



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



2021 Interim Report

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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 Huihong
Mr. Jiang Qinjian

BOARD COMMITTEES

Audit Committee

Ms. Wong Tuen Sau (*Chairlady*)
Mr. Cai Huihong
Mr. Jiang Qinjian[#]

Nomination Committee

Mr. Cai Huihong (*Chairman*)
Ms. Wong Tuen Sau
Mr. Jiang Qinjian[#]

Remuneration Committee

Mr. Jiang Qinjian (*Chairman*)[#]
Ms. Wong Tuen Sau
Mr. Cai Huihong

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Mr. Ye Zhijie
Mr. Yuen Chi Wai

AUDITOR

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

[#] appointed on 30 April 2021

Corporate Information (Continued)

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 WEBSITE ADDRESS

www.xiamenzhixin.com

STOCK CODE

2187

Financial Highlights

	Six months ended 30 June		Change %
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	
Revenue	320,690	283,128	13.3%
Gross Profit	54,042	44,359	21.8%
Profit for the Period	10,221	7,154	42.9%

Revenue for the Period amounted to approximately RMB320.7 million, representing an increase of approximately 13.3% as compared with the corresponding period in previous year. Revenue derived from sale of ready-mixed concrete for the Period has increased by approximately 5.3% to approximately RMB225.7 million and revenue derived from sale of PC components has increased by approximately 38.0% to approximately RMB95.0 million as compared with the corresponding period in previous year.

Gross profit for the Period has increased by approximately 21.8% to approximately RMB54.0 million.

The Group was successfully listed on the Main Board of the Stock Exchange on 26 March 2021 and approximately RMB9.5 million has been accounted as listing expenses during the Period.

Profit for the Period was approximately RMB10.2 million representing an increase of approximately 42.9% as compared with the corresponding period in previous year.

Chairman's Statement

Dear Shareholders:

On behalf of the Board, I hereby present the interim report of the Company for the six months ended 30 June 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.

The Group has achieved a revenue of approximately RMB320.7 million for the six months ended 30 June 2021, representing an increase of approximately RMB37.6 million or approximately 13.3% as compared to the same period in 2020. Such increase was mainly attributable to the significant increase in sale of PC components and a moderate increase in sale of ready-mixed concrete.

Contributed by the higher revenue and the effective cost structure, the gross profit and net profit for the six months ended 30 June 2021 have increased by approximately 21.8% and 42.9% respectively as compared to the same period in 2020. The gross profit margin and net profit margin was approximately 16.9% and 3.2% respectively for the six months ended 30 June 2021.

Looking ahead, we will continue to expand our production scale to meet the anticipated higher demand of PC component. The Group is optimistic on the prospect of the PC component industry with the favourable government policy in speeding up the upgrade and transformation of the construction industry in the PRC by vigorously promoting the prefabricated construction. We aim at strengthening our leading market position in Fujian Province and to maximise returns for our shareholders.

APPRECIATION

On behalf of the Board, I hereby express my sincere gratitude to the employees of the Group for their hard work and contributions.

Ye Zhijie

Chairman

Hong Kong, 30 August 2021

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a leading manufacturer and supplier of concrete-based building materials in Xiamen, Fujian Province of the PRC. The Group's principal products can be broadly categorised into two types, namely, (i) ready-mixed concrete and (ii) PC components. All of the Group's products were sold in the PRC with primary focus in Fujian Province, the PRC.

Currently, the Group's business operations are primarily based in Xiamen City, Fujian Province of the PRC with most of the revenue derived from construction projects in Xiamen. Given transportation limitations and costs being important factors in making purchase decision for concrete-related products, the proximity of the Group's production plants to customers and the Group's truck fleet capabilities provide the Group with competitive advantage in terms of delivery time and logistics costs as compared to suppliers from further areas within Fujian Province.

For the Period, the Group's revenue amounted to approximately RMB320.7 million, representing an increase of approximately 13.3% from approximately RMB283.1 million for the six months ended 30 June 2020. The Group's gross profit increased from approximately RMB44.4 million for the six months ended 30 June 2020 to approximately RMB54.0 million for the Period, representing an increase of approximately 21.8%. As a result, the profit for the Period increased from approximately RMB7.2 million for the six months ended 30 June 2020 to approximately RMB10.2 million for the Period. Gross profit margin and net profit margin of the Group for the Period was approximately 16.9% and 3.2%, respectively.

