



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



2022
Interim Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Mr. Ye Zhijie
Mr. Yuen Chi Wai

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditors

COMPLIANCE ADVISER

Kingsway Capital Limited

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

Corporate Information (Continued)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

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		
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	Change %
Revenue	306,675	320,690	(4.4%)
Gross Profit	36,080	54,042	(33.2%)
Profit for the Period	530	10,221	(94.8%)

Revenue for the Period amounted to approximately RMB306.7 million, representing a decrease of approximately 4.4% as compared with the corresponding period in previous year. Revenue derived from sale of ready-mixed concrete for the Period has decreased by approximately 3.7% to approximately RMB217.3 million and revenue derived from sale of PC components has decreased by approximately 13.7% to approximately RMB82.0 million as compared with the corresponding period in previous year. Revenue from sale of tailings recycling and bricks for the Period was approximately RMB7.4 million, this business was acquired by the Group in December 2021.

Gross profit for the Period has decreased by approximately 33.2% to approximately RMB36.1 million.

Profit for the Period was approximately RMB530,000, representing a decrease of approximately 94.8% 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 2022.

The Group is a manufacturer and supplier of concrete-based building materials in Xiamen City, Fujian Province of the PRC. The Group also produces and sells tailings recycling and bricks in Hainan Province of the PRC. The principal products can be broadly categorised into three types, namely ready-mixed concrete, PC components, and tailings recycling and bricks.

The Group has achieved a revenue of approximately RMB306.7 million for the six months ended 30 June 2022, representing a decrease of approximately RMB14.0 million or approximately 4.4% as compared to the same period in 2021. Such decrease was mainly attributable to the decrease in sale of PC components as a result of temporarily suspension and delays in certain construction projects impacted by the increase in days with adverse weather conditions during the Period.

Increase in cost of sales as a result of the increase in raw material costs has led to the decrease in profits. Gross profit and net profit for the six months ended 30 June 2022 have decreased by approximately 33.2% and 94.8% respectively as compared to the same period in 2021. The gross profit margin and net profit margin was approximately 11.8% and 0.2% respectively for the six months ended 30 June 2022.

The Group has early terminated the lease of the PC components production plant located in Jimei District of Xiamen subsequent to the successful acquisition of the land use rights of a parcel of land for construction of new production plant. Therefore, the one-off compensation expense for the early termination of the lease and the disposal loss of the production facilities on the leased property have also contributed to the lower profit.

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

APPRECIATION

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

Ye Zhijie
Chairman

Hong Kong, 26 August 2022

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a leading manufacturer and supplier of concrete-based building materials in Xiamen, Fujian Province of the PRC. The Group also produces and sells tailings recycling and bricks in Hainan Province of the PRC. The Group's principal products can be broadly categorised into three types, namely, (i) ready-mixed concrete, (ii) PC components, and (iii) tailings recycling and bricks. All of the Group's products were sold in the PRC.

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

For the Period, the Group's revenue amounted to approximately RMB306.7 million, representing a decrease of approximately 4.4% from approximately RMB320.7 million for the six months ended 30 June 2021. The Group's gross profit decreased from approximately RMB54.0 million for the six months ended 30 June 2021 to approximately RMB36.1 million for the Period, representing a decrease of approximately 33.2%. As a result, the profit for the Period decreased from approximately RMB10.2 million for the six months ended 30 June 2021 to approximately RMB530,000 for the Period. Gross profit margin and net profit margin of the Group for the Period was approximately 11.8% and 0.2%, respectively.

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

Financial Review

Revenue

The Group derived its revenue from sales of (i) ready-mixed concrete, (ii) PC component products, and (iii) tailings recycling and bricks. For the Period, the Group's revenue amounted to approximately RMB306.7 million, representing a decrease of approximately 4.4% from approximately RMB320.7 million for the six months ended 30 June 2021.

Ready-mixed concrete

Revenue derived from sale of ready-mixed concrete for the Period amounted to RMB217.3 million, representing a decrease of approximately 3.7% from approximately RMB225.7 million for the six months ended 30 June 2021. The decrease was mainly due to the decrease in average selling price with different product mix.

PC components

Revenue derived from sale of PC components for the Period amounted to RMB82.0 million, representing a decrease of approximately 13.7% from approximately RMB95.0 million for the six months ended 30 June 2021. The decrease was attributable to the decrease in sales volume of other construction components as a result of temporarily suspension and delays in certain construction projects impacted by the increase in days with adverse weather conditions during the Period.

