



# 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

## Interim Report

# 2023



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ye Zhijie (*Chairman*)  
Mr. Huang Wengui  
Mr. Lai Quanshui  
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

### Strategy Committee

Mr. Lai Quanshui (*Chairman*)  
Mr. Huang Wengui  
Mr. Qiu Limiao  
Mr. Ye Dan

## 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

## 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**

17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## PRINCIPAL BANKERS

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

## COMPANY WEBSITE ADDRESS

[www.xiamenzhixin.com](http://www.xiamenzhixin.com)

## STOCK CODE

2187

# Financial Highlights

	Six months ended 30 June		
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	Change %
Revenue	<b>231,018</b>	306,675	(24.7%)
Gross Profit	<b>32,777</b>	36,080	(9.2%)
Profit for the Period	<b>10,649</b>	530	1,909.2%

Revenue for the Period amounted to approximately RMB231.0 million, representing a decrease of approximately 24.7% as compared with the corresponding period in previous year. Revenue derived from sale of ready-mixed concrete for the Period has decreased by approximately 48.5% to approximately RMB112.0 million and revenue derived from sale of PC components has decreased by approximately 46.1% to approximately RMB44.2 million as compared with the corresponding period in previous year. Revenue derived from sale of iron ore tailings recycling and eco-friendly bricks for the Period has increased by approximately 907.5% to approximately RMB74.8 million.

Gross profit for the Period has decreased by approximately 9.2% to approximately RMB32.8 million.

Profit for the Period was approximately RMB10.6 million, representing an increase of approximately 1,909.2% 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 2023.

The Group is a manufacturer and supplier of concrete-based building materials in Xiamen, Fujian Province of the PRC, and engages in the business of comprehensive utilisation of iron ore tailings and manufacturing of eco-friendly bricks in Changjiang, Hainan Province of the PRC. The business segments can be categorised into three types, namely ready-mixed concrete, PC components, and iron ore tailings recycling and eco-friendly bricks.

The Group has achieved a revenue of approximately RMB231.0 million for the six months ended 30 June 2023, representing a decrease of approximately RMB75.7 million or approximately 24.7% as compared to the same period in 2022. The decrease in revenue was mainly due to the price competition in ready-mixed concrete and PC components market which caused the Group to provide additional price concessions to certain customers after considering the balance between the profit/loss and maintaining competitiveness, resulting in a decline in the revenue of both ready-mixed concrete and PC components. The extent of decrease was partially offset by the increase in revenue from the sales of eco-friendly bricks and the new revenue stream from the sales of products such as iron ores and gravels produced from the iron ore tailings recycling operation during the Period.

After the completion of the acquisition of REIT Mingsheng in December 2021, the Group has invested heavily in the advanced automated assembly line, which consists of fully automated and integrated production equipment for the recycling of iron ore tailings. During the Period, the production line with an annual processing capacity of 3 million tonnes of iron ore tailings was put into production, which is one of the largest iron ore tailings processing line in Hainan Province. In addition, REIT Mingsheng has a fully automated molding production line for various types of eco-friendly bricks, with an annual production capacity of 1 million square metres. The Group has received government incentive subsidies of approximately RMB10.2 million for the investment in tailings production line during the Period.

The eco-friendly bricks and iron ore tailings recycling businesses have been profitable with gross margin at 49.4% and 54.8%, respectively, during the Period. Overall gross profit for the Period decreased by approximately 9.2% to approximately RMB32.8 million and the gross profit margin for the Period was 14.2% as compared with the gross profit margin of 11.8% for the corresponding period in previous year.

The Group achieved a net profit of approximately RMB10.6 million for the Period, representing almost 20 times of the corresponding period in previous year. The net profit margin for the Period was approximately 4.6%.

Looking ahead, while the Group believes the market pressure on the ready-mixed concrete and PC components will continue in the current year, the Group is confident that iron ore tailings recycling and eco-friendly bricks businesses will continue to bring strong revenue stream in the current year. With the abundant supply of iron ore tailings reserves in Hainan, the Group is very optimistic on the business prospect of the comprehensive utilisation of iron ore tailings.

## 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, 31 August 2023

# Management Discussion and Analysis

## BUSINESS REVIEW

### Revenue

The Group derived its revenue from sales of (i) ready-mixed concrete, (ii) PC component products, and (iii) the products produced in iron ore tailings recycling and eco-friendly bricks. For the Period, the Group's revenue amounted to approximately RMB231.0 million, representing a decrease of approximately 24.7% from approximately RMB306.7 million for the six months ended 30 June 2022.

#### *Ready-mixed concrete*

Revenue derived from sale of ready-mixed concrete for the Period amounted to RMB112.0 million, representing a decrease of approximately 48.5% from approximately RMB217.3 million for the six months ended 30 June 2022. The decrease was mainly due to the decrease in sales volume as a result of the increased pricing pressure from other competitors in the market.

