



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

▶ 2024



Contents

2	Corporate Information
4	Financial Highlights
5	Chairman's Statement
6	Management Discussion and Analysis
10	Condensed Consolidated Interim Statement of Comprehensive Income
11	Condensed Consolidated Interim Statement of Financial Position
13	Condensed Consolidated Interim Statement of Changes in Equity
14	Condensed Consolidated Interim Statement of Cash Flows
15	Notes to the Condensed Consolidated Interim Financial Statements
40	Corporate Governance and Other Information
44	Glossary



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

COMPANY SECRETARY

Mr. Yuen Chi Wai, *FCPA*
Mr. Zhong Dezhu
(*resigned with effect from 8 August 2024*)

AUTHORISED REPRESENTATIVES

Mr. Ye Zhijie
Mr. Yuen Chi Wai

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditors

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

STOCK CODE

2187

Financial Highlights

	Six months ended 30 June		
	2024	2023	Change %
	RMB'000	RMB'000	
	(unaudited)	(unaudited)	
Revenue	244,079	231,018	5.7
Gross Profit	45,517	32,777	38.9
Profit for the Period	1,172	10,649	(89.0)

Revenue for the Period amounted to approximately RMB244.1 million, representing an increase of approximately 5.7% as compared with the corresponding period in previous year. Revenue derived from sale of ready-mixed concrete for the Period has increased by approximately 16.1% to approximately RMB130.0 million and revenue derived from sale of PC components has decreased by approximately 76.1% to approximately RMB10.6 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 38.4% to approximately RMB103.5 million.

Gross profit for the Period has increased by approximately 38.9% to approximately RMB45.5 million.

Profit for the Period was approximately RMB1.2 million, representing a decrease of approximately 89.0% 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 2024.

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 RMB244.1 million for the six months ended 30 June 2024, representing an increase of approximately RMB13.1 million or approximately 5.7% as compared to the same period in 2023. The increase in revenue was mainly attributable to the increase in revenue from iron ore tailings recycling, and the increase in revenue from ready-mixed concrete. The extent of increase was partially offset by the decrease in revenue from the PC components due to the price competition in PC components market which caused the Group to provide price concessions to certain customers to maintain competitiveness.

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. The production line with an annual processing capacity of 3 million tonnes of iron ore tailings is one of the largest iron ore tailings processing line in Hainan Province. In addition, Zhixin Environmental Technology has a fully automated molding production line for various types of eco-friendly bricks, with an annual production capacity of 1 million square metres.

Overall gross profit for the Period increased by approximately 38.9% to approximately RMB45.5 million and the gross profit margin for the Period was 18.6% as compared with the gross profit margin of 14.2% for the corresponding period in previous year.

The Group achieved a net profit of approximately RMB1.2 million for the Period, with the net profit margin for the Period was approximately 0.5%.

Looking ahead, while the Group believes the market pressure on the ready-mixed concrete and PC components will continue in the current year, the 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, 30 August 2024

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 RMB244.1 million, representing an increase of approximately 5.7% from approximately RMB231.0 million for the six months ended 30 June 2023.

Ready-mixed concrete

Revenue derived from sale of ready-mixed concrete for the Period amounted to RMB130.0 million, representing an increase of approximately 16.1% from approximately RMB112.0 million for the six months ended 30 June 2023. The increase was mainly due to the increase in average selling price with different product mix.

PC components

Revenue derived from sale of PC components for the Period amounted to RMB10.6 million, representing a decrease of approximately 76.1% from approximately RMB44.2 million for the six months ended 30 June 2023. 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 RMB103.5 million, representing an increase of approximately 38.4% from approximately RMB74.8 million for the six months ended 30 June 2023. The increase was mainly attributable to the increase in sales volume of the products produced in iron ore tailings recycling during the Period.

Cost of sales

Cost of sales increased by approximately RMB0.3 million or approximately 0.2% from approximately RMB198.2 million for the six months ended 30 June 2023 to approximately RMB198.6 million for the Period. The slight increase was due to the combination of the decrease in raw material costs and direct staff costs, partially offset by the increase in electricity and water expenses, outsourcing service expenses and depreciation on property, plant and equipment.