Management Discussion and Analysis (Continued)

Tailings recycling and bricks

Revenue derived from sale of tailings recycling and bricks for the Period amounted to RMB7.4 million, which were mainly arised from the sale of bricks.

Cost of Sales

Cost of sales increased by approximately RMB3.9 million or approximately 1.5% from approximately RMB266.6 million for the six months ended 30 June 2021 to approximately RMB270.6 million for the Period. Such increase was mainly attributable to the increase in raw material costs.

Gross profit and gross profit margin

The Group's overall gross profit decreased by approximately RMB18.0 million or approximately 33.2% from approximately RMB54.0 million for the six months ended 30 June 2021 to approximately RMB36.1 million for the Period. The Group's overall gross profit margin decreased to approximately 11.8% for the Period (six months ended 30 June 2021: 16.9%).

Ready-mixed concrete

The gross profit of ready-mixed concrete decreased by approximately 33.0% to approximately RMB27.4 million for the Period. Such decrease was primarily due to the decrease in revenue of ready-mixed concrete with the decreased in average selling price, and the increase in cost of sales mainly resulted from the increase in raw material costs.

PC components

The gross profit of PC components decreased by approximately 60.3% to approximately RMB5.2 million for the Period. Such decrease was primarily due to the decrease in revenue from other construction components as a result of the temporarily suspension and delays in certain construction projects, and due to the increased cost of sales arising from increase in raw material costs.

Tailings recycling and bricks

The gross profit of tailings recycling and bricks for the Period amounted to RMB3.5 million, representing a gross margin of 46.6%.

Other income

Other income decreased by approximately 10.4% to approximately RMB7.0 million for the Period mainly due to the decrease in non-recurring government grants and awards.

Other losses — net

Other losses — net increased by approximately 5,218.4% to approximately RMB2.6 million for the Period. Such increase 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.

Management Discussion and Analysis (Continued)

Selling expenses

Selling expenses increased by approximately 14.9% to approximately RMB13.9 million for the Period primarily attributable to the increase in transportation costs in sales of PC components to projects outside of Xiamen City, Fujian Province of the PRC.

Administrative expenses

Administrative expenses increased by approximately 27.9% to approximately RMB23.3 million for the Period. Such increase was mainly attributable to the increase in staff cost.

Listing expenses

Listing expenses were incurred in the corresponding period in previous year when the Company's shares were listed on the Main Board of the Stock Exchange. There was no listing expense during the Period.

Finance costs — net

Finance costs — net increased by approximately 5.3% to approximately RMB7.3 million for the Period primarily due to the increase in interest expenses on bank borrowings.

Income tax credit/(expense)

Income tax expense decreased by approximately 100.7% to approximately RMB45,000 income tax credit for the Period 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 RMB530,000 (six months ended 30 June 2021: RMB10.2 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 2022, the Group's net current assets was approximately RMB87.0 million (31 December 2021: approximately RMB89.4 million), while the Group's cash and cash equivalents as at 30 June 2022 was approximately RMB30.4 million (31 December 2021: approximately RMB107.2 million).

As at 30 June 2022, the Group had current borrowings of approximately RMB238.6 million (31 December 2021: approximately RMB259.0 million) and non-current borrowings of approximately RMB104.2 million (31 December 2021: approximately RMB66.0 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 2022 was approximately 40.1% (31 December 2021: 33.4%).

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 2022, the Group's capital commitments amounted to approximately RMB194.3 million (31 December 2021: RMB235.0 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 2022, the Group's contingent liabilities amounted to approximately RMB369,000 (31 December 2021: RMB2.9 million) arising from the acquisition of REIT Mingsheng.

CAPITAL STRUCTURE

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

SIGNIFICANT ACQUISITIONS AND DISPOSALS

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

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

SIGNIFICANT INVESTMENTS

As at 30 June 2022, the Group did not have any significant investments.

Management Discussion and Analysis (Continued)

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed 553 (30 June 2021: 588) employees. Employees' remunerations are determined with reference to factors such as qualifications, duties, contributions and experience. Besides, the Group outsourced some factory workers for the PC component production lines from several employment agents to enhance workforce efficiency and workforce flexibility.