#### *PC components*

Revenue derived from sale of PC components for the Period amounted to RMB44.2 million, representing a decrease of approximately 46.1% from approximately RMB82.0 million for the six months ended 30 June 2022. The decrease was attributable to the decrease in sales volume as a result of the increased pricing pressure from other competitors in the market.

#### *Iron ore tailings recycling and eco-friendly bricks*

Revenue derived from the sales of the products produced in iron ore tailings recycling and eco-friendly bricks for the Period amounted to RMB74.8 million, representing an increase of approximately 907.5% from approximately RMB7.4 million for the six months ended 30 June 2022. The increase was mainly attributable to the increase in sales volume of eco-friendly bricks and the new revenue stream from the sales of products produced in iron ore tailings recycling during the Period.

### Cost of sales

Cost of sales decreased by approximately RMB72.4 million or approximately 26.7% from approximately RMB270.6 million for the six months ended 30 June 2022 to approximately RMB198.2 million for the Period. The decrease was mainly attributable to the corresponding decrease in sales of ready-mixed concrete and PC component products.

### Gross profit and gross profit margin

The Group's overall gross profit decreased by approximately RMB3.3 million or approximately 9.2% from approximately RMB36.1 million for the six months ended 30 June 2022 to approximately RMB32.8 million for the Period. The Group's overall gross profit margin increased to approximately 14.2% for the Period from approximately 11.8% for the six months ended 30 June 2022.

The decrease in overall gross profit was mainly attributable to the larger extent of decrease in revenue than the decrease in cost of sales. The higher overall gross profit margin was the combined results of the decrease in sales of ready-mixed concrete and PC components due to the increased pricing pressure, which had lower profit margin, and the increase in sales of products produced in iron ore tailings recycling and eco-friendly bricks which had higher profit margin.

## Management Discussion and Analysis (Continued)

### Other income

Other income increased by approximately 178.3% to approximately RMB19.6 million for the Period mainly due to the increase in non-recurring government grants and awards amounting to approximately RMB11.2 million.

### Other losses – net

Other losses – net decreased by approximately 86.3% to approximately RMB0.4 million for the Period. Such decrease was mainly due to the one-off compensation expense for the early termination of the lease of PC components production plant and the disposal loss of the production facilities on the leased PC components production plant in the corresponding period in previous year.

### Selling expenses

Selling expenses decreased by approximately 48.5% to approximately RMB7.2 million for the Period primarily attributable to the decrease in transportation costs as a result of the decrease in sales volume of ready-mixed concrete and PC components.

### Administrative expenses

Administrative expenses decreased by approximately 9.5% to approximately RMB21.1 million for the Period. Such decrease was mainly attributable to the decrease in staff cost.

### Finance costs – net

Finance costs – net decreased by approximately 4.8% to approximately RMB7.0 million for the Period primarily due to the combined result of the increase in interest expenses arising from the increase in bank borrowings and the increase in interest capitalised to construction cost.

### Income tax (expense)/credit

Income tax expense for the Period amounted to approximately RMB4.9 million (six months ended 30 June 2022: income tax credit of approximately RMB45,000) as a result of the increase in taxable profit from the Group's iron ore recycling and eco-friendly bricks operation in the PRC.

### Profit for the Period

Due to the factors of the foregoing, the profit for the Period was approximately RMB10.6 million (six months ended 30 June 2022: RMB530,000).

## 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 2023, the Group's net current liabilities was approximately RMB4.1 million (31 December 2022: net current assets approximately RMB39.8 million), while the Group's cash and cash equivalents as at 30 June 2023 was approximately RMB13.3 million (31 December 2022: approximately RMB17.5 million).

As at 30 June 2023, the Group had current borrowings of approximately RMB305.7 million (31 December 2022: approximately RMB257.4 million) and non-current borrowings of approximately RMB146.0 million (31 December 2022: approximately RMB186.2 million).

Gearing ratio is calculated based on 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. The Group's gearing ratio as at 30 June 2023 was approximately 50.4% (31 December 2022: approximately 51.5%).

# Management Discussion and Analysis (Continued)

## 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 2023, the Group's capital commitments amounted to approximately RMB133.0 million (31 December 2022: RMB148.3 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 2023 and 31 December 2022, the Group has no contingent liabilities.

## 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

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

## SIGNIFICANT INVESTMENTS

On 16 May 2023, the Company entered into an investment agreement with Natural Resources Bureau of Yongding District, Longyan City\* (龍巖市永定區自然資源局), pursuant to which the Company has conditionally agreed to invest in a project involving the deep processing of quartz ore and production of lightweight and eco-friendly building materials in Yongding District, Longyan City, Fujian Province, the PRC for a total investment amount of RMB1,100 million (equivalent to approximately HK\$1,242.5 million). For further details, please refer to the circular of the Company dated 26 July 2023.

Except for the above, the Group did not have any significant investments as at 30 June 2023.

