



長沙遠大住宅工業集團股份有限公司
Changsha Broad Homes Industrial Group Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2163

2021



BROAD

INTERIM REPORT



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Definitions

In this interim report, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

“14th Five-Year Plan”	Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》)
“Audit Committee”	the audit committee of the Company, one of the special committees of the Board
“Auditor”	KPMG, the independent auditor of the Company
“B-house”	prefabricated villa products of Broad House
“B2B”	a business model in which enterprises exchange and transmit data and information and carry out trading activities through private networks or the Internet
“B2C”	enterprises providing consumers with a new shopping environment through the Internet
“BOX”	standard modular houses that use high-tech silicon-based composite materials and can be moved, disassembled and reused
“BIM”	the building information model, a process involving the generation and management of digital representations of physical and functional characteristics of places
“Board”	the board of Directors of the Company
“Broad Homes Mofang”	Changsha Broad Homes Mofang Technology Co., Ltd. (長沙遠大魔方科技有限公司), a wholly-owned subsidiary of the Company
“Broad Homes United Program”	the program initiated by our Company, where our Company cooperates with local business partners to set up Joint Factories to manufacture PC units
“China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
“Company” or “Broad Homes”	Changsha Broad Homes Industrial Group Co., Ltd. (長沙遠大住宅工業集團股份有限公司), which was established in the PRC on April 30, 2006 as a limited liability company and was converted into a joint stock company with limited liability in the PRC on December 10, 2015
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules

“Creating Value with Our Client”	proposal to assist target customers to optimize products and realize effective connection between technology and market and to provide services to Joint Factories, promote project cooperation and establish a long-term mechanism to ensure profitability
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic unlisted ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group” or “we/us”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
“H Share(s)”	overseas listed foreign investment share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong Dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Internet +”	“Internet + various traditional industries”, leveraging information and communication technologies and Internet platforms to make the Internet and traditional industries deeply integrated to create a new development ecology
“Joint Factory(ies)”	the entities established under Broad Homes United Program to manage and operate the PC manufacturing factory. The Joint Factory also refers to the factory that operates and manages as context requires
“Listing”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	November 6, 2019, the date on which the H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules

Definitions

“Over-allotment Option”	the option granted by the Company in the Global Offering to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The Company issued 167,400 H shares from partial exercise of the over-allotment option on November 28, 2019
“PC” or “prefabricated concrete”	a construction product produced by casting concrete in a reusable mould which is then cured in a controlled environment, transported to the construction site and lifted into place; in contrast, standard concrete is poured into site-specific forms and cured on site
“PC-CPS”	cyber-physical-system, an intelligent system to manage the operation and production
“prefabricated building”	a type of building that consists of several factory-built components or units that are assembled on-site to complete the unit
“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Prospectus”	the prospectus of the Company dated October 24, 2019
“Reporting Period”	six months ended June 30, 2021
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Share(s) and Domestic Share(s)
“Shareholder(s)”	holder(s) of our Share(s)
“Supervisor(s)”	the supervisor(s) of the Company
“two-level management strategy”	management model of the Joint Factories with one level being Joint Factories with significant influence and the other being Joint Factories without significant influence
“VAT”	value-added tax
“%”	percent

In this interim report, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “core connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this interim report have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

Words importing the masculine gender include, where applicable, the feminine and neuter genders.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this interim report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

Company Profile

Changsha Broad Homes Industrial Group Co., Ltd. and its subsidiaries are the pioneer and leader in the industrialization of construction industry in the PRC, which provide comprehensive solutions to facilitate the modernization of construction industry in China, and offer professionalized, intelligent and scalable manufacturing of prefabricated buildings and services leveraging the profound technology accumulation and continuous innovation, research and development capacity.