USE OF PROCEEDS

The net proceeds from the Share Offering received by the Company, after deducting the underwriting fees and listing expenses in connection with the Share Offering, amounted to approximately HK\$238.7 million. The following table sets forth the status of the use of the net proceeds from the Share Offering as at 30 June 2022 with reference to the updated intended utilisation of net proceeds in accordance with the announcement dated 26 August 2022 (the "Announcement"):

	Updated intended utilisation of net proceeds as disclosed in the Announcement HK\$ million	Utilised net proceeds up to 30 June 2022 HK\$ million	Unutilised net proceeds as at 30 June 2022 HK\$ million	Expected timeline for utilising the unutilised net proceeds
(i) Expanding the Group's PC component production capacity	24.5	16.8	7.7	By June 2023
(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
Total	238.7	231.0	7.7	

Management Discussion and Analysis (Continued)

OUTLOOK

The Directors are optimistic that the Group's businesses will maintain a rising momentum in the second half of 2022 as compared with the first half of the year. Impetus from the supportive government policies on prefabricated construction in the PRC continues to encourage higher demand for PC components. With the funding support from the Share Offering, the Group is in a better position to expand the production scale and increase the market share in the fast-growing PC component industry in the PRC. The acquisition of REIT Mingsheng also provided an opportunity for the Group to enter into the sale of tailings recycling and bricks in the Hainan province.

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 2022, 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 2022. 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 2022, 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. Ding Fulin	Beneficial interest	18,624,000 (L)	2.49%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- Based on 748,000,000 issued Shares as at 30 June 2022.
- 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 2022, 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 2022 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 2022, 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	105,672,000	14.12%
Huatai International Financial Holdings Company Limited ⁽⁴⁾	Interest in controlled corporation	105,672,000	14.12%
Huatai Financial Holdings (Hong Kong) Limited ⁽⁴⁾	Beneficial interest	105,672,000	14.12%

Notes:

1. Based on 748,000,000 issued Shares as at 30 June 2022.
2. Ms. Hong Wei is the spouse of Mr. Ye Zhijie. By virtue of the SFO, Ms. Hong Wei is deemed to be interested in all the Shares in which Mr. Ye Zhijie is deemed to be interested; Mr. Ye Zhijie is the sole shareholder of Zhixin Investment Holding Limited. Therefore, Mr. Ye Zhijie is deemed to be interested in Zhixin Investment Holding Limited's interest in the Shares, pursuant to the SFO.
3. Ms. Lin Lingling is the spouse of Mr. Huang Wengui. By virtue of the SFO, Ms. Lin Lingling is deemed to be interested in all the Shares in which Mr. Huang Wengui is deemed to be interested; Mr. Huang Wengui is the sole shareholder of Yaohe Holding Limited. Therefore, Mr. Huang Wengui is deemed to be interested in Yaohe Holding Limited's interest in the Shares, pursuant to the SFO.
4. 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 2022, 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 2022, 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 2022, 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 2022.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements of the Company and its subsidiary companies for the six months ended 30 June 2022 have been reviewed by the Company's auditor, PricewaterhouseCoopers. The auditor's independent review report of PricewaterhouseCoopers is set out on pages 16 to 17 of this interim report.

AUDIT COMMITTEE

The Audit Committee has reviewed this interim report, including the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022.

SHARE CAPITAL

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

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended 30 June 2022.

SHAREHOLDERS' COMMUNICATION AND RIGHT

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

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

Report on Review of Interim Financial Information



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 47, which comprises the condensed consolidated interim statement of financial position of Zhixin Group Holding Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

Report on Review of Interim Financial Information (Continued)

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2022

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	6	306,675	320,690
Cost of sales	6,7	(270,595)	(266,648)
Gross profit		36,080	54,042
Other income		7,028	7,846
Other losses — net		(2,606)	(49)
Selling expenses	7	(13,932)	(12,123)
Administrative expenses	7	(23,318)	(18,238)
Reversal of impairment losses on financial assets	5.1(a)	4,534	2,032
Listing expenses	7	—	(9,520)
Operating profit		7,786	23,990
Finance income		94	113
Finance costs		(7,395)	(7,044)
Finance costs — net		(7,301)	(6,931)
Profit before income tax		485	17,059
Income tax credit/(expense)	8	45	(6,838)
Profit and total comprehensive income for the period, all attributable to owners of the Company		530	10,221
Earnings per share for profit attributable to owners of the Company			
Basic and diluted earnings per share (RMB)	9	0.00071	0.015

