
Less: non-current portion	(26,876)	(26,283)
Current portion	4,789	—

31 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

The above balances with related parties were non-trade in nature, unsecured, interest-free and repayable on demand, except that the amounts due to Mr. Ye Zhijie and Mr. Huang Wengui as at 31 December 2020 totalling RMB26,876,000 (2019: RMB26,283,000) were three years loans to the Group which will be due for repayment by 31 December 2022 and bear interest at 2.50% per annum.

The carrying amounts of the amounts due to related parties approximated their fair values as at the balance sheet dates and were denominated in RMB.

All outstanding balance of the amounts due to related parties will be capitalised and became other reserves upon Listing.

(d) Key management compensation

Key management includes Chairman, Executive Directors and senior management of the Group.

The compensation paid or payable to the key management during the year ended 31 December 2020 including those paid to the executive directors which has been disclosed in note 32, are shown as below.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries and bonus	2,470	1,826
Contribution to pension plan	10	132
	2,480	1,958

32 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Remuneration of every director during the year ended 31 December 2020 was as follows:

Name of Directors	Fees	Salaries	Discretionary bonus	Contribution to pension plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020					
Chairman:					
Mr. Ye Zhijie	—	346	—	1	347
Executive directors:					
Mr. Huang Wengui	—	231	—	1	232
Mr. Qiu Limiao	—	159	—	1	160
Mr. Ye Dan	—	220	—	2	222
Mr. Huang Kaining	—	115	—	1	116
	—	1,071	—	6	1,077
Year ended 31 December 2019					
Chairman:					
Mr. Ye Zhijie	—	137	—	13	150
Executive directors:					
Mr. Huang Wengui	—	112	—	11	123
Mr. Qiu Limiao	—	155	—	13	168
Mr. Ye Dan	—	188	—	21	209
Mr. Huang Kaining	—	71	—	15	86
	—	663	—	73	736

(i) Mr. Ye Zhijie and Mr. Huang Wengui were appointed as the executive directors of the Company on 14 November 2018. Mr. Qiu Limiao, Mr. Ye Dan and Mr. Huang Kaining were appointed as the executive directors of the Company on 2 March 2020. The remuneration shown above represented remuneration received and receivable from the Group by these executive directors in their capacity as employees or/and directors of the companies now comprising the Group.

32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

(ii) Ms. Wong Tuen Sau, Mr. Cai Huinong and Mr. Huang Youling were appointed as the Company's independent non-executive directors on 4 March 2021, and Mr. Jiang Qinjian was appointed as the Company's independent non-executive director on 30 April 2021. During the year ended 31 December 2020, the independent non-executive directors have not yet been appointed and did not receive directors' remuneration in the capacity of independent non-executive directors.

(iii) No emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office or no directors waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

(b) Directors' retirement and termination benefits

There were no retirement and termination benefits paid to any director during the years ended 31 December 2020 and 2019.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2020 and 2019, no consideration to third parties for making available director's services.

(d) Information about loans, quasi-loans and other dealings in favour of directors

Save as disclosed in note 31, there were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors as at 31 December 2020, or at any time during the years ended 31 December 2020 and 2019.

(e) Directors' material interests in transactions, arrangements or contracts

Other than those disclosed in note 31, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2020 and 2019 or at any time during the years ended 31 December 2020 and 2019.

33 SUBSIDIARIES

The Subsidiaries of the Group as at 31 December 2020 are as follows:

Company name	Date of incorporation	Country/Place of incorporation/ establishment	Registered/Issued and paid-up capital	Effective interest held as at 31 December 2020	2019	Principal activities
Directly hold:						
Zhixin Enterprises Limited	20 November 2018	BVI, limited liability company	HKD 1	100%	100%	Investment holding
Indirectly hold:						
Zhixin Group (HK) Limited	13 December 2018	Hong Kong, limited liability company	HKD 1	100%	100%	Investment holding
Pakhim Chen (Hong Kong) Limited	3 October 2018	Hong Kong, limited liability company	HKD 100	100%	100%	Investment holding
Xiamen Zhixin Construction Material Co., Ltd.* 廈門智欣建材集團有限公司	19 April 2007	PRC, wholly foreign owned enterprise under PRC law	RMB100,000,000	100%	100%	Manufacturing, processing and sale of ready-mixed concrete
Xiamen Zhixin Logistics Co., Ltd.* 廈門智欣物流有限公司	27 December 2012	PRC, registered as limited liability company under PRC law	RMB5,000,000	100%	100%	Logistics business
Xiamen Zhixin Construction Technology Co., Ltd.* (previously known as "Xiamen Tangsong Robot Technology Co., Ltd.*") 廈門智欣建工科技有限公司 (前稱廈門唐松機器人科技有限公司)	2 November 2010	PRC, registered as limited liability company under PRC law	Registered capital RMB200,000,000 Paid in capital RMB167,025,000	100%	100%	Manufacturing and sale of precast concrete components