Through years of industrialized exploration, the Company has accumulated industry-leading software and hardware technologies. In particular, the Company is the first to develop and utilize the PC-CPS (Cyber Physical System), a full-process digital system, in the prefabricated construction industry in China, seeking to achieve massive and continuous production of customized products. The Company is committed to establishing a digital supporting system covering the entire industry chain of construction, in which various elements of the industry chain can be defined and the entire construction process, from design and manufacturing to construction, operation and maintenance, can be simulated on the internet through information technology, thereby determining the variables in the construction process and guiding the actual operation and implementation based on a data-driven approach through IoT of construction industry. Meanwhile, the Company cooperates with relevant enterprises along the industry chain to formulate standards of construction industrialization, thereby transforming the traditional labor – intensive and scattered construction industry into a centralized, efficient and modern manufacturing industry.

Early in 1996, the founder and management team of the Company entered the field of construction industrialization. The Company is among the first batch of enterprises having been named as National Housing Industrialization Bases (國家住宅產業化基地) and has established cooperative relations with nine out of China's top ten property developers and China's top ten construction enterprises. In addition, it provides PC units and technical services for several landmark projects in China.

On November 6, 2019, the H Shares of the Company were officially listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2163).



Corporate Information

BOARD

Executive Directors

Mr. Zhang Jian (*Chairman*)
Ms. Tang Fen (*President*)
Ms. Shi Donghong (*Vice President, Chief Financial Officer, Secretary to the Board and Joint Company Secretary*)
Mr. Zhang Kexiang (*Vice President*)
Mr. Tan Xinming (*Vice President*)

Non-executive Directors

Mr. Zhang Quanxun
Ms. Hu Keman

Independent Non-executive Directors

Mr. Chen Gongrong
Mr. Li Zhengnong
Mr. Wong Kai Yan Thomas
Mr. Zhao Zhengting

Supervisors

Ms. Zhang Mingxin
Mr. Li Gen
Ms. Liu Jing

AUDIT COMMITTEE

Mr. Chen Gongrong (*Chairman*)
Mr. Li Zhengnong
Mr. Wong Kai Yan Thomas

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Li Zhengnong (*Chairman*)
Mr. Zhang Jian
Mr. Chen Gongrong

NOMINATION COMMITTEE

Mr. Li Zhengnong (*Chairman*)
Mr. Zhang Jian
Mr. Chen Gongrong

STRATEGY COMMITTEE

Mr. Zhang Jian (*Chairman*)
Ms. Tang Fen
Ms. Shi Donghong

AUTHORIZED REPRESENTATIVES

Ms. Shi Donghong
Mr. Lee Kwok Fai Kenneth
(appointed on July 27, 2021)
Ms. Leung Suet Wing (resigned on July 27, 2021)

JOINT COMPANY SECRETARIES

Ms. Shi Donghong
Mr. Lee Kwok Fai Kenneth (AICPA, HKICPA, CFA)
(appointed on July 27, 2021)
Ms. Leung Suet Wing (ACG, ACS)
(resigned on July 27, 2021)

LEGAL ADVISERS

as to Hong Kong law:
Baker & McKenzie

as to PRC law:
Jia Yuan Law Offices

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance

COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited¹

Note 1: According to Rule 3A.19 of the Hong Kong Listing Rules, the Company has engaged Anglo Chinese Corporate Finance, Limited to act as a compliance adviser from the listing date (i.e. November 6, 2019) until the date on which the Company complies with Rule 13.46 of the Hong Kong Listing Rules in respect of the financial results of the Company for the first full financial year from the listing date; in March 2021, the service period of the compliance adviser has expired and the Company ceased to employ the compliance adviser.

Corporate Information

REGISTERED OFFICE

Intersection of Lusong Road and Dongfanghong Road
Changsha High-tech Development Zone, Changsha
Hunan, PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 248 Yinshuang Road
Yuelu District, Changsha
Hunan, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay, Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of Changsha, Main Branch
Bank of China Limited, Hunan Branch
Shanghai Pudong Development Bank, Changsha Branch
Bank of Communications Co., Ltd., Hunan Branch
China Construction Bank Corporation, Hunan Branch