Gross profit and gross profit margin

The Group's overall gross profit increased by approximately RMB12.7 million or approximately 38.9% from approximately RMB32.8 million for the six months ended 30 June 2023 to approximately RMB45.5 million for the Period. The Group's overall gross profit margin increased to approximately 18.6% for the Period from approximately 14.2% for the six months ended 30 June 2023.

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

Management Discussion and Analysis (Continued)

Other income

Other income decreased by approximately 85.5% to approximately RMB2.8 million for the Period mainly due to the non-recurring government grants and awards received by the Group in the corresponding period in the previous year amounting to approximately RMB11.2 million.

Selling expenses

Selling expenses increased by approximately 45.8% to approximately RMB10.5 million for the Period primarily attributable to the increase in transportation costs as a result of the significant increase in sales volume of the products produced in iron ore tailings recycling during the Period.

Administrative expenses

Administrative expenses increased by approximately 37.9% to approximately RMB29.1 million for the Period. Such increase was mainly attributable to the increase in indirect staff costs and professional fees.

Finance costs — net

Finance costs — net increased by approximately 44.3% to approximately RMB10.0 million for the Period primarily due to the decrease in interest capitalised to construction cost.

Income tax credit/(expense)

Income tax credit for the Period amounted to approximately RMB1.3 million (six months ended 30 June 2023: income tax expense of approximately RMB4.9 million) as a result of the decrease 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 RMB1.2 million (six months ended 30 June 2023: RMB10.6 million).

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 2024, the Group's net current assets was approximately RMB4.4 million (31 December 2023: approximately RMB21.1 million), while the Group's cash and cash equivalents as at 30 June 2024 was approximately RMB26.2 million (31 December 2023: approximately RMB25.9 million).

As at 30 June 2024, the Group had current borrowings of approximately RMB288.3 million (31 December 2023: approximately RMB302.4 million) and non-current borrowings of approximately RMB127.7 million (31 December 2023: approximately RMB132.7 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 2024 was approximately 48% (31 December 2023: approximately 49%).

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 2024, the Group's capital commitments amounted to approximately RMB469.3 million (31 December 2023: RMB463.2 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 2024 and 31 December 2023, 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

During the Period, the Group did not have any significant investments.

Management Discussion and Analysis (Continued)

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group employed 462 (30 June 2023: 497) 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 2023, utilised net proceeds from 1 January 2024 to 30 June 2024 and unutilised net proceeds as at 30 June 2024:

	Updated intended utilisation of net proceeds as disclosed in the Announcement HK\$ million	Utilised net proceeds up to 31 December 2023 HK\$ million	Utilised net proceeds from 1 January 2024 to 30 June 2024 HK\$ million	Unutilised net proceeds as at 30 June 2024 HK\$ million	Expected timeline for utilising the unutilised net proceeds
(i) Expanding the Group's PC component production capacity	24.5	6.5	1.1	5.4	By December 2025
(ii) Enhancing the Group's information technology system	1.2	—	—	—	N/A
(iii) Improving the Group's environmental protection system	1.2	—	—	—	N/A
(iv) Acquiring mixer and concrete pump trucks	2.0	—	—	—	N/A
(v) General working capital	105.3	—	—	—	N/A
(vi) Repayment of borrowings	104.5	—	—	—	N/A
Total	238.7	6.5	1.1	5.4	

OUTLOOK

The Directors are optimistic that the Group's businesses will maintain a rising momentum in the second half of 2024 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 2024

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	6	244,079	231,018
Cost of sales	6,7	(198,562)	(198,241)
Gross profit		45,517	32,777
Other income		2,837	19,562
Other losses — net		(512)	(358)
Selling expenses	7	(10,470)	(7,180)
Administrative expenses	7	(29,099)	(21,107)
Reversal of/(increase in) impairment losses on financial assets	5.1(a)	1,618	(1,238)
Operating profit		9,891	22,456
Finance income		18	9
Finance costs		(10,050)	(6,963)
Finance costs — net		(10,032)	(6,954)
Loss/profit before income tax		(141)	15,502
Income tax credit/(expense)	8	1,313	(4,853)
Profit and total comprehensive income for the period, all attributable to owners of the Company		1,172	10,649
Earnings per share for profit attributable to owners of the Company			
Basic and diluted earnings per share (RMB)	9	0.002	0.014