The Group's performance is analysed from a product perspective and two operating segments are identified, namely: ready-mixed concrete and PC components. For details of the analysis of these segments, please refer to the financial review in the following.

Financial Review

Revenue

The Group derived its revenue from sales of (i) ready-mixed concrete and (ii) PC component products. For the Period, the Group's revenue amounted to approximately RMB320.7 million, representing an increase of approximately 13.3% from approximately RMB283.1 million for the six months ended 30 June 2020.

Ready-mixed concrete

Revenue derived from sale of ready-mixed concrete for the Period amounted to RMB225.7 million, representing an increase of approximately 5.3% from approximately RMB214.3 million for the six months ended 30 June 2020. 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 favourable pricing terms with customers.

PC components

Revenue derived from sale of PC components for the Period amounted to RMB95.0 million, representing an increase of approximately 38.0% from approximately RMB68.8 million for the six months ended 30 June 2020. The increase was attributable to the increase in sales volume with stable average selling price of other construction components and a significantly higher average selling price of tunnel segments.

Cost of Sales

Cost of sales increased by approximately RMB27.9 million or approximately 11.7% from approximately RMB238.8 million for the six months ended 30 June 2020 to approximately RMB266.6 million for the Period. Such increase was mainly attributable to the (i) overall increase in sales volume of ready-mixed concrete and PC components; and (ii) increase in average cost of PC components primarily due to the significant increase in the market price of rebars, which has reached a historical high of over RMB6,000 per tonne in May 2021.

Management Discussion and Analysis (Continued)

Gross profit and gross profit margin

The Group's overall gross profit increased by approximately RMB9.7 million or approximately 21.8% from approximately RMB44.4 million for the six months ended 30 June 2020 to approximately RMB54.0 million for the Period. The Group's overall gross profit margin increased to approximately 16.9% for the Period (six months ended 30 June 2020: 15.7%).

Ready-mixed concrete

The gross profit of ready-mixed concrete increased by approximately 46.6% to approximately RMB40.9 million for the Period. Such increase was primarily due to the revenue growth of ready-mixed concrete and the increase in gross profit margin from approximately 13.0% for the six months ended 30 June 2020 to approximately 18.1% for the Period mainly attributable to the change in product mix and the lower average cost for all product types.

PC components

The gross profit of PC components decreased by approximately 20.2% to approximately RMB13.1 million for the Period. Such decrease was primarily due to the decrease in gross profit margin from approximately 23.9% for the six months ended 30 June 2020 to approximately 13.8% for the Period mainly attributable to the foregoing reasons for increase in cost of sales for PC components.

Other income

Other income increased by approximately 295.5% to approximately RMB7.8 million for the Period mainly due to the increase in non-recurring government grants and awards.

Selling expenses

Selling expenses increased by approximately 53.6% to approximately RMB12.1 million for the Period 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 29.8% to approximately RMB18.2 million for the Period. 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.

Listing expenses

Listing expenses increased by approximately 103.0% to approximately RMB9.5 million for the Period. Higher listing expenses were incurred in March 2021 when the Company's shares were listed on the Main Board of the Stock Exchange.

Finance costs — net

Finance costs — net increased by approximately 8.3% to approximately RMB6.9 million Period primarily due to the increase in interest expenses on bank borrowings.

Income tax expense

Income tax expense increased by approximately 68.0% to approximately RMB6.8 million for the Period as a result of the increase in taxable profit from the Group's operation in the PRC.

Profit for the Period

Due to the factors of the foregoing, the profit for the Period was approximately RMB10.2 million (six months ended 30 June 2020: RMB7.2 million).

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group funds its operations mainly with cash generated from its operations and borrowings. As at 30 June 2021, the Group's net current assets was approximately RMB278.8 million (31 December 2020: approximately RMB61.9 million), while the Group's cash and cash equivalents as at 30 June 2021 was approximately RMB81.7 million (31 December 2020: approximately RMB30.5 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 30 June 2021, the Group had current borrowings of approximately RMB155.4 million (31 December 2020: approximately RMB159.5 million) and non-current borrowings of approximately RMB47.3 million (31 December 2020: approximately RMB68.8 million).

Gearing ratio is calculated based on total debts divided by total equity as at 30 June 2021 and multiplied by 100%. The Group's gearing ratio as at 30 June 2021 was approximately 47.0% (31 December 2020: 152.8%).

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 30 June 2021, the Group's capital commitments amounted to approximately RMB33.0 million (31 December 2020: RMB33.4 million).