INVESTORS RELATIONS

ir@bhome.com.cn

COMPANY WEBSITE

www.bhome.com.cn

STOCK CODE

Listed on the Main Board of the Hong Kong
Stock Exchange
H Share Stock Code: 2163
H Share Abbreviation: BROAD HOMES

LISTING DATE

November 6, 2019

Financial Summary and Operating Highlights

HIGHLIGHTS OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

1. Financial performance

	Six months ended				
	June 30, 2021		June 30, 2020		Year-on-year change %
	Amount RMB'000	As a percentage of revenue %	Amount RMB'000	As a percentage of revenue %	
Continuing and discontinued operations					
Total revenue	1,360,205	100.0%	1,137,500	100.0%	19.6%
Total gross profit	354,722	26.1%	321,868	28.3%	10.2%
Total profit from operations	105,822	7.8%	42,735	3.8%	147.6%
Total profit/(loss) before taxation	59,396	4.4%	(15,535)	-1.4%	482.3%
Profit/(loss) for the period	47,165	3.5%	(21,757)	-1.9%	316.8%

2. Financial Highlights

	Six months ended				
	June 30, 2021		June 30, 2020 (restated) ^{Note}		Change %
	Amount RMB'000	As a percentage of revenue %	Amount RMB'000	As a percentage of revenue %	
Continuing operations:					
Revenue	1,360,205	100.0%	1,067,790	100.0%	27.4%
Gross profit	354,722	26.1%	311,375	29.2%	13.9%
Profit from operations	105,822	7.8%	64,308	6.0%	64.6%
Profit before taxation	59,396	4.4%	6,345	0.6%	836.1%
Profit from continuing operations	47,165	3.5%	691	0.1%	6,725.6%
Discontinued operation:					
Loss from discontinued operation	-	-	(22,448)	-	-
Profit/(loss) for the period	47,165	-	(21,757)	-	316.8%
Basic and diluted earnings/(losses) per share (RMB)					
Continuing operations	0.10		-*		
Discontinued operation	-		(0.04)		

Note: The construction contracting business has been classified as discontinued operation of the Group for the year ended December 31, 2020. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the Group has restated the comparative information as at June 30, 2020 in this regard.

* The amount represents less than RMB0.01.

Financial Summary and Operating Highlights

3. Financial Information by Business Segment

	Six months ended					
	June 30, 2021			June 30, 2020 (restated) ^{Note}		
	Continuing operations PC unit manufacturing PC equipment manufacturing in RMB'000, except %		Discontinued operation Construction contracting	Continuing operations PC unit manufacturing PC equipment manufacturing in RMB'000, except %		Discontinued operation Construction contracting
Revenue	1,138,816	221,389	-	1,013,335	54,455	69,710
Gross profit	270,810	83,912	-	295,308	16,067	10,493
Gross profit margin	23.8%	37.9%	-	29.1%	29.5%	15.1%

Note: The construction contracting business has been classified as discontinued operation of the Group for the year ended December 31, 2020. In accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the Group has restated the comparative information as at June 30, 2020 in this regard.

4. Major Operating Information

Revenue, gross profit and gross profit margin of PC unit manufacturing business

	Six months ended		
	June 30, 2021 RMB'000	June 30, 2020 RMB'000	Change %
Revenue	1,138,816	1,013,335	12.4%
Gross profit	270,810	295,308	-8.3%
Gross profit margin	23.8%	29.1%	-5.3 percentage points

Production volume of PC unit manufacturing business

	Six months ended		
	June 30, 2021 in ten thousand cubic meters	June 30, 2020 in ten thousand cubic meters	Change %
Production volume of PC unit manufacturing business	43.7	32.9	32.8%

Net cash generated from/(used in) operating activities

	Six months ended		
	June 30, 2021 RMB'000	June 30, 2020 RMB'000	Change %
Net cash generated from/(used in) operating activities	326,685	(19,741)	1,754.9%



Financial Summary and Operating Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

Our financial performance highlights for the six months ended June 30, 2021 are set out below:

Total revenue, being our revenue generated from continuing and discontinued operations, increased by 19.6% from RMB1,137.5 million for the six months ended June 30, 2020 to RMB1,360.2 million for the six months ended June 30, 2021. In particular, revenue of PC unit manufacturing business increased by 12.4% from RMB1,013.3 million for the six months ended June 30, 2020 to RMB1,138.8 million for the six months ended June 30, 2021.