The notes on pages 15 to 39 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2024

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	415,353	408,300
Right-of-use assets	11	102,061	100,815
Investment properties	11	31,642	35,157
Intangible assets	11	39,418	39,457
Trade receivables	13	31,397	24,890
Prepayment for non-current assets		8	19
Deferred income tax assets		4,616	5,018
		624,495	613,656
Current assets			
Inventories	12	26,589	32,889
Trade receivables	13	513,434	596,837
Prepayments, deposits and other receivables	14	79,917	82,498
Restricted bank balance	15	—	500
Cash and bank balances	15	26,212	25,867
		646,152	738,591
Total assets		1,270,647	1,352,247
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	6,358	6,358
Reserves	17	364,659	364,659
Retained earnings		83,303	82,131
Total equity		454,320	453,148

Condensed Consolidated Interim Statement of Financial Position (Continued)

As at 30 June 2024

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	20	127,684	132,677
Deferred income		10,548	11,135
Other payables		29,482	31,035
Deferred income tax liabilities		6,875	6,722
		174,589	181,569
Current liabilities			
Trade payables	18	277,070	328,505
Other payables and accruals	19	66,905	75,360
Current income tax liabilities		217	6,925
Borrowings	20	288,348	302,350
Contract liabilities	6(b)	9,198	4,390
		641,738	717,530
Total liabilities		816,327	899,099
Total equity and liabilities		1,270,647	1,352,247

The notes on pages 15 to 39 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 2024

Note	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000
(Unaudited)				
As at 1 January 2024	6,358	364,659	82,131	453,148
Comprehensive income				
Profit for the period	—	—	1,172	1,172
As at 30 June 2024	6,358	364,659	83,303	454,320
(Unaudited)				
As at 1 January 2023	6,358	364,659	72,053	443,070
Comprehensive income				
Profit for the period	—	—	10,649	10,649
As at 30 June 2023	6,358	364,659	82,702	453,719

The notes on pages 15 to 39 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 2024

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows generated from operating activities			
Cash generated from operations		58,838	41,557
Income tax paid		(4,840)	(1,382)
Net cash generated from operating activities		53,998	40,175
Cash flows used in investing activities			
Purchases of property, plant and equipment		(29,471)	(36,683)
Payment for acquisition of a subsidiary		(1,280)	(1,500)
Proceeds from disposal of property, plant and equipment		1,877	425
Net cash used in investing activities		(28,874)	(37,758)
Cash flows used in financing activities			
Proceeds from bank borrowings		191,771	72,220
Repayments of bank borrowings		(204,496)	(44,594)
Repayment to related parties		(1,553)	(22,814)
Interest paid		(10,290)	(11,065)
Other financing costs		(212)	(326)
Net cash used in financing activities		(24,780)	(6,579)
Net increase/(decrease) in cash and cash equivalents		344	(4,162)
Cash at beginning of period		25,867	17,483
Exchange gains on cash and cash equivalents		1	6
Cash and cash equivalents at end of period		26,212	13,327

The notes on pages 15 to 39 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 2024

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 the People’s Republic of China (the “PRC”). The Group commenced the manufacturing and sale of eco-friendly bricks and the recycling of iron ore tailings from year 2022 after the completion of the acquisition of Zhixin Environmental Technology (Changjiang) Co., Ltd. (“Zhixin Environmental Technology”, previously named as REIT Mingsheng Environmental Building Materials (Changjiang) Co., Ltd.) in December 2021. The Group’s headquarters is in Xiamen city, Fujian province of 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 interim consolidated 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 2024.

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 2024 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 2023, 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 2024

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 2023 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.

Standards	Key requirements	Effective for annual periods beginning on or after
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
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in Sale and Leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

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 interim reporting periods ended on 30 June 2024 and have not been early adopted by the Group:

Standards	Key requirements	Effective for annual periods beginning on or after
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 18 (Amendments)	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 (Amendments)	Subsidiaries without Public Accountability: Disclosures	1 January 2027
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 2023.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

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 2023.