PLEDGE OF ASSETS

Details of the pledge of assets of the Group are set out in Note 20 of the condensed consolidated interim financial statements.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

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.

Management Discussion and Analysis (Continued)

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

SIGNIFICANT INVESTMENTS

As at 30 June 2021, the Group did not have any significant investments.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2021, the Group employed 588 (30 June 2020: 658) 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 and workforce flexibility.

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 following table sets forth the status of the use of the net proceeds from the Share Offering as at 30 June 2021:

	Intended utilisation of net proceeds as disclosed in the Prospectus		Utilised net proceeds up to 30 June 2021	Unutilised net proceeds as at 30 June 2021	Expected timeline for utilising the unutilised net proceeds
	HK\$ million	%	HK\$ million	HK\$ million	
(i) Expanding the Group’s PC component production capacity	199.6	83.6	—	199.6	By June 2024
(ii) Enhancing the Group’s information technology system	8.8	3.7	0.4	8.4	By June 2023
(iii) Improving the Group’s environmental protection system	4.4	1.9	0.2	4.2	By December 2022
(iv) Acquiring mixer and concrete pump trucks	2.0	0.8	2.0	—	N/A
(v) General working capital	23.9	10.0	23.9	—	N/A
Total	238.7	100.0	26.5	212.2	

Management Discussion and Analysis (Continued)

As detailed in the Company's announcement on 18 August 2021, there was certain reallocation of the unutilised net proceeds within the category of expanding the Group's PC component production capacity as a result of the successful acquisition of land use rights of a piece of land suitable for production expansion. The Directors do not anticipate any other change to the plan as to use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus and in accordance with the announcement issued by the Company on 18 August 2021.

OUTLOOK

The Directors are optimistic that the Group's businesses will maintain a rising momentum in the second half of 2021 as compared with the first half of the year. Impetus from the supportive government policies on prefabricated construction in the PRC continues to encourage higher demand for PC components. With the funding support from the Share Offering, the Group is in a better position to expand the production scale and increase the market share in the fast-growing PC component industry in the PRC.

Corporate Governance and Other Information

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 of 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has reviewed the Company's corporate governance practices and is satisfied that during the six months ended 30 June 2021, 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, other than those set out below. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

COMPLIANCE WITH 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 six months ended 30 June 2021. 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.

Corporate Governance and Other Information (Continued)

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

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 during the six months ended 30 June 2021 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).

Corporate Governance and Other Information (Continued)

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

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:

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

Corporate Governance and Other Information (Continued)

CHANGE OF DIRECTORS

As disclosed in the Company's announcement dated 30 April 2021, (i) Mr. Huang Youling resigned as an independent non-executive Director, a member of the audit committee of the Board (the "**Audit Committee**") and the nomination committee of the Board (the "**Nomination Committee**") and the chairman of the remuneration committee of the Board (the "**Remuneration Committee**") with effect from 30 April 2021 and (ii) Mr. Jiang Qinjian was appointed as an independent non-executive Director, a member of the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee with effect from 30 April 2021.

For the six months ended 30 June 2021 and up to the date of this interim report, save as the aforementioned, there have been no other changes regarding the Directors and their information which are required to be disclosed under the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 2021, 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.

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 six months ended 30 June 2021 and up to the date of this report.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Company and its subsidiary companies for the six months ended 30 June 2021 have been reviewed by the Company's auditor, PricewaterhouseCoopers. The auditor's independent review report of PricewaterhouseCoopers is set out on pages 16 to 17 of this interim report.

AUDIT COMMITTEE

The Audit Committee has reviewed this interim report, including the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 16 to the consolidated financial statements.

Corporate Governance and Other Information (Continued)

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended 30 June 2021.

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.

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of Zhixin Group Holding Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 47, which comprises the condensed consolidated interim statement of financial position of Zhixin Group Holding Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Report on Review of Interim Financial Information (Continued)

OTHER MATTER

The comparative information for the condensed consolidated interim statement of financial position is based on the audited financial statements as at 31 December 2020. The comparative information for the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2020 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2021