## Management Discussion and Analysis (Continued)

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed 497 (30 June 2022: 553) 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 updated intended utilisation of net proceeds in accordance with the announcement dated 26 August 2022 (the "Announcement"), utilised net proceeds up to 31 December 2022, utilised net proceeds from 1 January 2023 to 30 June 2023 and unutilised net proceeds as at 30 June 2023:

	Updated intended utilisation of net proceeds as disclosed in the Announcement HK\$ million	Utilised net proceeds up to 31 December 2022 HK\$ million	Utilised net proceeds from 1 January 2023 to 30 June 2023 HK\$ million	Unutilised net proceeds as at 30 June 2023 HK\$ million	Expected timeline for utilising the unutilised net proceeds
(i) Expanding the Group's PC component production capacity	24.5	17.2	0.2	7.1	By December 2024
(ii) Enhancing the Group's information technology system	1.2	1.2	—	—	N/A
(iii) Improving the Group's environmental protection system	1.2	1.2	—	—	N/A
(iv) Acquiring mixer and concrete pump trucks	2.0	2.0	—	—	N/A
(v) General working capital	105.3	105.3	—	—	N/A
(vi) Repayment of borrowings	104.5	104.5	—	—	N/A
<b>Total</b>	238.7	231.4	0.2	7.1	

### OUTLOOK

The Directors are optimistic that the Group's businesses will maintain a rising momentum in the second half of 2023 as compared with the first half of the year. In particular, the comprehensive utilisation of iron ore tailings in Hainan will certainly become a major source of revenue of the Group going forward with abundant supply of iron ore tailings available to be processed in Changjiang county of Hainan and the anticipated high demand of tailings in the nearby area.

# Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	6	231,018	306,675
Cost of sales	6,7	(198,241)	(270,595)
<b>Gross profit</b>		<b>32,777</b>	36,080
Other income		19,562	7,028
Other losses — net		(358)	(2,606)
Selling expenses	7	(7,180)	(13,932)
Administrative expenses	7	(21,107)	(23,318)
(Increase in)/reversal of impairment losses on financial assets	5.1(a)	(1,238)	4,534
<b>Operating profit</b>		<b>22,456</b>	7,786
Finance income		9	94
Finance costs		(6,963)	(7,395)
<b>Finance costs — net</b>		<b>(6,954)</b>	(7,301)
<b>Profit before income tax</b>		<b>15,502</b>	485
Income tax (expense)/credit	8	(4,853)	45
<b>Profit and total comprehensive income for the period, all attributable to owners of the Company</b>		<b>10,649</b>	530
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic and diluted earnings per share (RMB)	9	0.014	0.00071

The notes on pages 15 to 38 are an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2023

	Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	404,988	390,405
Right-of-use assets	11	103,354	104,547
Investment properties	11	35,752	36,347
Intangible assets	11	39,472	39,513
Trade receivables	13	24,862	25,394
Prepayment for non-current assets		28	8
Deferred income tax assets		10,715	4,411
		<b>619,171</b>	600,625
<b>Current assets</b>			
Inventories	12	87,685	22,571
Trade receivables	13	640,973	692,387
Prepayments, deposits and other receivables	14	55,624	52,032
Restricted bank balance	15	—	1
Cash and bank balances	15	13,327	17,483
		<b>797,609</b>	784,474
<b>Total assets</b>		<b>1,416,780</b>	1,385,099
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	6,358	6,358
Reserves	17	364,659	364,659
Retained earnings		82,702	72,053
<b>Total equity</b>		<b>453,719</b>	443,070

# Condensed Consolidated Interim Statement of Financial Position (Continued)

As at 30 June 2023

	Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	20	145,960	186,208
Deferred income		1,563	1,836
Deferred income tax liabilities		13,877	9,319
		<b>161,400</b>	197,363
<b>Current liabilities</b>			
Trade payables	18	385,537	348,408
Other payables and accruals	19	93,208	134,873
Current income tax liabilities		6,937	1,720
Borrowings	20	305,675	257,387
Contract liabilities	6(b)	9,077	2,278
Lease liabilities	21	1,227	—
		<b>801,661</b>	744,666
<b>Total liabilities</b>		<b>963,061</b>	942,029
<b>Total equity and liabilities</b>		<b>1,416,780</b>	1,385,099

The notes on pages 15 to 38 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 2023

Note	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000
<b>(Unaudited)</b>				
<b>As at 1 January 2023</b>	<b>6,358</b>	<b>364,659</b>	<b>72,053</b>	<b>443,070</b>
<b>Comprehensive income</b>				
Profit for the period	—	—	10,649	10,649
<b>As at 30 June 2023</b>	<b>6,358</b>	<b>364,659</b>	<b>82,702</b>	<b>453,719</b>
<b>(Unaudited)</b>				
<b>As at 1 January 2022</b>	6,358	364,659	70,800	441,817
<b>Comprehensive income</b>				
Profit for the period	—	—	530	530
<b>As at 30 June 2022</b>	6,358	364,659	71,330	442,347