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, eco-friendly bricks, iron ore and other products produced from iron ore tailings recycling. The Group's customers are mainly the construction companies for various types of construction projects including municipal, and infrastructural, commercial, industrial, and residential projects for public and private sectors and mineral trading companies.

For the customers of ready-mixed concrete, precast concrete components and eco-friendly bricks business, the Group adopts various payment methods in sales contracts, including, among others: (i) payment on delivery or within 30 days from actual sales completed; or (ii) 70%–100% of total progress payment amount will be settled within 30 days from actual sales completed, 5%–20% of the total progress payment amount shall be settled upon practical completion of the construction project; and (iii) the balance of 5%–20% of the total progress payment amount will be paid within six months upon expiration of the quality guarantee period.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) Credit risk of trade receivables (Continued)

For the customers of iron ore tailings recycling business, sales are on cash on delivery and where the credit terms granted to customers are generally within 30 days from the date of issue of the payment billing by the customers or the invoice date.

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

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

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

Individually impaired trade receivable is related to customer who is experiencing unexpected economic difficulties. The Group expects that the entire amounts of the receivables will have difficulty to be recovered and has recognised impairment losses. As at 30 June 2024, trade receivable of approximately RMB48,255,000 (31 December 2023: RMB23,991,000) has been provided for loss allowance for these individually assessed receivables.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) Credit risk of trade receivables (Continued)

The expected loss rates of the remaining trade receivables are based on the payment profiles of sales over a period of 36 months before the balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2024 was determined as follows for trade receivables. The expected credit losses below have incorporated forward-looking information.

	Within 1 year RMB'000	1–2 years RMB'000	2–3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At 30 June 2024 (Unaudited)					
Gross carrying amount	244,642	153,179	71,016	40,478	509,315
Expected loss rate	0.79%	1.64%	3.94%	9.41%	
Loss allowance	1,936	2,512	2,795	3,811	11,054
Individually impaired receivables	–	293	1,051	341	1,685
Total loss allowance	1,936	2,805	3,846	4,152	12,739
At 31 December 2023 (Audited)					
Gross carrying amount	298,965	189,502	105,923	17,703	612,093
Expected loss rate	0.90%	1.48%	3.13%	8.12%	
Loss allowance	2,694	2,806	3,312	1,437	10,249
Individually impaired receivables	59	762	2,545	742	4,108
Total loss allowance	2,753	3,568	5,857	2,179	14,357

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 2024

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
At 30 June 2024 (Unaudited)					
Borrowings, excluding factoring borrowings	256,427	9,987	42,797	74,900	384,111
Interest payables	15,266	6,347	19,376	12,165	53,154
Trade payables	277,070	—	—	—	277,070
Other payables and accruals (excluding non-financial liabilities such as taxes and employee payables)	57,430	29,482	—	—	86,912
	606,193	45,816	62,173	87,065	801,247
At 31 December 2023 (Audited)					
Borrowings, excluding factoring borrowings	290,480	9,987	42,090	80,600	423,157
Interest payables	16,266	6,601	16,190	8,447	47,504
Trade payables	328,505	—	—	—	328,505
Other payables and accruals (excluding non-financial liabilities such as taxes and employee payables)	64,056	31,035	—	—	95,091
	699,307	47,623	58,280	89,047	894,257

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 2024

6 SEGMENT INFORMATION

The Group is engaged in manufacturing and sale of concrete, precast building component products and bricks and sale of iron ore and other products produced from iron ore tailings recycling.

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 three operating segments of its business as follows:

- (i) Ready-mixed concrete — manufacturing and sale of ready-fixed concrete in Xiamen, and
- (ii) Precast concrete components — manufacturing and sale of precast concrete components in Xiamen, and
- (iii) Tailings recycling and bricks — sales of iron ore and other products produced from iron ore tailings recycling, and manufacturing and sales of eco-friendly bricks in Hainan.

The Group started the sales of iron ore tailings recycling products in May 2023, with direct sales of the products to customers. In September 2023, the Group entered into an agreement with a third party to provide processing service for iron ore tailings recycling products.