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited/ unreviewed)
Revenue	6	320,690	283,128
Cost of sales	6, 7	(266,648)	(238,769)
Gross profit		54,042	44,359
Other income		7,846	1,984
Other losses — net		(49)	(987)
Selling expenses	7	(12,123)	(7,891)
Administrative expenses	7	(18,238)	(14,056)
Reversal of/(net) impairment losses on financial assets	5.1(a)	2,032	(1,094)
Listing expenses	7	(9,520)	(4,690)
Operating profit		23,990	17,625
Finance income		113	39
Finance costs		(7,044)	(6,439)
Finance costs — net		(6,931)	(6,400)
Profit before income tax		17,059	11,225
Income tax expense	8	(6,838)	(4,071)
Profit and total comprehensive income for the period, all attributable to owners of the Company		10,221	7,154
Earnings per share for profit attributable to owners of the Company			
Basic and diluted earnings per share (RMB)	9	0.015	0.013

The notes on pages 23 to 47 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	142,891	144,111
Right-of-use assets	11	35,369	39,663
Investment properties	11	9,790	10,045
Intangible assets	11	174	187
Trade receivables	13	19,616	17,886
Prepayment for non-current assets		236	—
Deferred income tax assets		826	1,583
		208,902	213,475
Current assets			
Inventories	12	90,202	50,432
Trade receivables	13	490,347	493,454
Prepayments, deposits and other receivables	14	26,979	15,767
Restricted bank balance	15	7,700	4,710
Cash and bank balances	15	81,675	30,485
		696,903	594,848
Total assets		905,805	808,323
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	6,358	9
Other reserves	17	360,472	112,371
Retained earnings		64,810	54,589
Total equity		431,640	166,969

Condensed Consolidated Interim Statement of Financial Position (Continued)

As at 30 June 2021

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	20	47,300	68,790
Lease liabilities	21	6,535	10,351
Amounts due to related parties		—	26,876
Deferred income		2,261	2,402
		56,096	108,419
Current liabilities			
Trade and bills payables	18	216,416	286,010
Other payables and accruals	19	31,985	58,673
Amounts due to related parties		—	4,789
Current income tax liabilities		4,244	16,514
Borrowings	20	155,382	159,500
Contract liabilities	6(b)	2,313	643
Lease liabilities	21	7,729	6,806
		418,069	532,935
Total liabilities		474,165	641,354
Total equity and liabilities		905,805	808,323

The notes on pages 23 to 47 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2021

	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
(Unaudited)					
As at 1 January 2021		9	112,371	54,589	166,969
Comprehensive income					
Profit for the period		—	—	10,221	10,221
Transactions with owners					
Contribution from shareholders	17	—	31,895	—	31,895
Capitalisation issue of shares	16, 17	4,760	(4,760)	—	—
Issuance of shares by initial public offering, net of attributable transaction costs	16, 17	1,589	220,966	—	222,555
Total transactions with owners		6,349	248,101	—	254,450
As at 30 June 2021		6,358	360,472	64,810	431,640
(Unaudited/unreviewed)					
As at 1 January 2020		9	105,642	(1,305)	104,346
Comprehensive income					
Profit for the period		—	—	7,154	7,154
As at 30 June 2020		9	105,642	5,849	111,500

The notes on pages 23 to 47 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited/ unreviewed)
Cash flows used in operating activities			
Cash used in operations		(111,236)	(12,656)
Income tax paid		(18,351)	(6,029)
Net cash used in operating activities		(129,587)	(18,685)
Cash flows used in investing activities			
Purchases of property, plant and equipment		(11,253)	(5,731)
Proceeds from disposal of property, plant and equipment		255	58
Assets-related government grants		—	590
Net cash used in investing activities		(10,998)	(5,083)
Cash flows generated from financing activities			
Proceeds from bank borrowings		84,482	36,500
Repayments of bank borrowings		(110,090)	—
Principal elements of lease payments		(1,520)	(1,612)
Interest paid		(6,898)	(4,164)
Other financing costs		(80)	(180)
Proceeds from share issuance upon listing	16	238,139	—
Listing expenses		(12,258)	(1,568)
Net cash generated from financing activities		191,775	28,976
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period		30,485	16,144
Cash and cash equivalents at end of period		81,675	21,352

The notes on pages 23 to 47 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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 Law, Cap. 22 of the Cayman Islands. 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 (the “Listing”) 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 condensed consolidated interim financial statements are presented in Renminbi (“RMB”) and rounded to the nearest thousand yuan (“RMB’000”), unless otherwise stated.

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

These condensed consolidated interim financial statements have been reviewed, not audited.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial statements don’t include all the notes of the type normally included in an annual consolidated financial statement. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 30 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), except for the adoption of the new and amended standards as disclosed in note 3 below.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020 and the corresponding interim financial period, except for the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2	1 January 2021

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of fulfilling a contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKAS 1 and HKAS 28 (Amendments)	Presentation of financial statements, accounting policies, changes in accounting estimates and errors	1 January 2023
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2020.