Total gross profit, being our gross profit generated from continuing and discontinued operations, increased by 10.2% from RMB321.9 million for the six months ended June 30, 2020 to RMB354.7 million for the six months ended June 30, 2021; and gross profit margin decreased from 28.3% for the six months ended June 30, 2020 to 26.1% for the six months ended June 30, 2021.

Total profit from operations, being our profit generated from continuing and discontinued operations, increased by 147.6% from RMB42.7 million for the six months ended June 30, 2020 to RMB105.8 million for the six months ended June 30, 2021.

Profit/(loss) for the period increased by 316.8% from net loss of RMB21.8 million for the six months ended June 30, 2020 to net profit of RMB47.2 million for the six months ended June 30, 2021.

OPERATING HIGHLIGHTS

Our operating highlights for the six months ended June 30, 2021 are set out below:

Production and sales volume of PC unit manufacturing business

The production volume of our PC units increased by 32.8% from 329,000 cubic meters for the six months ended June 30, 2020 to 437,000 cubic meters for the six months ended June 30, 2021. The sales volume of our PC units increased by 25.5% from 364,000 cubic meters for the six months ended June 30, 2020 to 457,000 cubic meters for the six months ended June 30, 2021.

Financial Summary and Operating Highlights

Joint Factories

	As at		
	June 30, 2021 (Number)	June 30, 2020 (Number)	Change (Number)
Contributed	62	62	0
Capable of commencing production	60	58	2
Profit-making	15	14	1

As of June 30, 2021, we have contributed to 62 Joint Factories, among which, 60 Joint Factories are capable of commencing production. As of June 30, 2021, 15 Joint Factories are profit-making, representing an increase in profit-making Joint Factories of 1 from 14 for the six months ended June 30, 2020, which reflected continuous improvement of overall profitability of Joint Factories.

New contracts and backlog

	Six months ended		
	June 30, 2021 RMB million	June 30, 2020 RMB million	Change %
New contracts	2,375	1,648	44.1%
Including: New contracts of PC unit manufacturing business	2,373	1,512	57.0%

	As at		
	June 30, 2021 RMB million	December 31, 2020 RMB million	Change %
Backlog	6,912	6,055	14.2%
Including: backlog of PC unit manufacturing business	6,301	5,196	21.3%

Our total new contract value increased by 44.1% from RMB1,648 million for the six months ended June 30, 2020 to RMB2,375 million for the six months ended June 30, 2021. In particular, the total new contract value of PC unit manufacturing business increased by 57.0% from RMB1,512 million for the six months ended June 30, 2020 to RMB2,373 million for the six months ended June 30, 2021.

Our total backlog increased by 14.2% from RMB6,055 million as of December 31, 2020 to RMB6,912 million as of June 30, 2021. In particular, the total backlog of PC unit manufacturing business increased by 21.3% from RMB5,196 million as of December 31, 2020 to RMB6,301 million as of June 30, 2021.



Management Discussion and Analysis

1. BUSINESS REVIEW AND PROSPECT

Business highlights of the Company

In 2021, we followed the product-oriented concept, sorted out our business and service technology system, and established three main business segments, namely PC prefabricated high-rise buildings, B-house (bolt-on fully prefabricated low-rise/multi-story products), and Broad Homes Mofang (BOX modul buildings), and adopted different business models for market promotion based on their respective characteristics.

For the PC prefabricated high-rise building segment, the whole industry faced the double pressure of further downward market price and significant price increase of major raw materials in 2021. By fully considering factors such as price, payment method, design process and significant operational risks of customers, we reviewed the quality of orders, adjusted the market strategy in a timely manner, and prudently consolidated PC unit sales, and secured contracted orders of RMB2,373 million, representing a 57% increase over the same period of last year, and backlog orders amounted to RMB6,301 million, representing an increase of 21.3% from the end of last year.