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

(a) Segment information of the Group

	Six months ended 30 June 2024			Total RMB'000
	Ready- mixed concrete RMB'000	Precast concrete components RMB'000	Tailings recycling and bricks RMB'000	
Segment result (Unaudited)				
Revenue	129,968	10,563	103,548	244,079
Cost of sales	(117,083)	(16,326)	(65,153)	(198,562)
Gross profit	12,885	(5,763)	38,395	45,517
Selling expenses	(4,956)	(1,576)	(3,938)	(10,470)
Administrative expenses	(8,748)	(6,055)	(12,129)	(26,932)
Segment results	(819)	(13,394)	22,328	8,115
A reconciliation of results of reportable segments to profit for the period is as follows:				
(Unaudited)				
Results of reportable segments				8,115
Unallocated costs and expenses				(2,167)
Other income				2,837
Other losses — net				(512)
Reversal of provision of impairment losses on financial assets				1,618
Finance costs — net				(10,032)
Losses before income tax				(141)
Income tax expense				1,313
Profit and total comprehensive income for the period				1,172

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

6 SEGMENT INFORMATION (Continued)

(a) Segment information of the Group (Continued)

	Six months ended 30 June 2024			Total RMB'000
	Ready- mixed concrete RMB'000	Precast concrete components RMB'000	Tailings recycling and bricks RMB'000	
Other items for the six months ended 30 June 2024				
(Unaudited)				
Additions to non-current assets (other than financial instruments and deferred income tax assets)	2,191	4,182	18,087	24,460
Depreciation	4,295	4,444	9,167	17,906
Amortisation	13	—	26	39
As at 30 June 2024				
Segment assets	430,271	305,390	453,786	1,189,447
Unallocated assets				81,200
Total assets				1,270,647
Segment liabilities	219,221	60,019	110,711	389,951
Unallocated liabilities				426,376
Total liabilities				816,327

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

6 SEGMENT INFORMATION (Continued)

(a) Segment information of the Group (Continued)

	Six months ended 30 June 2023			Total RMB'000
	Ready- mixed concrete RMB'000	Precast concrete components RMB'000	Tailings recycling and bricks RMB'000	
Segment result (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 2024

6 SEGMENT INFORMATION (Continued)

(a) Segment information of the Group (Continued)

	Six months ended 30 June 2023			Total RMB'000
	Ready- mixed concrete RMB'000	Precast concrete components RMB'000	Tailings recycling and bricks RMB'000	
Other items for the six months ended 30 June 2023				
(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
As at 30 June 2023				
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 2024

6 SEGMENT INFORMATION (Continued)

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contract liabilities		
Tailings recycling and bricks	7,568	3,837
Precast concrete components	947	320
Ready-mixed concrete	683	233
	9,198	4,390

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 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Ready-mixed concrete	233	1,345
Precast concrete components	320	353
Tailings recycling and bricks	2,427	50
	2,980	1,748

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

7 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Raw materials and consumables used	126,214	142,924
Changes in inventories of finished goods and work in progress	5,072	(224)
Employee benefit expenses	27,645	29,083
Outsourcing service expense	18,101	12,879
Depreciation of property, plant and equipment (note 11)	15,637	9,315
Depreciation of right-of-use assets (note 11)	1,700	2,224
Depreciation of investment properties (note 11)	569	595
Amortisation of intangible assets (note 11)	39	41
Transportation expenses	17,232	8,984
Electricity and water expenses	10,897	6,819
Other taxes and levies	1,775	1,727
Provision for impairment of inventories (note 12)	295	973
Repair and maintenance expense	444	699
Short-term lease rental expenses	1,046	389
Others	11,465	10,100
Total	238,131	226,528

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

8 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
– PRC income tax	(1,868)	6,599
Deferred income tax	555	(1,746)
Income tax (credit)/expense	(1,313)	4,853

(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 year 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 year, except for Xiamen Zhixin Construction Technology Co., Ltd. and Zhixin Environmental Technology (Changjiang) Co., Ltd. which are 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 2024, no deferred income tax liabilities (31 December 2023: 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 2024

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.

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	1,172	10,649
Weighted average number of ordinary shares in issue	748,000,000	748,000,000
Basic earnings per share (RMB)	0.002	0.014

(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 2024.