5 FINANCIAL RISK MANAGEMENT

5.1 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 period.

These condensed consolidated interim financial statements don't include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

There have been no changes in the risk management policies since last year end.

(a) 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.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) Credit risk of trade receivables (Continued)

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 30 June 2021, no individually impaired trade receivable has been fully provided for loss allowance (2020: RMB1,808,000).

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 30 June 2021 was determined as follows for trade receivables. The expected credit losses below have incorporated forward-looking information.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) Credit risk of trade receivables (Continued)

	Within 1 year RMB'000	1–2 years RMB'000	2–3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At 30 June 2021 (Unaudited)					
Gross carrying amount	446,833	59,727	5,533	1,010	513,103
Expected loss rate	0.44%	0.75%	5.80%	40.92%	
Loss allowance	1,959	447	321	413	3,140
Total loss allowance	1,959	447	321	413	3,140
At 31 December 2020 (Audited)					
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

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.

(b) Liquidity risk

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.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(b) 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 30 June 2021 (Unaudited)				
Borrowings, including interest payables	161,513	5,235	46,286	213,034
Lease liabilities	8,291	4,560	2,280	15,131
Trade and bills payables	216,416	—	—	216,416
Other payables and accruals	18,304	—	—	18,304
	404,524	9,795	48,566	462,885
At 31 December 2020 (Audited)				
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

5.2 Fair value estimation of financial assets and liabilities measured at amortised cost

The carrying amounts of the Group's current financial assets (including cash and bank balances and trade and other receivables) and current financial liabilities (including trade and other payables, bank borrowings and lease liabilities) approximated their fair values as at the balance sheet date due to their short maturities.

6 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 period.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

6 SEGMENT INFORMATION (Continued)

(a) Segment information of the Group

	Six months ended 30 June 2021		
	Ready-mixed concrete RMB'000	Precast concrete components RMB'000	Total RMB'000
Segment result (Unaudited)			
Revenue	225,698	94,992	320,690
Cost of sales	(184,783)	(81,865)	(266,648)
Gross profit	40,915	13,127	54,042
Selling expenses	(7,220)	(4,903)	(12,123)
Administrative expenses	(7,605)	(9,496)	(17,101)
Segment results	26,090	(1,272)	24,818

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

(Unaudited)		
Results of reportable segments		24,818
Unallocated costs and expenses		(1,137)
Other income		7,846
Other gains — net		(49)
Reversal of impairment losses on financial assets		2,032
Listing expenses		(9,520)
Finance costs — net		(6,931)
Profit before income tax		17,059
Income tax expense		(6,838)
Profit and total comprehensive income for the period		10,221

Other items for the six months ended 30 June 2021

(Unaudited)			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	4,793	1,761	6,554
Depreciation	2,695	8,060	10,755
Amortisation	13	—	13
As at 30 June 2021			
Segment assets	485,752	402,060	887,812
Unallocated assets			17,993
Total assets			905,805
Segment liabilities	177,054	92,940	269,994
Unallocated liabilities			204,171
Total liabilities			474,165

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

6 SEGMENT INFORMATION (Continued)

(a) Segment information of the Group (Continued)

	Six months ended 30 June 2020		
	Ready-mixed concrete RMB'000	Precast concrete components RMB'000	Total RMB'000
Segment result (Unaudited/unreviewed)			
Revenue	214,307	68,821	283,128
Cost of sales	(186,401)	(52,368)	(238,769)
Gross profit	27,906	16,453	44,359
Selling expenses	(4,186)	(3,705)	(7,891)
Administrative expenses	(6,675)	(6,082)	(12,757)
Segment results	17,045	6,666	23,711
A reconciliation of results of reportable segments to profit for the period is as follows:			
Results of reportable segments			23,711
Unallocated costs and expenses			(1,299)
Other income			1,984
Other losses — net			(987)
Net impairment losses on financial assets			(1,094)
Listing expenses			(4,690)
Finance costs — net			(6,400)
Profit before income tax			11,225
Income tax expense			(4,071)
Profit and total comprehensive income for the period			7,154
Other items for the six months ended 30 June 2020 (Unaudited/unreviewed)			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,598	4,874	6,472
Depreciation	2,730	7,433	10,163
Amortisation	13	—	13
As at 30 June 2020			
Segment assets	402,535	297,837	700,372
Unallocated assets			15,513
Total assets			715,885
Segment liabilities	257,650	85,795	343,445
Unallocated liabilities			260,940
Total liabilities			604,385

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

6 SEGMENT INFORMATION (Continued)

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contract liabilities		
Ready-mixed concrete	761	632
Precast concrete components	1,552	11
	2,313	643

The contract liabilities of the Group recognised are related to the non-refundable advance payments 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.