The Technical Specification of Multi-story Building for Precast Concrete Wall-slab Structures with Bolt Connection (《螺栓連接多層全裝配式混凝土牆板結構技術規程》), edited by us and Hunan University and approved by China Association for Engineering Construction Standardization, came into effect on June 1, 2021. On June 8, 2021, 15 ministries, including the Ministry of Housing and Urban-Rural Development, jointly issued the Opinions on Strengthening Green and Low-Carbon Construction in County Towns to strictly implement the relevant requirements for green and low-carbon construction in county towns and vigorously develop green buildings. The new residential buildings in county towns shall be mainly 6-story, and floor areas of residential buildings with six stories or below shall account for no less than 70%, which laid the technical and policy foundation for the Company to launch six-story B-house (fully prefabricated multi-story building with bolt connection) products in the second half of the year.

Broad Homes Mofang (BOX modul buildings) was officially launched in March 2021, and the Company carried out pre-sales, developed and explored high-quality channel dealers in combination with the operation and sales of online shopping mall. Through the implementation of demonstrative projects such as Changsha Moon Island Star Camping Base, problems were continuously identified and solved. The Company also continuously optimized various production processes and procedures in the factory and established a standard management system. The technical center and delivery operation center of Broad Homes Mofang enabled better collaboration and coordination and gradually formed a complete workflow from providing solutions, test data confirmation, drawing upgrade and iteration to product delivery and acceptance.

We have cooperated with the globally leading lean consulting firm and introduced Danaher's lean system with the deep involvement of lean experts to improve the Company's PC factories and operations. The Company set up a lean promotion center to implement all lean improvement activities, provide training to the Company's talents and managers for future improvement, promote the lean culture, supervise the practice of lean concepts, and build a lean production and operation system for Broad Homes.

Management Discussion and Analysis

We have increased our efforts to recover receivables. For subsidiaries, we have developed a more incentive and strict special assessment system for receivables collection, supplemented by more stringent measures such as suspension of supply and litigation to facilitate payment collection. At the headquarters level, we have set up a legal clearance team to focus on long-term overdue, difficult-to-collect and disputed payments of completed projects, and increased the investment in settlement and legal resources to help subsidiaries to facilitate payment collection or directly receive payment, so as to further optimize the Company's capital turnover and improve operating cash flow.

For the six months ended June 30, 2021, our total revenue increased by 19.6% to RMB1,360.2 million as compared to the corresponding period of last year, and our profit for the period increased by 316.8% from net loss of RMB21.8 million for the six months ended June 30, 2020 to net profit of RMB47.2 million for the six months ended June 30, 2021.

Continuing operations

PC unit manufacturing

During the Reporting Period, our PC unit manufacturing business continued to maintain its growth momentum. The revenue from PC unit manufacturing business increased by 12.4% from RMB1,013.3 million for the six months ended June 30, 2020 to RMB1,138.8 million for the six months ended June 30, 2021. The gross profit of PC unit manufacturing business decreased by 8.3% from RMB295.3 million for the six months ended June 30, 2020 to RMB270.8 million for the six months ended June 30, 2021. Due to the decrease in selling prices, the increase in raw material prices and other factors, the gross profit margin of PC unit manufacturing business decreased from 29.1% for the six months ended June 30, 2020 to 23.8% for the six months ended June 30, 2021.

PC equipment manufacturing

During the Reporting Period, the revenue from our PC equipment manufacturing business increased by 306.6% from RMB54.5 million for the six months ended June 30, 2020 to RMB221.4 million for the six months ended June 30, 2021.

The “Broad Homes United Program”

As of June 30, 2021, we had contributed to 62 Joint Factories, 60 of which were capable of commercial production and 15 Joint Factories made profit during the six months ended June 30, 2021.



Management Discussion and Analysis

Discontinued operation

Construction contracting

We disposed of the construction contracting business to independent third parties in September 2020. For details, please refer to the Company's announcement of "Discloseable Transaction – Disposal of 100% Equity Interest in the Target Company" dated September 29, 2020.