10 DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 June 2024 (2023: nil).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

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

	Property, plant and equipment	Right-of-use assets	Investment properties	Intangible assets
	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)				
At 1 January 2024	408,300	100,815	35,157	39,457
Additions	24,471	—	—	—
Transfer from investment properties	—	2,946	—	—
Depreciation/amortisation	(15,637)	(1,700)	(569)	(39)
Transferred to right-of-use assets	—	—	(2,946)	—
Disposals	(1,781)	—	—	—
At 30 June 2024	415,353	102,061	31,642	39,418
(Unaudited)				
At 1 January 2023	390,405	104,547	36,347	39,513
Additions	24,388	1,031	—	—
Depreciation/amortisation	(9,428)	(2,224)	(595)	(41)
Disposals	(377)	—	—	—
At 30 June 2023	404,988	103,354	35,752	39,472

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

12 INVENTORIES

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Raw materials	15,644	16,577
Work-in-progress	1,117	474
Finished goods	11,304	17,019
Less: provision for impairment of inventories	(1,476)	(1,181)
	26,589	32,889

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

12 INVENTORIES (Continued)

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
As at beginning of period	1,181	1,037
Increase in provision recognised in profit or loss during the period	975	2,010
Write-off of provision upon sales of inventories	(680)	(1,037)
As at end of period	1,476	2,010

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

13 TRADE RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Current:		
Trade receivables	525,924	610,359
Less: provision for impairment	(12,490)	(13,522)
	513,434	596,837
Non-current:		
Retention receivables	31,646	25,725
Less: provision for impairment	(249)	(835)
	31,397	24,890
Total	544,831	621,727

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

13 TRADE RECEIVABLES (Continued)

The carrying amounts of trade receivables as at 30 June 2024 include receivables amounting to RMB31,305,000 (31 December 2023: RMB11,870,000) 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 2024 based on invoice date is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	257,734	299,298
1 and 2 years	158,302	196,208
2 and 3 years	85,530	114,428
Over 3 years	56,004	26,150
	557,570	636,084

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

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Prepayments for raw materials and operating expenses	46,734	56,784
Deductible value-added tax ('VAT') recoverable	13,610	6,191
Rent receivable	4,089	6,871
Refundable deposits receivable	8,625	8,033
Other receivables	6,859	4,619
Total	79,917	82,498

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 2024

15 CASH AND BANK BALANCES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Cash and cash equivalents		
— Cash on hand and at banks	26,212	25,867
Restricted bank balance	—	500
Total	26,212	26,367

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

16 SHARE CAPITAL

	Number of ordinary shares	Share capital HKD'000	Share capital RMB'000
Authorised:			
As at 1 January 2024 and 30 June 2024	3,000,000,000	30,000	25,500
Issued:			
As at 1 January 2024 and 30 June 2024	748,000,000	7,480	6,358

17 RESERVES

	Share premium	Capital reserves RMB'000	Statutory reserves RMB'000	Total RMB'000
As at 1 January 2024 to 30 June 2024	220,966	127,135	16,558	364,659
As at 1 January 2023 to 30 June 2023	220,966	127,135	16,558	364,659

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

18 TRADE PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables		
— Third parties	277,070	328,505

The ageing analysis of trade payables as at 30 June 2024 based on invoice date is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	265,526	277,987
1–2 years	10,702	41,920
Over 2 years	842	8,598
	277,070	328,505

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 2024

19 OTHER PAYABLES AND ACCRUALS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Payables for purchase of property, plant and equipment	25,388	27,785
Accrual for operating expenses	8,816	10,592
Employee benefits payables	2,371	3,747
Payables for the acquisition of a subsidiary	1,720	3,000
Other taxes payable excluding income tax liabilities	6,625	6,974
Payment and advance payment on behalf of others	15,501	14,284
Others	6,484	8,978
Total	66,905	75,360

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 2024 RMB'000 (Unaudited)			31 December 2023 RMB'000 (Audited)		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings (a)						
– Secured	256,427	127,684	384,111	290,480	132,677	423,157
– Factoring borrowings	31,921	–	31,921	11,870	–	11,870
Total borrowings	288,348	127,684	416,032	302,350	132,677	435,027

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

20 BORROWINGS (Continued)

(a) Bank borrowings

The secured bank borrowings of the Group as at 30 June 2024 were secured by the pledge of assets of the Group as set out below, and supported by corporate 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.