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 period relates to carried-forward contract liabilities.

	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited/ unreviewed)
Ready-mixed concrete	426	2,591
Precast concrete components	—	8,111
	426	10,702

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

7 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited/ unreviewed)
Raw materials and consumables used	204,220	198,707
Changes in inventories of finished goods and work in progress	1,234	(20,110)
Employee benefit expenses	27,968	27,409
Outsourcing service expense	18,521	14,110
Transportation expenses	16,058	11,570
Depreciation of property, plant and equipment (note 11)	7,488	7,345
Depreciation of right-of-use assets (note 11)	3,012	2,562
Depreciation of investment properties (note 11)	255	256
Amortisation of intangible assets (note 11)	13	13
Repair and maintenance expense	722	1,431
Electricity and water expenses	2,485	2,916
Short-term lease rental expenses	2,647	4,895
Other taxes and levies	1,886	1,722
Insurance expense	911	803
Detection expense	481	1,045
Provision for impairment of inventories (note 12)	1,849	76
Listing expenses	9,520	4,690
Auditors' remuneration	388	64
Others	6,871	5,902
Total	306,529	265,406

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited/ unreviewed)
Current income tax		
— PRC income tax	6,081	4,267
Deferred income tax	757	(196)
Income tax expense	6,838	4,071

(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.

(iii) Hong Kong profits tax

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

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

Taxation on PRC income has been calculated on the estimated assessable profit for the period 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 period.

(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 period, 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 30 June 2021, deferred income tax liabilities of RMB9,136,000 have not been recognised for the withholding income tax that would be payable on unremitted earnings of PRC subsidiaries of the Group amounting to RMB91,364,000. The Group does not have the intention to distribute the respective unremitted profits in the foreseeable future.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

9 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 outstanding during the financial period. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of changes in share capital of the Company pursuant to resolutions passed by the Company's shareholders' meeting on 4 March 2021. These include (i) the sub-division of shares on 4 March 2021, where 10,000 ordinary share of the Company issued was sub-divided into 1,000,000 ordinary shares, and (ii) the issue and allotment of 560,000,000 ordinary shares to the shareholders whose names appeared on the register of members of the Company as at the date of these resolutions, which were deemed to have been in issue since 1 January 2020.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited/ unreviewed)
Profit attributable to owners of the Company (RMB'000)	10,221	7,154
Weighted average number of ordinary shares in issue	660,182,320	561,000,000
Basic earnings per share (RMB)	0.015	0.013

(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 30 June 2021.

10 DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 June 2021 (2020: nil).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

11 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Investment properties RMB'000	Intangible assets RMB'000
(Unaudited)				
At 1 January 2021	144,111	39,663	10,045	187
Additions	6,554	—	—	—
Depreciation/amortisation	(7,488)	(3,012)	(255)	(13)
Disposals	(286)	(1,282)	—	—
At 30 June 2021	142,891	35,369	9,790	174
(Unaudited/unreviewed)				
At 1 January 2020	140,431	41,057	10,554	213
Additions	3,489	2,983	—	—
Depreciation/amortisation	(7,345)	(2,562)	(256)	(13)
Disposals	(359)	—	—	—
At 30 June 2020	136,216	41,478	10,298	200

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

12 INVENTORIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Raw materials	55,016	13,310
Work-in-progress	1,727	1,309
Finished goods	35,690	37,342
Less: provision for impairment of inventories	(2,231)	(1,529)
	90,202	50,432

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
As at beginning of period	1,529	765
Increase in provision recognised in profit or loss during the period	1,849	76
Write-off of provision upon sales of inventories	(1,147)	(239)
As at end of period	2,231	602

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

13 TRADE RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Current:		
Trade receivables	493,229	498,438
Less: provision for impairment	(2,882)	(4,984)
	490,347	493,454
Non-current:		
Retention receivables	19,874	18,074
Less: provision for impairment	(258)	(188)
	19,616	17,886
Total	509,963	511,340

The carrying amounts of trade receivables as at 30 June 2021 include receivables amounting to RMB14,182,000 which are subject to factoring arrangements (2020: RMB1,000,000). Under this arrangement, the Group has transferred the relevant receivables to the factors (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 20). The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost (note 20).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