The notes on pages 15 to 38 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 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Cash flows generated from operating activities</b>			
Cash generated from operations		41,557	13,145
Income tax paid		(1,382)	(11,218)
Net cash generated from operating activities		40,175	1,927
<b>Cash flows used in investing activities</b>			
Purchases of property, plant and equipment		(36,683)	(54,738)
Payment for acquisition of a subsidiary		(1,500)	(30,000)
Purchases of intangible assets		—	(114)
Proceeds from disposal of property, plant and equipment		425	9,272
Net cash used in investing activities		(37,758)	(75,580)
<b>Cash flows used in financing activities</b>			
Proceeds from bank borrowings		72,220	50,500
Repayments of bank borrowings		(44,594)	(51,739)
Proceeds from a shareholder		—	16,963
Repayments to a shareholder		(22,814)	—
Principal elements of lease payments		—	(11,078)
Interest paid		(11,065)	(7,285)
Other financing costs		(326)	(519)
Net cash used in financing activities		(6,579)	(3,158)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		17,483	107,199
Exchange gains on cash and cash equivalents		6	—
<b>Cash and cash equivalents at end of period</b>		<b>13,327</b>	<b>30,388</b>

The notes on pages 15 to 38 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 2023

## 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 in Xiamen, Fujian Province, the People’s Republic of China (the “PRC”). The Group commenced the manufacturing and sale of eco-friendly bricks and comprehensive utilisation of iron ore tailings in Changjiang, Hainan Province, the PRC since year 2022 after the completion of the acquisition of REIT Mingsheng Environmental Building Materials (Changjiang) Co., Ltd. (“REIT Mingsheng”) in December 2021. The Group’s headquarters is in Xiamen city, Fujian province, the PRC.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 26 March 2021.

The ultimate controlling shareholder and the major shareholder of the Company is Mr. Ye Zhijie, the Chairman and executive director of the Company, and Mr. Huang Wengui, an executive director of the Company, respectively.

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 31 August 2023.

These condensed consolidated interim financial statements have not been audited.

## 2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial statements do not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, 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 2023

## 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 2022 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 the expected total annual earnings.

### (a) New and amended standards adopted by the Group

A number of new or amended standards and interpretations 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.

<b>Standards</b>	<b>Key requirements</b>	<b>Effective for annual periods beginning on or after</b>
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 and HKFRS Practise Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) New and amended standards not yet effective for the current reporting period

The following new interpretations and amendments to standards and interpretations have been issued but were not mandatory for annual reporting periods ending on 31 December 2023 and have not been early adopted by the Group:

<b>Standards</b>	<b>Key requirements</b>	<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies Amendments to HKAS 1

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

## 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 these 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 2022.

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 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 do not 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 for the year ended 31 December 2022.

There have been no changes in the Group's 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, precast building component products and bricks and recycling tailings. The Group's customers as at 30 June 2023 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.

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### 5.1 Financial risk factors (Continued)

#### (a) Credit risk (Continued)

##### (ii) Credit risk of trade receivables (Continued)

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 2023, trade receivable of approximately RMB2,239,000 (31 December 2022: RMB2,192,000) has been fully provided for loss allowance.

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.

On that basis, the loss allowance as at 30 June 2023 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 2023

## 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
<b>At 30 June 2023 (Unaudited)</b>					
Gross carrying amount	385,850	193,805	81,848	16,692	678,195
Expected loss rate	0.75%	1.30%	4.57%	19.18%	
Loss allowance	2,894	2,525	3,740	3,201	12,360
Individually impaired receivables	—	1,486	—	753	2,239
<b>Total loss allowance</b>	<b>2,894</b>	<b>4,011</b>	<b>3,740</b>	<b>3,954</b>	<b>14,599</b>
<b>At 31 December 2022 (Audited)</b>					
Gross carrying amount	465,067	203,799	52,133	7,951	728,950
Expected loss rate	0.87%	1.32%	3.91%	30.36%	
Loss allowance	4,026	2,690	2,039	2,414	11,169
Individually impaired receivables	—	1,350	52	790	2,192
<b>Total loss allowance</b>	<b>4,026</b>	<b>4,040</b>	<b>2,091</b>	<b>3,204</b>	<b>13,361</b>

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 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.

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### 5.1 Financial risk factors (Continued)

#### (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.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>At 30 June 2023 (Unaudited)</b>					
Borrowings, excluding factoring borrowings	288,414	18,277	38,522	89,161	434,374
Interest payable	14,405	4,778	13,774	10,572	43,529
Lease liabilities	1,233	—	—	—	1,233
Trade payables	385,537	—	—	—	385,537
Other payables and accruals (excluding non-financial liabilities such as taxes and employee payables)	85,876	—	—	—	85,876
	<b>775,465</b>	<b>23,055</b>	<b>52,296</b>	<b>99,733</b>	<b>950,549</b>
<b>At 31 December 2022 (Audited)</b>					
Borrowings, excluding factoring borrowings	237,801	53,531	36,025	96,652	424,009
Interest payables	18,307	7,637	18,118	13,121	57,183
Trade payables	348,408	—	—	—	348,408
Other payables and accruals (excluding non-financial liabilities such as taxes and employee payables)	120,361	—	—	—	120,361
	<b>724,877</b>	<b>61,168</b>	<b>54,143</b>	<b>109,773</b>	<b>949,961</b>

### 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.

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 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.