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

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2022

	Note	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	240,833	206,589
Right-of-use assets	11	106,728	118,115
Investment properties	11	36,941	37,536
Intangible assets	11	39,555	39,458
Trade receivables	13	30,510	30,729
Prepayment for non-current assets		16,065	3,295
Deferred income tax assets		5,517	3,394
		476,149	439,116
Current assets			
Inventories	12	63,503	29,909
Trade receivables	13	612,611	634,413
Prepayments, deposits and other receivables	14	30,699	29,586
Restricted bank balance	15	34,410	8,710
Cash and bank balances	15	30,388	107,199
		771,611	809,817
Total assets		1,247,760	1,248,933
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	6,358	6,358
Other reserves	17	364,659	364,659
Retained earnings		71,330	70,800
Total equity		442,347	441,817

Condensed Consolidated Interim Statement of Financial Position (Continued)

As at 30 June 2022

	Note	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	20	104,171	65,950
Lease liabilities	21	—	4,420
Deferred income		1,978	2,119
Deferred income tax liabilities		14,684	14,170
		120,833	86,659
Current liabilities			
Trade and bills payables	18	358,802	328,289
Other payables and accruals	19	82,978	112,870
Current income tax liabilities		878	10,532
Borrowings	20	238,609	259,039
Contract liabilities	6(b)	2,146	1,902
Lease liabilities	21	1,167	7,825
		684,580	720,457
Total liabilities		805,413	807,116
Total equity and liabilities		1,247,760	1,248,933

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

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2022

	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
(Unaudited)					
As at 1 January 2022		6,358	364,659	70,800	441,817
Comprehensive income					
Profit for the period		—	—	530	530
Transactions with owners					
Profit appropriation to statutory reserves		—	—	—	—
Total transactions with owners		—	—	—	—
As at 30 June 2022		6,358	364,659	71,330	442,347
(Unaudited)					
As at 1 January 2021		9	112,371	54,589	166,969
Comprehensive income					
Profit for the period		—	—	10,221	10,221
Transactions with owners					
Contribution from shareholders	17	—	31,895	—	31,895
Capitalisation issue of shares	16,17	4,760	(4,760)	—	—
Issuance of shares by initial public offering, net of attributable transaction costs	16,17	1,589	220,966	—	222,555
Total transactions with owners		6,349	248,101	—	254,450
As at 30 June 2021		6,358	360,472	64,810	431,640

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

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows used in operating activities			
Cash used in operations		13,145	(111,236)
Income tax paid		(11,218)	(18,351)
Net cash generated from/(used in) operating activities		1,927	(129,587)
Cash flows used in investing activities			
Purchases of property, plant and equipment		(54,738)	(11,253)
Payment for acquisition of subsidiary		(30,000)	—
Purchases of intangible asset		(114)	—
Proceeds from disposal of property, plant and equipment		9,272	255
Net cash used in investing activities		(75,580)	(10,998)
Cash flows generated from financing activities			
Proceeds from bank borrowings		50,500	84,482
Proceeds from shareholder		16,963	—
Repayments of bank borrowings		(51,739)	(110,090)
Principal elements of lease payments		(11,078)	(1,520)
Interest paid		(7,285)	(6,898)
Other financing costs		(519)	(80)
Proceeds from share issuance upon listing	16	—	238,139
Listing expenses		—	(12,258)
Net cash (used in)/generated from financing activities		(3,158)	191,775
Net (decrease)/increase in cash and cash equivalents		(76,811)	51,190
Cash and cash equivalents at beginning of period		107,199	30,485
Cash and cash equivalents at end of period		30,388	81,675

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

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 manufacturing and sale of ready-mixed concrete, precast concrete components (the “Listing Business”) and manufacturing and sale of bricks and recycling tailings in the People’s Republic of China (the “PRC”). The Group’s headquarters is in Xiamen city, Fujian province of the PRC.

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

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

The ultimate controlling shareholder and major shareholder of the Company are Mr. Ye Zhijie, who holds 36.73% shareholding of the Company and is the Chairman and executive director of the Company, and Mr. Huang Wengui, who holds 16.25% shareholding of the Company and is 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 26 August 2022.

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

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial statements don’t include all the notes of the type normally included in an annual consolidated financial statement. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021, 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 2022

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 2021 and the corresponding interim financial period, except for the adoption of new and amended standards as set out below.