13 TRADE RECEIVABLES (Continued)

The ageing analysis of the trade receivables as at the 30 June 2021 based on invoice date is as follows:

	30 June 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	446,833	422,912
1 and 2 years	59,727	81,685
2 and 3 years	5,533	9,012
Over 3 years	1,010	2,903
	513,103	516,512

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Prepayments for raw materials and operating expenses	15,909	6,621
Rent receivable	5,775	—
Refundable deposits receivable	3,623	3,783
Prepayments for listing expenses	—	3,831
Other receivables	1,672	1,532
Total	26,979	15,767

The carrying amounts of prepayment, deposits and other receivables approximated their fair values as at the balance sheet dates due to their short-term nature.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

15 CASH AND BANK BALANCES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and cash equivalents		
— Cash on hand and at banks	81,675	30,485
Restricted bank balance	7,700	4,710
Total	89,375	35,195

The restricted bank balance was deposits held at banks and pledged for issue of bills payable (note 17).

16 SHARE CAPITAL

	Number of ordinary shares	Share capital HKD'000	Share capital RMB'000
Authorised:			
As at 1 January 2021	50,000	50	43
Share split on 4 March 2021	4,950,000	—	—
Increase on 4 March 2021	2,995,000,000	29,950	25,457
As at 30 June 2021	3,000,000,000	30,000	25,500
Issued:			
As at 1 January 2021	10,000	10	9
Share split on 4 March 2021	990,000	—	—
Capitalisation issue	560,000,000	5,600	4,760
New shares issued pursuant to the initial public offering	187,000,000	1,870	1,589
As at 30 June 2021	748,000,000	7,480	6,358

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

16 SHARE CAPITAL (Continued)

Pursuant to resolutions passed by the shareholders' meeting held on 4 March 2021,

- (i) Each ordinary share of the Company was sub-divided into 100 shares of HK\$0.01 each, and 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;
- (ii) Conditional on the Listing, the authorised shares of the Company was increased to 3,000,000,000 shares of HKD 0.01 each;
- (iii) An aggregate of 560,000,000 ordinary shares was issued and allotted to the shareholders whose names appear on the register of members of the Company as of the date of these resolutions, credited as fully paid, by way of capitalisation of amounts totalling RMB31,895,000 due to Mr. Ye Zhijie, the controlling shareholder and Chairman of the Company, and Mr. Huang Wengui, a shareholder and an executive director of the Company. The capitalisation of amounts due to the shareholders was regarded as deemed contribution from owners and credited to capital reserves; and

On 26 March 2021, 187,000,000 ordinary shares of the Company were issued pursuant to the offering of the Company's shares in relation to the Listing, at an offer price of HK\$1.5 per share, generating issue proceeds amounting to HK\$261,830,000 (equivalent to approximately RMB222,555,000), being the gross proceeds of HK\$280,500,000 (equivalent to approximately RMB238,139,000) net of listing expenses. The net issue proceeds were credited to share capital and share premium account in the amounts of RMB1,589,000 and RMB220,966,000, respectively.

17 OTHER RESERVES

	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Total RMB'000
As at 1 January 2021	—	100,000	12,371	112,371
Contribution from shareholders (note 16)	—	31,895	—	31,895
Capitalisation of shares (note 16)	—	(4,760)	—	(4,760)
New shares issued pursuant to initial public offering (note 16)	220,966	—	—	220,966
As at 30 June 2021	220,966	127,135	12,371	360,472
As at 1 January 2020 and 30 June 2020	—	100,000	5,642	105,642

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

18 TRADE AND BILLS PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables		
— Third parties	202,416	270,310
	202,416	270,310
Bills payable	14,000	15,700
Total trade and bills payables	216,416	286,010

The ageing analysis of trade and bills payables as at 30 June 2021 based on invoice date was as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	215,958	285,106
1–2 years	458	904
	216,416	286,010

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

19 OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Payables for purchase of property, plant and equipment	5,155	9,224
Employee benefits payables	6,673	6,227
Accrual for operating expenses	11,032	19,996
Interest payable	253	690
Other taxes payable excluding income tax liabilities	7,008	18,106
Payable for listing expenses	—	2,019
Others	1,864	2,411
Total	31,985	58,673