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Assets of the Group pledged as securities:		
– Property, plant and equipment	236,041	243,430
– Construction in progress	5,596	5,332
– Right-of-use assets	102,061	100,815
– Investment properties	29,319	32,762
– Transferred receivables included in trade receivables	31,305	11,870
Total	404,322	394,209

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

(b) Repayment periods

As at 30 June 2024, the Group's borrowings were repayable as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	288,348	302,350
Between 1 and 2 years	9,987	9,987
Between 2 and 5 years	42,797	42,090
Over 5 years	74,900	80,600
	416,032	435,027

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

20 BORROWINGS (Continued)

(c) Undrawn financing facilities

As at 30 June 2024, the Group had the following undrawn financing facilities:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Bank borrowings, at floating rates		
– Expiring within 1 year	55,550	15,050
– Expiring between 1 and 2 years	300	—
– Expiring between 2 and 3 years	—	—
– Expiring above 3 years	—	187
	55,850	15,237

21 COMMITMENTS

(a) Capital commitments

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contracted but not provided for:		
– Property, plant and equipment	469,262	463,181

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

22 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 2024, the Group had the following transactions with related parties:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(i) Repayments to a shareholder		
— Mr. Ye Zhijie	1,553	22,814

(b) Balances with related parties

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Other payables-non-current		
— Mr. Ye Zhijie	22,110	23,663
— Mr. Huang Kaining	7,372	7,372
	29,482	31,035

The amounts due to Mr. Ye Zhijie and Mr. Huang Kaining as at 30 June 2024 represented advances from the related parties to supplement the working capital needs of the Group. The amounts were unsecured, interest free and repayable on demand.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2024

22 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

For the six months ended 30 June 2024, the key management compensation amounted to approximately RMB2,144,000 (2023: RMB2,174,000).

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 2024, 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 2024. 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 2024, 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	274,706,100 (L)	36.73%
Mr. Huang Wengui ⁽⁴⁾	Interested in a controlled corporation	121,568,700 (L)	16.25%
Mr. Lai Quanshui	Beneficial interest	10,000,000 (L)	1.34%
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 2024.
- 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 2024, 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 2024 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 30 June 2024, 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	274,706,100	36.73%
Ms. Hong Wei ⁽²⁾	Interest of spouse	274,706,100	36.73%
Yaohe Holding Limited ⁽³⁾	Beneficial interest	121,568,700	16.25%
Ms. Lin Lingling ⁽³⁾	Interest of spouse	121,568,700	16.25%
Huatai Securities Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	37,718,000	5.04%
Huatai International Financial Holdings Company Limited ⁽⁴⁾	Interest in controlled corporation	37,718,000	5.04%
Huatai Financial Holdings (Hong Kong) Limited ⁽⁴⁾	Beneficial interest	37,718,000	5.04%

Notes:

- Based on 748,000,000 issued Shares as at 30 June 2024.
- 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.
- Huatai Securities Co., Ltd. is the sole shareholder of Huatai International Financial Holdings Company Limited, which is the sole shareholder of Huatai Financial Holdings (Hong Kong) Limited. Therefore, Huatai Securities Co., Ltd. and Huatai International Financial Holdings Company Limited are deemed to be interested in Huatai Financial Holdings (Hong Kong) Limited's interest in the Shares, pursuant to the SFO.

Save as disclosed above, as at 30 June 2024, 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

For the six months ended 30 June 2024, 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 2024, 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 2024.

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 2024 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 2024.

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

Hong Kong, 30 August 2024

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 C1 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 C3 of the Listing Rules
“PC component(s)”	precast concrete component(s)
“Period”	For the six months ended 30 June 2024
“Prospectus”	the prospectus of the Company dated 16 March 2021
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Zhixin Environmental Technology”	Zhixin Environmental Technology (Changjiang) Co., Ltd. (智欣環保科技(昌江)有限公司), previously named as REIT Mingsheng Environmental Building Materials (Changjiang) Co., Ltd., a company incorporated in the PRC with limited liability
“%”	per cent