In December 2021, the Group acquired 100% equity interests in REIT Mingsheng from a third party. REIT Mingsheng is in the business of recycling of iron ore tailings and manufacturing of bricks, which became a new operating segment of the Group. The identified three operating segments of the Group's business are:

- (i) Ready-mixed concrete,
- (ii) Precast concrete components, and
- (iii) Iron ore tailings recycling and eco-friendly bricks

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

### (a) Segment information of the Group

	Six months ended 30 June 2023			Total RMB'000
	Ready- mixed concrete RMB'000	Precast concrete components RMB'000	Iron ore tailings recycling and eco- friendly bricks RMB'000	
<b>Segment result</b> (Unaudited)				
Revenue	111,972	44,209	74,837	231,018
Cost of sales	(122,065)	(40,854)	(35,322)	(198,241)
Gross profit	(10,093)	3,355	39,515	32,777
Selling expenses	(3,118)	(2,655)	(1,407)	(7,180)
Administrative expenses	(9,436)	(5,765)	(4,160)	(19,361)
Segment results	(22,647)	(5,065)	33,948	6,236
A reconciliation of results of reportable segments to profit for the period is as follows:				
(Unaudited)				
Results of reportable segments				6,236
Unallocated costs and expenses				(1,746)
Other income				19,562
Other losses — net				(358)
Provision of impairment losses on financial assets				(1,238)
Finance costs — net				(6,954)
Profit before income tax				15,502
Income tax expense				(4,853)
Profit and total comprehensive income for the period				10,649

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 6 SEGMENT INFORMATION (Continued)

### (a) Segment information of the Group (Continued)

	Six months ended 30 June 2023			
	Ready-mixed concrete RMB'000	Precast concrete components RMB'000	Iron ore tailings recycling and eco-friendly bricks RMB'000	Total RMB'000
<b>Other items for the six months ended 30 June 2023</b>				
(Unaudited)				
Additions to non-current assets (other than financial instruments and deferred income tax assets)	5,672	1,683	18,084	25,439
Depreciation	3,754	5,731	2,762	12,247
Amortisation	12	—	29	41
<b>As at 30 June 2023</b>				
Segment assets	532,663	393,957	404,031	1,330,651
Unallocated assets				86,129
Total assets				1,416,780
Segment liabilities	303,522	106,689	78,725	488,936
Unallocated liabilities				474,125
Total liabilities				963,061

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 6 SEGMENT INFORMATION (Continued)

### (a) Segment information of the Group (Continued)

	Six months ended 30 June 2022			Total RMB'000
	Ready-mixed concrete RMB'000	Precast concrete components RMB'000	Iron ore tailings recycling and eco-friendly bricks RMB'000	
<b>Segment result</b>				
(Unaudited)				
Revenue	217,281	81,966	7,428	306,675
Cost of sales	(189,879)	(76,750)	(3,966)	(270,595)
Gross profit	27,402	5,216	3,462	36,080
Selling expenses	(8,373)	(5,277)	(282)	(13,932)
Administrative expenses	(11,395)	(9,501)	(693)	(21,589)
Segment results	7,634	(9,562)	2,487	559
A reconciliation of results of reportable segments to profit for the period is as follows:				
(Unaudited)				
Results of reportable segments				559
Unallocated costs and expenses				(1,729)
Other income				7,028
Other losses — net				(2,606)
Reversal of impairment losses on financial assets				4,534
Finance costs — net				(7,301)
Profit before income tax				485
Income tax expense				45
Profit and total comprehensive income for the period				530
<b>Other items for the six months ended 30 June 2022</b>				
(Unaudited)				
Additions to non-current assets (other than financial instruments and deferred income tax assets)	5,510	3,525	37,919	46,954
Depreciation	2,949	6,706	2,596	12,251
Amortisation	13	—	4	17
<b>As at 30 June 2022</b>				
Segment assets	521,592	391,327	252,880	1,165,799
Unallocated assets				81,961
Total assets				1,247,760
Segment liabilities	312,541	108,436	40,737	461,714
Unallocated liabilities				343,699
Total liabilities				805,413

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 6 SEGMENT INFORMATION (Continued)

### (b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Contract liabilities		
Iron ore tailings recycling and eco-friendly bricks	<b>7,097</b>	131
Precast concrete components	<b>1,223</b>	560
Ready-mixed concrete	<b>757</b>	1,587
	<b>9,077</b>	2,278

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.