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

20 BORROWINGS

	30 June 2021 RMB'000 (Unaudited)			31 December 2020 RMB'000 (Audited)		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings (a)						
— Secured	137,382	47,300	184,682	141,500	—	141,500
— Unsecured	18,000	—	18,000	18,000	—	18,000
	155,382	47,300	202,682	159,500	—	159,500
Entrusted loans from a third party (b)						
— Unsecured	—	—	—	—	68,790	68,790
Total borrowings	155,382	47,300	202,682	159,500	68,790	228,290

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

20 BORROWINGS (Continued)

(a) Bank borrowings

The secured bank borrowings of the Group as at 30 June 2021 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.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
<i>Assets of the Group pledged as securities:</i>		
– Property, plant and equipment	43,733	45,533
– Right-of-use assets	21,430	21,740
– Investment properties	7,034	7,214
– Transferred receivables included in trade receivables	14,182	1,000
Total	86,379	75,487

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

(b) 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. The Group fully repaid the long-term loans during the six months ended 30 June 2021.

(c) Repayment periods

At 30 June 2021, the Group's borrowings were repayable as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	155,382	159,500
Between 1 and 2 years	2,700	68,790
Between 2 and 3 years	44,600	–
	202,682	228,290

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

20 BORROWINGS (Continued)

(d) Undrawn financing facilities

The Group had the following undrawn financing facilities:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bank borrowings, at floating rates		
— Expiring within 1 year	114,700	140,510

21 LEASE LIABILITIES

	30 June 2021 RMB'000 (Unaudited)			31 December 2020 RMB'000 (Audited)		
	Current	Non-current	Total	Current	Non-current	Total
Land and buildings for warehouses and factory	7,729	6,535	14,264	6,806	10,351	17,157

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.

22 COMMITMENTS

(a) Capital commitments

Significant capital expenditure commitments were set out below:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted but not provided for:		
— Property, plant and equipment	—	383
Share capital of a PRC incorporated subsidiary to be paid up	32,975	32,975

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

22 COMMITMENTS (Continued)

(b) Non-cancellable short-term operating leases

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Warehouses		
— Less than 1 year	—	1,947

23 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

(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 period ended 30 June 2021.

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.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

23 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

Save as disclosed in elsewhere in this report, during the six months ended 30 June 2021, the Group had the following transactions with related parties:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited/ unreviewed)
(i) Listing expenses paid by shareholder — Mr. Ye Zhijie	—	4,245
(ii) Interest expense on loan from related parties — Mr. Ye Zhijie	89	273
— Mr. Huang Wengui	20	62
	109	335

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

(c) Balances with related parties

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Amounts due to related parties		
— Mr. Ye Zhijie		
Three-year loan	—	21,776
Listing expenses paid by shareholder	—	4,789
— Mr. Huang Wengui		
Three-year loan	—	5,100
Total	—	31,665
Less: non-current portion	—	(26,876)
Current portion	—	4,789

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2021

23 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

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. On 4 March 2021, the amounts due to Mr. Ye Zhijie and Mr. Huang Wengui totalling RMB31,895,000 were capitalised and credited to other reserves (Note 17).

(d) Key management compensation

For the six months ended 30 June 2021, the key management compensation amounted to approximately RMB1,628,000 (2020: RMB972,000).

24 SUBSEQUENT EVENTS

On 5 August 2021, the Company's wholly owned subsidiary, Xiamen Zhixin Construction Technology Co., Ltd. ("Zhixin Construction Technology") won auction of a state-owned construction land use right of plot No.J2021G01-G. The land is located in Jimei district, Xiamen with a total area of 55,525.703 square meters and the total purchase price was RMB23,400,000. Zhixin Construction Technology has paid an amount of RMB4,680,000 as deposit before the auction, which has been used to set off against the price of the land use rights. The balance of the price of the land use rights of RMB18,720,000 was paid on 9 August 2021. The state-owned construction land use rights grant contract was entered into between the Natural Resources and Planning Bureau as the transferor and Zhixin Construction Technology as the transferee in relation to the acquisition of the land use rights on 13 August 2021.

Glossary

In this interim report, unless the context otherwise requires, the following terms shall have the following meanings:

“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
“Director(s)”	the director(s) of the Company
“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, 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 of the Listing Rules
“Period”	For the six months ended 30 June 2021
“PC component(s)”	precast concrete component(s)
“Prospectus”	the prospectus of the Company dated 16 March 2021
“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)
“Share Offering”	the initial public offering of the Shares pursuant to the terms of the Prospectus
“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 condensed consolidated interim financial statements
“%”	per cent