Prospect and strategies

Continuously enhancing our green competitiveness for the future by capturing major opportunities from the goal of "carbon peaking and carbon neutrality"

In 2021, the annual sessions of the NPC and the CPPCC National Committee incorporated the "30 • 60" target into the 14th Five-Year Plan to vigorously promote green and low-carbon production methods, and introduced energy-saving and emission reduction requirements to help achieve the goal of "carbon peaking and carbon neutrality". The industrialization of construction, which we have been focusing on and practicing for many years, is the most important technical path for the construction industry to achieve the goal of "carbon peaking and carbon neutrality". Both reform of production method and application of digitalized, information-based and intelligent technology will be conducive to improving the overall efficiency, promoting the green and sustainable upgrade in construction industry, and achieving the goal of building a resource-saving and eco-friendly society, thereby promoting the high-quality development of the construction industry in China.

Facing the top-level design of "green development", as a leading enterprise in construction industrialization in China, we joined the China Green Supply Chain Alliance, chose a low-carbon and green development path in the procurement and production chain, and became an important member of the alliance to promote the industry towards the green economy. We promote the green and low-carbon development of the construction industry in the whole life cycle from architectural design, building and production, construction to operation and maintenance, while vigorously facilitating digitalization to improve quality and efficiency of the construction industry. By maintaining a stable and in-depth partnership with top 30 developers, we have also been included in the TOP20 Green Chain Index of real estate companies.

Establishing business and service system guided by product-oriented concept

In order to actively respond to the national proposal to support the comprehensive transformation and upgrading of the construction industry with new construction industrialization and promote green and high-quality development of urban and rural construction, we have divided our business and service system into three major segments, namely PC prefabricated high-rise buildings, B-house (bolt-on fully prefabricated low-rise/multi-story products), and Broad Homes Mofang (BOX modul buildings) under the product-oriented concept.

For PC prefabricated high-rise buildings, we will continue to cooperate with reputable real estate enterprises to launch a standard product system for industrialized construction based on their standard product series, and improve efficiency and quality through leaning, thereby facilitating the leading real estate enterprises to develop product strength through cooperation.

Management Discussion and Analysis

For B-house, in addition to the existing villa products, we intend to launch 6-story fully prefabricated building products with bolt connections in the second half of 2021, which is highly in line with the development direction and requirements of the national strategy. This product is the concentrated embodiment of 20 years of technology accumulation and a highly industrialized and upgraded product without cast-in-place through bolt connection, which has significantly higher efficiency compared with traditional construction, and can complete the construction of main body in 8 days and deliver with decoration and fit-out in 100 days, and a multi-story estate can be delivery in whole in six months. Both the overall efficiency and product quality of the fully fabricated PC system will be improved, which will set a new model of residential building for counties and townships in all aspects, thus effectively releasing the strength and potential of counties and townships in stabilizing the development of urban and rural areas, and will be more competitive in the future with the gradual implementation of relevant policies.

Broad Homes Mofang (BOX modul buildings) series spatial products are made of silicon-based composite materials, and the entire spatial module is die-cast in one go in the factory, and its interior decoration is also installed in the factory. The product is fast, highly efficient, green and eco-friendly, can be lived in once completed and has diverse application scenarios covering cultural tourism, guest house and public service spaces. Its movable and recyclable characteristics will provide more and better possibilities for innovative models and project implementation.

Firmly adhering to lean management and enhancing efficiency to achieve operation targets through multiple measures

In order to better achieve the operation targets of 2021 and deeply implement the lean strategy of “scale + efficiency”, the Company cooperated with the globally leading lean consulting firm and introduced Danaher’s lean system with the deep involvement of lean experts to improve the Company’s PC factories and operations. The Company set up a lean promotion center to implement all lean improvement activities, provide training to the Company’s talents and managers for future improvement, promote the lean culture, supervise the practice of lean concepts, and build a lean production and operation system for Broad Homes. At the same time, based on the actual situation, the Company formulated operation standards, implemented business strategies, and guided local companies to reduce costs and increase efficiency, accelerate payment collection and achieve overall operation targets under the specific requirements of lean management.