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

(a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current financial period beginning on 1 January 2022. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRS Standards 2018–2020	
Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations (AG 5)	

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	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”
HKAS 1 and HKFRS Practice 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
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 this condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2021.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

These condensed consolidated interim financial statements don't include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2021.

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

(a) Credit risk

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

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

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

(ii) *Credit risk of trade receivables*

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

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

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 2022, trade receivable of approximately RMB2,067,105 has been fully provided for loss allowance (2021: RMB4,330,000).

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

On that basis, the loss allowance as at 30 June 2022 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 2022

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) Credit risk of trade receivables (Continued)

	Within 1 year RMB'000	1–2 years RMB'000	2–3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At 30 June 2022 (Unaudited)					
Gross carrying amount	479,888	140,057	27,618	758	648,321
Expected loss rate	0.57%	0.90%	3.30%	37.86%	
Loss allowance	2,742	1,259	912	287	5,200
Individually impaired receivables	–	1,314	127	626	2,067
Total loss allowance	2,742	2,573	1,039	913	7,267
At 31 December 2021 (Audited)					
Gross carrying amount	547,485	96,302	25,301	3,806	672,894
Expected loss rate	0.73%	1.27%	7.32%	18.29%	
Loss allowance	3,979	1,225	1,852	696	7,752
Individually impaired receivables	–	3,022	265	1,043	4,330
Total loss allowance	3,979	4,247	2,117	1,739	12,082

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

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	Total RMB'000
At 30 June 2022 (Unaudited)				
Borrowings, including interest payables	249,560	50,689	72,750	372,999
Lease liabilities	1,173	—	—	1,173
Trade and bills payables	358,802	—	—	358,802
Other payables and accruals	73,745	—	—	73,745
	683,280	50,689	72,750	806,719
At 31 December 2021 (Audited)				
Borrowings, including interest payables	272,235	25,331	43,714	341,280
Lease liabilities	8,241	4,560	—	12,801
Trade and bills payables	328,289	—	—	328,289
Other payables and accruals	91,795	—	—	91,795
	700,560	29,891	43,714	774,165

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 2022

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 Environmental Building Materials (Changjiang) Co., Ltd. ("REIT Changjiang") from a third party. REIT Changjiang 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, and
- (ii) Precast concrete components, and
- (iii) Tailings recycling and 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 2022			Total RMB'000
	Ready- mixed concrete RMB'000	Precast concrete components RMB'000	Tailings recycling and bricks RMB'000	
Segment result (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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

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	Tailings recycling and bricks RMB'000	
Other items for the six months ended 30 June 2022				
(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
As at 30 June 2022				
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 2022

6 SEGMENT INFORMATION (Continued)

(a) Segment information of the Group (Continued)

	Six months ended 30 June 2021		
	Ready-mixed concrete RMB'000	Precast concrete components RMB'000	Total RMB'000
Segment result			
(Unaudited)			
Revenue	225,698	94,992	320,690
Cost of sales	(184,783)	(81,865)	(266,648)
Gross profit	40,915	13,127	54,042
Selling expenses	(7,220)	(4,903)	(12,123)
Administrative expenses	(7,605)	(9,496)	(17,101)
Segment results	26,090	(1,272)	24,818
A reconciliation of results of reportable segments to profit for the period is as follows:			
(Unaudited)			
Results of reportable segments			24,818
Unallocated costs and expenses			(1,137)
Other income			7,846
Other gains — net			(49)
Reversal of impairment losses on financial assets			2,032
Listing expenses			(9,520)
Finance costs — net			(6,931)
Profit before income tax			17,059
Income tax expense			(6,838)
Profit and total comprehensive income for the period			10,221
Other items for the six months ended 30 June 2021			
(Unaudited)			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	4,793	1,761	6,554
Depreciation	2,695	8,060	10,755
Amortisation	13	—	13
As at 30 June 2021			
Segment assets	485,752	402,060	887,812
Unallocated assets			17,993
Total assets			905,805
Segment liabilities	177,054	92,940	269,994
Unallocated liabilities			204,171
Total liabilities			474,165

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

6 SEGMENT INFORMATION (Continued)

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contract liabilities		
Ready-mixed concrete	1,128	734
Precast concrete components	898	318
Tailings recycling and bricks	120	850
	2,146	1,902