	<b>Six months ended 30 June 2023 RMB'000 (Unaudited)</b>	2022 RMB'000 (Unaudited)
Ready-mixed concrete	<b>1,345</b>	727
Precast concrete components	<b>353</b>	—
Iron ore tailings recycling and eco-friendly bricks	<b>50</b>	776
	<b>1,748</b>	1,503

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 7 EXPENSES BY NATURE

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Raw materials and consumables used	<b>142,924</b>	203,708
Changes in inventories of finished goods and work in progress	<b>(224)</b>	7,651
Employee benefit expenses	<b>29,083</b>	38,986
Outsourcing service expense	<b>12,879</b>	12,214
Depreciation of property, plant and equipment (note 11)	<b>9,315</b>	9,252
Depreciation of right-of-use assets (note 11)	<b>2,224</b>	2,404
Depreciation of investment properties (note 11)	<b>595</b>	595
Amortisation of intangible assets (note 11)	<b>41</b>	17
Transportation expenses	<b>8,984</b>	17,474
Electricity and water expenses	<b>6,819</b>	3,390
Other taxes and levies	<b>1,727</b>	1,766
Provision for impairment of inventories (note 12)	<b>973</b>	1,727
Repair and maintenance expense	<b>699</b>	630
Short-term lease rental expenses	<b>389</b>	2,194
Others	<b>10,100</b>	5,837
<b>Total</b>	<b>226,528</b>	307,845

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 8 INCOME TAX EXPENSE/(CREDIT)

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax		
– PRC income tax	<b>6,599</b>	1,564
Deferred income tax	<b>(1,746)</b>	(1,609)
Income tax expense/(credit)	<b>4,853</b>	(45)

### (i) Cayman Islands, BVI and Hong Kong profits tax

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

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

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.

### (ii) 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's entities operate. The Company's subsidiaries incorporated in PRC are subject to CIT at the rate of 25% during the period, except for Xiamen Zhixin Construction Technology Co., Ltd. which is subject to CIT at the preferential rate of 15%.

### (iii) 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 2023, no deferred income tax liabilities (31 December 2022: nil) is recognised for the withholding income tax that would be payable on unremitted earnings of PRC subsidiaries of the Group. 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 2023

## 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	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	10,649	530
Weighted average number of ordinary shares in issue	748,000,000	748,000,000
Basic earnings per share (RMB)	0.014	0.00071

### (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 2023.

## 10 DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 June 2023 (2022: nil).

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

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

	<b>Property, plant and equipment</b>	<b>Right-of-use assets</b>	<b>Investment properties</b>	<b>Intangible assets</b>
	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)				
At 1 January 2023	<b>390,405</b>	<b>104,547</b>	<b>36,347</b>	<b>39,513</b>
Additions	<b>24,388</b>	<b>1,031</b>	—	—
Depreciation/amortisation	<b>(9,428)</b>	<b>(2,224)</b>	<b>(595)</b>	<b>(41)</b>
Disposals	<b>(377)</b>	—	—	—
At 30 June 2023	<b>404,988</b>	<b>103,354</b>	<b>35,752</b>	<b>39,472</b>
(Unaudited)				
At 1 January 2022	206,589	118,115	37,536	39,458
Additions	46,954	—	—	114
Depreciation/amortisation	(9,252)	(2,404)	(595)	(17)
Disposals	(3,458)	(8,983)	—	—
At 30 June 2022	240,833	106,728	36,941	39,555

Assets of the Group that have been pledged as securities to the Group's borrowings are set out in note 20(a).

## 12 INVENTORIES

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Raw materials	<b>71,963</b>	8,771
Work-in-progress	<b>3,884</b>	623
Finished goods	<b>13,848</b>	14,214
Less: provision for impairment of inventories	<b>(2,010)</b>	(1,037)
	<b>87,685</b>	22,571

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 12 INVENTORIES (Continued)

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
As at beginning of period	<b>1,037</b>	2,939
Increase in provision recognised in profit or loss during the period	<b>2,010</b>	1,727
Write-off of provision upon sales of inventories	<b>(1,037)</b>	(2,939)
As at end of period	<b>2,010</b>	1,727

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

## 13 TRADE RECEIVABLES

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Current:		
Trade receivables	<b>654,242</b>	704,195
Less: provision for impairment	<b>(13,269)</b>	(11,808)
	<b>640,973</b>	692,387
Non-current:		
Retention receivables	<b>26,192</b>	26,947
Less: provision for impairment	<b>(1,330)</b>	(1,553)
	<b>24,862</b>	25,394
Total	<b>665,835</b>	717,781

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 13 TRADE RECEIVABLES (Continued)

The carrying amounts of trade receivables as at 30 June 2023 include receivables amounting to RMB17,261,000 (31 December 2022: RMB19,586,000) which are subject to factoring arrangements. 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, and 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.

The ageing analysis of the trade receivables as at the 30 June 2023 based on invoice date is as follows:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within 1 year	<b>385,850</b>	465,067
1 and 2 years	<b>195,291</b>	205,149
2 and 3 years	<b>81,848</b>	52,185
Over 3 years	<b>17,445</b>	8,741
	<b>680,434</b>	731,142

The carrying amounts of trade receivables approximated their fair values as at the balance sheet dates.