In order to continuously improve and comprehensively enhance the safety management level of our production and operation, carry out relevant tasks with focus on “safe production and safe development”, strengthen the “red line” awareness, firmly establish the people-oriented and “zero accident” concept, and continuously develop and improve the safety management system, we have formally launched the PCCPS-BSM safety information management system through the in-depth integration of information technology and production safety management. We also established safety information records through data analysis, strengthened daily safety inspections and other prevention and control works, systems and standards to ensure that there are no blind spots in safety management, ensure timely and efficient reporting of abnormalities and risk warning information, thereby enabling factories to achieve standardized, process-based, collaborative and intelligent safety production.



Management Discussion and Analysis

Leading the industry in third-party assessment of “product quality + customer service” to facilitate the construction of a healthy industry ecosystem

In order to continuously improve the quality of our own products and services, enhance the value of the industry and facilitate the healthy and orderly development of the industry ecosystem, we have strengthened the cooperation with developers, constructors and supervision units, and took the lead in introducing third-party assessment agencies to conduct investigation and evaluation. We faced up to our shortcomings and identified the problems, and improved construction quality and safety with an open and transparent sense of responsibility. In addition, we guided the industry to uphold integrity and honesty and regulated the industry practices to promote industry development. In the first half of 2021, a series of third-party unannounced inspections were carried out, and the platform has requested all subsidiaries to formulate specific improvement plans for identified issues and supervise the implementation of such plans, and this initiative and the attitude of responsibility and continuous optimization have been highly recognized by customers.

With the booming development of construction industrialization and the increasing application of prefabricated buildings, it is necessary to establish standards and set up demonstrations to facilitate the realization of high-quality development. Broad Homes will continue to identify internal problems and improve the dual core evaluation system of “product quality + customer service”. Based on the results of the third-party unannounced inspections, we will continue to optimize and improve our services and management to ensure the quality and safety of our service projects. Meanwhile, the technical process department will start from the design, carry out improvement and optimization at source, and improve product quality and the construction of the standard system.

Continuously upgrading the digital intelligent platform with data-driven approach

By actively applying a new generation of information and communication technology, we will comprehensively upgrade the digitization of market, factory, supply chain, manpower and finance, promote the collaboration and interaction between upstream and downstream enterprises in the industrial chain by relying on the industrial internet, and promote the integration of the whole industrial chain process of manufacturing, management decision-making and operation service in the construction industry. Based on the existing foundation, we will further upgrade the application functions of the PC-CPS2.0 intelligent manufacturing management system, open up the scenario-based application of intelligent construction, strive to realize data-driven marketing and service operation, make them visualized, quantifiable and optimizable, use more real and objective data as the basis of operation decision-making, improve from organization and process-driven to data-driven management, enable data-driven operation, and create intelligent marketing and data-driven growth covering the whole industrial chain. In addition, with further enhancement of digital capability, we can better solve the problems of non-standard products and long and uncertain delivery period unique to the construction industrialization industry, and continuously enhance work efficiency, improve production scale, strengthen cost competitiveness and improve management quality through new organization and restructuring of management methods, thereby continuously improving operational efficiency and enhancing profitability.

Management Discussion and Analysis

Continuously promoting technical marketing and service marketing to create more value for strategic customers

We will adhere to our strategic philosophy of “Creating Value with Our Client”, further focus on clients who are among the top 50 real estate developers in China, comprehensively popularize technical marketing and service marketing, build a comprehensive database, position ourselves as a customer engineer with focus on both business and technology, provide whole process upgrade services covering technology, commercial and on-site services, and enable technology to more directly reflect and create value.