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 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Ready-mixed concrete	727	426
Precast concrete components	—	—
Tailings recycling and bricks	776	—
	1,503	426

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

7 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Raw materials and consumables used	203,708	204,220
Changes in inventories of finished goods and work in progress	7,651	1,234
Employee benefit expenses	38,986	27,968
Outsourcing service expense	12,214	18,521
Transportation expenses	17,474	16,058
Depreciation of property, plant and equipment (note 11)	9,252	7,488
Depreciation of right-of-use assets (note 11)	2,404	3,012
Depreciation of investment properties (note 11)	595	255
Amortisation of intangible assets (note 11)	17	13
Repair and maintenance expense	630	722
Electricity and water expenses	3,390	2,485
Short-term lease rental expenses	2,194	2,647
Other taxes and levies	1,766	1,886
Provision for impairment of inventories (note 12)	1,727	1,849
Listing expenses	—	9,520
Others	5,837	8,651
Total	307,845	306,529

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
– PRC income tax	1,564	6,081
Deferred income tax	(1,609)	757
Income tax expense	(45)	6,838

(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 2022, deferred income tax liabilities of RMB9,119,000 (31 December 2021: RMB9,613,000) have not been recognised for the withholding income tax that would be payable on unremitted earnings of PRC subsidiaries of the Group amounting to RMB91,190,000 (31 December 2021: RMB96,135,000). The Group does not have the intention to distribute the respective unremitted profits in the foreseeable future.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

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	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	530	10,221
Weighted average number of ordinary shares in issue	748,000,000	660,182,320
Basic earnings per share (RMB)	0.00071	0.015

(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 2022.

10 DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 June 2022 (2021: nil).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

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

	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Investment properties RMB'000	Intangible assets RMB'000
(Unaudited)				
At 1 January 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
(Unaudited)				
At 1 January 2021	144,111	39,663	10,045	187
Additions	6,554	—	—	—
Depreciation/amortisation	(7,488)	(3,012)	(255)	(13)
Disposals	(286)	(1,282)	—	—
At 30 June 2021	142,891	35,369	9,790	174

12 INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Raw materials	52,785	12,752
Work-in-progress	850	1,373
Finished goods	11,595	18,723
Less: provision for impairment of inventories	(1,727)	(2,939)
	63,503	29,909

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

12 INVENTORIES (Continued)

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
As at beginning of period	2,939	1,529
Increase in provision recognised in profit or loss during the period	1,727	1,849
Write-off of provision upon sales of inventories	(2,939)	(1,147)
As at end of period	1,727	2,231

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

13 TRADE RECEIVABLES

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current:		
Trade receivables	619,513	645,318
Less: provision for impairment	(6,902)	(10,905)
	612,611	634,413
Non-current:		
Retention receivables	30,875	31,906
Less: provision for impairment	(365)	(1,177)
	30,510	30,729
Total	643,121	665,142

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

13 TRADE RECEIVABLES (Continued)

The carrying amounts of trade receivables as at 30 June 2022 include receivables amounting to RMB26,490,000 which are subject to factoring arrangements (2021: RMB10,470,000). Under this arrangement, the Group has transferred the relevant receivables to the factors (banks in the PRC) in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as secured borrowing (note 20). The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

The ageing analysis of the trade receivables as at the 30 June 2022 based on invoice date is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	479,888	547,485
1 and 2 years	141,371	99,324
2 and 3 years	27,745	25,566
Over 3 years	1,384	4,849
	650,388	677,224

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Prepayments for raw materials and operating expenses	13,040	18,941
Rent receivable	3,885	1,904
Refundable deposits receivable	3,486	3,739
Deductible value-added tax ('VAT') recoverable	5,768	1,151
Other receivables	4,520	3,851
Total	30,699	29,586

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 2022

15 CASH AND BANK BALANCES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and cash equivalents		
— Cash on hand and at banks	30,388	107,199
Restricted bank balance	34,410	8,710
Total	64,798	115,909

The restricted bank balance was deposits with limited use borrowed from Bank (note 20) and deposits held at banks and pledged for issue of bills payable (note 18).