34 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

(a) Balance sheet of the Company

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Interests in a subsidiary		91,014	91,014
Current assets			
Other receivables and prepayments		3,874	2,046
Cash and bank balances		13	9
Total current assets		3,887	2,055
Total assets		94,901	93,069
EQUITY			
Share capital	22	9	9
Capital reserve	23	91,014	91,014
Accumulated losses		(9,419)	(4,586)
Total equity		81,604	86,437
LIABILITIES			
Non-current liabilities			
Amount due to a related party		6,478	6,383
Current liabilities			
Amount due to a related party		4,789	—
Other payables and accruals		2,030	249
Total current liabilities		6,819	249
Total liabilities		13,297	6,632
Total equity and liabilities		94,901	93,069

The balance sheet of the Company was approved by the board of directors of the Company on 30 April 2021 and was signed on its behalf by:

Ye Zhijie	**Huang Wengui**
Director	*Director*

34 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

(b) Reserve movements of the Company

	Capital reserve RMB'000
At 14 November 2018 (date of incorporation)	—
Contribution from shareholders	91,014
At 31 December 2019 and 2020	91,014

35 CONTINGENCIES

As at 31 December 2020, there were no significant contingencies for the Group and the Company.

36 SUBSEQUENT EVENTS

Saved as disclosed elsewhere in the report, the Group has the following subsequent events after the balance sheet date:

On 4 March 2021, each ordinary share of the Company was sub-divided into 100 shares of HK$0.01 each. Following the sub-division of ordinary shares, the number of issued shares of the Company was increased from 10,000 shares to 1,000,000 shares. Pursuant to the resolutions passed by the shareholders' meeting on the same date, the authorised shares of the Company has been increased to 3,000,000,000 shares of HKD 0.01 par value each. An aggregate of 560,000,000 ordinary shares have been issued and allotted to the shareholders whose names appear on the register of members of the Company as of the date.

On 26 March 2021, the Company successfully completed its Listing and its shares have been listed on the Stock Exchange since then. 187,000,000 shares of the Company were issued upon Listing on 26 March 2021, and the Company raised issue proceeds, net of Listing expenses, amounting to HK$238.7 million (equivalent to RMB217.0 million).

Four-year Financial Summary

	Year ended 31 December			
	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	784,902	590,797	511,267	399,519
Cost of sales	(632,397)	(476,420)	(434,775)	(359,853)
Gross profit	152,505	114,377	76,492	39,666
Other income	4,945	3.693	4,061	2,985
Other gains/(losses)—net	171	(1,572)	464	(189)
Selling expenses	(22,033)	(13,699)	(11,432)	(7,306)
Administrative expenses	(30,242)	(28,188)	(23,655)	(17,711)
Net impairment losses on financial assets	239	(1,431)	(1,588)	(35)
Listing expenses	(6,379)	(6,512)	—	—
Operating profit	99,206	66,668	44,342	17,410
Finance income	82	105	319	349
Finance costs	(13,667)	(8,836)	(7,277)	(2,142)
Finance costs — net	(13,585)	(8,731)	(6,958)	(1,793)
Profit before income tax	85,621	57,937	37,384	15,617
Income tax expense	(22,998)	(16,115)	(10,015)	(3,378)
Profit for the year	62,623	41,822	27,369	12,239

	As at 31 December			
	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Assets, Liabilities and Equity				
Total assets	808,323	675,640	551,201	564,242
Total liabilities	641,354	571,294	488,686	446,296
Total equity	166,969	104,346	62,515	117,946

Glossary

"Articles of Association" or "Articles"	the articles of association of the Company conditionally adopted on 4 March 2021 and effective from the Listing Date, which is uploaded onto the Company's website, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which, for the purpose of this report, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	Zhixin Group Holding Limited, an exempted company incorporated in the Cayman Islands with limited liability on 14 November 2018
"Companies Act"	the Companies Act of the Cayman Islands
"Director(s)"	the director(s) of the Company
"EIT"	enterprise income tax in the PRC
"ESG"	Environmental, Social and Governance
"FY2020", "Reporting Period" or "Year"	the financial year ended 31 December 2020
"Share Offering"	the initial public offering of the Shares pursuant to the terms of the Prospectus
"Group", "we" or "us"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
"Listing Date"	26 March 2021, the date on which dealing in the Shares first commenced on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or modified from time to time
"Memorandum"	the memorandum of association of the Company conditionally adopted on 4 March 2021 and as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"PC component(s)"	precast concrete component(s)
"Prospectus"	the prospectus of the Company dated 16 March 2021
"Remuneration Committee"	the remuneration committee of the Board

"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the reorganisation of the Group in relation to the Listing, details of which are set out in Note 1 to the Consolidated Financial Statements
"%"	per cent.