## 14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Prepayments for raw materials and operating expenses	<b>29,056</b>	25,527
Deductible value-added tax ('VAT') recoverable	<b>8,771</b>	12,925
Rent receivable	<b>6,176</b>	5,530
Refundable deposits receivable	<b>5,294</b>	4,682
Other receivables	<b>6,327</b>	3,368
Total	<b>55,624</b>	52,032

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 2023

## 15 CASH AND BANK BALANCES

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Cash and cash equivalents		
— Cash on hand and at banks	<b>13,327</b>	17,483
Restricted bank balance	<b>—</b>	1
Total	<b>13,327</b>	17,484

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

## 16 SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Share capital HKD'000</b>	<b>Share capital RMB'000</b>
<b>Authorised:</b>			
As at 1 January 2023 and 30 June 2023	3,000,000,000	30,000	25,500
<b>Issued:</b>			
As at 1 January 2023 and 30 June 2023	748,000,000	7,480	6,358

## 17 RESERVES

	<b>Share premium</b>	<b>Capital reserves RMB'000</b>	<b>Statutory reserves RMB'000</b>	<b>Total RMB'000</b>
<b>As at 1 January 2023 to 30 June 2023</b>	<b>220,966</b>	<b>127,135</b>	<b>16,558</b>	<b>364,659</b>
<b>As at 1 January 2022 to 30 June 2022</b>	220,966	127,135	16,558	364,659

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 18 TRADE PAYABLES

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade payables		
— Third parties	<b>385,537</b>	348,408

The ageing analysis of trade payables as at 30 June 2023 based on invoice date is as follows:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within 1 year	<b>328,619</b>	325,543
1–2 years	<b>48,408</b>	19,158
Over 2 years	<b>8,510</b>	3,707
	<b>385,537</b>	348,408

The carrying amounts of trade 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 2023

## 19 OTHER PAYABLES AND ACCRUALS

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Payables for purchase of property, plant and equipment	<b>37,811</b>	52,091
Amount due to a related party (note 23)	<b>21,688</b>	44,502
Accrual for operating expenses	<b>16,775</b>	13,587
Employee benefits payables	<b>4,022</b>	4,223
Payables for the acquisition of a subsidiary	<b>3,000</b>	4,500
Other taxes payable excluding income tax liabilities	<b>2,822</b>	10,289
Others	<b>7,090</b>	5,681
<b>Total</b>	<b>93,208</b>	134,873

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

	<b>30 June 2023 RMB'000 (Unaudited)</b>			31 December 2022 RMB'000 (Audited)		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	Current	Non-current	Total
Bank borrowings (a)						
– Secured	<b>288,414</b>	<b>145,960</b>	<b>434,374</b>	237,801	186,208	424,009
– Factoring borrowings	<b>17,261</b>	<b>–</b>	<b>17,261</b>	19,586	–	19,586
<b>Total borrowings</b>	<b>305,675</b>	<b>145,960</b>	<b>451,635</b>	257,387	186,208	443,595

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 20 BORROWINGS (Continued)

### (a) Bank borrowings

The secured bank borrowings of the Group as at 30 June 2023 were secured by the pledge of assets of the Group as set out below, and supported by guarantees provided by three subsidiaries of the Group, Mr. Huang Wengui, Mr. Ye Zhijie and his spouse and one independent third party credit guarantee corporation.

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Assets of the Group pledged as securities:		
– Property, plant and equipment	<b>303,221</b>	289,311
– Right-of-use assets	<b>102,491</b>	104,167
– Investment properties	<b>33,285</b>	33,807
– Transferred receivables included in trade receivables	<b>17,261</b>	19,586
<b>Total</b>	<b>456,258</b>	446,871

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

### (b) Repayment periods

As at 30 June 2023, the Group's borrowings were repayable as follows:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within 1 year	<b>305,675</b>	257,387
Between 1 and 2 years	<b>18,277</b>	53,530
Between 2 and 3 years	<b>9,987</b>	9,987
Over 3 years	<b>117,696</b>	122,691
	<b>451,635</b>	443,595

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 20 BORROWINGS (Continued)

### (c) Undrawn financing facilities

As at 30 June 2023, the Group had the following undrawn financing facilities:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Bank borrowings, at floating rates		
– Expiring within 1 year	<b>6,000</b>	–
– Expiring between 1 and 2 years	<b>40</b>	40
– Expiring between 2 and 3 years	<b>785</b>	500
– Expiring above 3 years	<b>187</b>	401
	<b>7,012</b>	941

## 21 LEASE LIABILITIES

	<b>30 June 2023 RMB'000 (Unaudited)</b>			31 December 2022 RMB'000 (Audited)		
	<b>Current</b>	<b>Non- current</b>	<b>Total</b>	Current	Non- current	Total
Land and buildings for warehouses and factory	<b>1,227</b>	–	<b>1,227</b>	–	–	–

The Group leases land 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.