16 SHARE CAPITAL

	Number of ordinary shares	Share capital HKD'000	Share capital RMB'000
Authorised:			
As at 1 January 2022 and 30 June 2022	3,000,000,000	30,000	25,500
Issued:			
As at 1 January 2022 and 30 June 2022	748,000,000	7,480	6,358

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

17 OTHER RESERVES

	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Total RMB'000
As at 1 January 2022 to 30 June 2022	220,966	127,135	16,558	364,659
As at 1 January 2021	—	100,000	12,371	112,371
Contribution from shareholders	—	31,895	—	31,895
Capitalisation of shares	—	(4,760)	—	(4,760)
New shares issued pursuant to initial public offering	220,966	—	—	220,966
As at 30 June 2021	220,966	127,135	12,371	360,472

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

18 TRADE AND BILLS PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables		
— Third parties	342,902	308,589
	342,902	308,589
Bills payable	15,900	19,700
Total trade and bills payables	358,802	328,289

The ageing analysis of trade and bills payables as at 30 June 2022 based on invoice date was as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	332,395	312,519
1–2 years	23,896	12,104
Over 2 years	2,511	3,666
	358,802	328,289

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

19 OTHER PAYABLES AND ACCRUALS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Payables for the acquisition of a subsidiary	15,000	45,000
Payables for purchase of property, plant and equipment	25,142	20,156
Employee benefits payables	4,824	11,186
Amount due to a related party (note 23)	16,963	—
Accrual for operating expenses	13,488	20,260
Other taxes payable excluding income tax liabilities	4,409	9,889
Contingent liability	369	2,900
Others	2,783	3,479
Total	82,978	112,870

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 2022 RMB'000 (Unaudited)			31 December 2021 RMB'000 (Audited)		
	Current	Non- current	Total	Current	Non- current	Total
Bank borrowings (a)						
— Secured	238,609	104,171	342,780	256,039	65,950	321,989
Loan from a third party						
— Unsecured	—	—	—	3,000	—	3,000
Total borrowings	238,609	104,171	342,780	259,039	65,950	324,989

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

20 BORROWINGS (Continued)

(a) Bank borrowings

The secured bank borrowings of the Group as at 30 June 2022 were secured by the pledge of assets of the Group as set out below, and supported by corporate guarantees provided by two subsidiaries of the Group, and guarantees from Mr. Ye Zhijie, Mr. Huang Wengui and his spouse and one independent third party credit guarantee corporation.

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Assets of the Group pledged as securities:		
– Property, plant and equipment	76,571	78,982
– Right-of-use assets	105,892	107,519
– Investment properties	33,892	34,852
– Transferred receivables included in trade receivables	–	10,470
Total	216,355	231,823

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

(b) Repayment periods

As at 30 June 2022, the Group's borrowings were repayable as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	225,180	238,039
Between 1 and 2 years	57,600	36,700
Between 2 and 3 years	60,000	50,250
	342,780	324,989

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

20 BORROWINGS (Continued)

(c) Undrawn financing facilities

As at 30 June 2022, the Group had the following undrawn financing facilities:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bank borrowings, at floating rates		
– Expiring within 1 year	10	51,360
– Expiring between 1 and 2 years	20	—
– Expiring above 3 years	80,000	—
	80,030	51,360

21 LEASE LIABILITIES

	30 June 2022 RMB'000 (Unaudited)			31 December 2021 RMB'000 (Audited)		
	Current	Non-current	Total	Current	Non-current	Total
Land and buildings for warehouses and factory	1,167	—	1,167	7,825	4,420	12,245

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

22 COMMITMENTS

(a) Capital commitments

Significant capital expenditure commitments were set out below:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted but not provided for:		
– Property, plant and equipment	194,341	235,032

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

22 COMMITMENTS (Continued)

(b) Non-cancellable short-term operating leases

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Warehouses		
— Less than 1 year	2,060	180

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 2022, the Group had the following transactions with related parties:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(i) Amount due to a shareholder		
— Mr. Ye Zhijie	16,963	—
(ii) Interest expense on amount due to related parties		
— Mr. Ye Zhijie	—	89
— Mr. Huang Wengui	—	20
	—	109

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2022

23 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Amount due to a related party		
— Mr. Ye Zhijie	16,963	—

(c) Key management compensation

For the six months ended 30 June 2022, the key management compensation amounted to approximately RMB1,630,000 (2021: RMB1,628,000).

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 Listing Date
“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 2022
“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
“Reorganisation”	the reorganisation of the Group in relation to the Listing, details of which are set out in Note 1 to the condensed consolidated interim financial statements
“%”	per cent