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 22 COMMITMENTS

### (a) Capital commitments

The Group's significant capital expenditure commitments were set out below:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Contracted but not provided for:		
— Property, plant and equipment	<b>133,009</b>	148,338

### (b) Non-cancellable short-term operating leases

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Warehouses		
— Less than 1 year	<b>396</b>	2,060

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2023

## 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) Transactions with related parties

Save as disclosed in elsewhere in this report, during the six months ended 30 June 2023, the Group had the following transactions with related parties:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
(i) Proceeds from a shareholder		
– Mr. Ye Zhijie	–	16,963
(ii) Repayments to a shareholder		
– Mr. Ye Zhijie	<b>(22,814)</b>	–

### (b) Balances with related parties

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Amount due to a related party		
– Mr. Ye Zhijie	<b>21,688</b>	44,502

The amount due to Mr. Ye Zhijie as at 30 June 2023 was short term advances from the shareholder to supplement the working capital needs of the Group, and was unsecured, interest free and repayable on demand.

### (c) Key management compensation

For the six months ended 30 June 2023, the key management compensation amounted to approximately RMB2,379,000 (2022: RMB1,630,000).

# 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 2023, 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 2023. 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 30 June 2023, 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 <sup>(1)</sup>	Approximate percentage of Interest in the issued share capital of the Company <sup>(2)</sup>
Mr. Ye Zhijie <sup>(3)</sup>	Interested in a controlled corporation	274,706,100 (L)	36.73%
Mr. Huang Wengui <sup>(4)</sup>	Interested in a controlled corporation	121,568,700 (L)	16.25%
Mr. Lai Quanshui	Beneficial interest	30,000,000 (L)	4.01%
Mr. Huang Kaining	Beneficial interest	6,000,000 (L)	0.80%
Mr. Qiu Limiao	Beneficial interest	56,000 (L)	0.01%
Mr. Ye Dan	Beneficial interest	50,000 (L)	0.01%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- Based on 748,000,000 issued Shares as at 30 June 2023.
- Mr. Ye Zhijie is the sole shareholder of Zhixin Investment Holding Limited which holds 274,706,100 Shares. Therefore, Mr. Ye Zhijie is deemed to be interested in Zhixin Investment Holding Limited's interest in the Shares pursuant to the SFO.
- 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 30 June 2023, 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.

## Corporate Governance and Other Information (Continued)

At no time during the six months ended 30 June 2023 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

As at 30 June 2023, 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 <sup>(1)</sup>
Zhixin Investment Holding Limited <sup>(2)</sup>	Beneficial interest	274,706,100	36.73%
Ms. Hong Wei <sup>(2)</sup>	Interest of spouse	274,706,100	36.73%
Yaohe Holding Limited <sup>(3)</sup>	Beneficial interest	121,568,700	16.25%
Ms. Lin Lingling <sup>(3)</sup>	Interest of spouse	121,568,700	16.25%
Mr. Lai Yiyang	Beneficial interest	58,480,000	7.82%
Ms. Yeung Man	Beneficial interest	49,980,000	6.68%

Notes:

- Based on 748,000,000 issued Shares as at 30 June 2023.
- 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.

Save as disclosed above, as at 30 June 2023, 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 announcement of the Company dated 6 April 2023, with effect from 6 April 2023, (i) Mr. Lai Quanshui would be appointed as an executive Director and (ii) a strategy committee of the Board would be established and comprise four executive Directors, Mr. Lai Quanshui, Mr. Huang Wengui, Mr. Qiu Limiao and Mr. Ye Dan, with Mr. Lai Quanshui serving as the chairman of the strategy committee.

For the six months ended 30 June 2023, save for the aforementioned, there have been no 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 2023, 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 2023.

### REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements of the Company and its subsidiaries for the six months ended 30 June 2023 and this interim report have been reviewed by the Audit Committee.

### INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

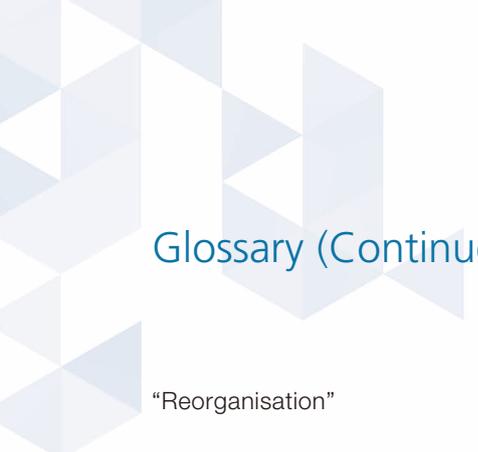
By order of the Board  
**Zhixin Group Holding Limited**  
**Ye Zhijie**  
*Chairman and Executive Director*

Hong Kong, 31 August 2023

## 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 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 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
“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 2023
“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
“REIT Mingsheng”	REIT Mingsheng Environment Building Materials (Changjiang) Co., Ltd. (瑞圖明盛環保建材(昌江)有限公司), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC



## Glossary (Continued)

“Reorganisation”

the reorganisation of the Group in relation to the Listing, details of which are set out in the Prospectus

“%”

per cent