We plan to deepen our cooperation with brand property developers and large-scale construction enterprises, allocate various resources to provide all-round technical services and product support for strategic customers, and facilitate customers to better improve construction quality, quantify and control construction costs, and accelerate progress and turnover. We strive to build a comprehensive connection with strategic customers in terms of technical exchange, product demand and information interaction, thus cultivating multi-dimensional and in-depth customer reliance and achieving maximum scale.

Broad Homes Mofang series modul spatial products are steadily moving towards market-oriented development

Broad Homes Mofang is committed to establishing a product company and online product platform based on supply chain. By leveraging on more than 20 years of experience and core capabilities of Broad Homes in construction industrialization, it promotes the construction industry into the era of products with its “national” intelligent manufacturing gene. Its movable spatial products constantly redefine future living space and achieve industrial innovation. It provides one-stop turnkey services covering production, sales, installation and after-sales service, which enables moving in immediately after installation with globally leading speed.

In order to better respond to and support the national strategic plan for rural revitalization, and adapt to the new trend and capture opportunities from explosive development in the cultural tourism and guest house markets, BOX Modul series products break through the restrictions of time and space, and bring disruptive product innovation and guidance to the market to address the pain points of guest house operators and investors in the cultural tourism industry.

Currently, Broad Homes Mofang plans to develop its business in three steps, namely benchmarking, replication and detonation. Under the premise of continuous broadening of product scenarios, it will gradually complete customer benchmarking, project benchmarking and dealer benchmarking. In the next phase, Broad Homes Mofang will continue to explore the possibility of breakthrough in application scenarios based on product characteristics, explore replicable project application scenarios nationwide, and plan for implementation of six types of product scenarios, namely guest house, commercial space, government space, public space, office space, and medical space. Meanwhile, it will focus on major platform customers with national influence (OTA online tourism platforms, various rural revitalization platforms, government platforms at all levels, associations and cultural tourism property platforms) to achieve the breakthrough of “strategic customers + product scenarios = replicable benchmark projects”.

Management Discussion and Analysis

2. RESULTS OF OPERATIONS

The table below sets out a summary of consolidated results of operations for the six months ended June 30, 2021 and the six months ended June 30, 2020:

	Six months ended	
	June 30, 2021 RMB'000	June 30, 2020 RMB'000 (restated) ^{Note}
Continuing operations:		
Revenue	1,360,205	1,067,790
Cost of sales	(1,005,483)	(756,415)
Gross profit	354,722	311,375
Net valuation gains on investment properties	–	9,053
Other income	28,068	13,969
Sales and distribution expenses	(65,823)	(51,585)
General and administrative expenses	(154,500)	(161,399)
Research and development expenses	(56,645)	(57,105)
Profit from operations	105,822	64,308
Finance costs	(69,864)	(53,022)
Fair value changes on financial assets at fair value through profit or loss	1,428	1,114
Share of profits less losses of associates	(8,613)	(23,653)
Gains on loss of significant influence in associates	30,623	17,598
Profit before taxation	59,396	6,345
Income tax	(12,231)	(5,654)
Profit from continuing operations	47,165	691
Discontinued operation:		
Loss from discontinued operation	–	(22,448)
Profit/(loss) for the period	47,165	(21,757)
Basic and diluted earnings/(losses) per share (RMB)	0.10	(0.04)
Continuing operations	0.10	–*
Discontinued operation	–	(0.04)

Note: The construction contracting business has been classified as discontinued operation of the Group for the year ended December 31, 2020. In accordance with *IFRS 5, Non-current Assets Held for Sale and Discontinued Operations*, the Group has restated the comparative information as at June 30, 2020 in this regard.

* The amount represents less than RMB0.01.

Management Discussion and Analysis

Revenue

Our total revenue generated from continuing and discontinued operations increased by 19.6% from RMB1,137.5 million for the six months ended June 30, 2020 to RMB1,360.2 million for the six months ended June 30, 2021.

The table below sets out a breakdown of revenue by business segment for the periods indicated (in absolute terms and as a percentage of our total revenue):

	Six months ended			
	June 30, 2021		June 30, 2020	
	Amount	As a percentage	Amount	As a percentage
	RMB'000	of revenue	RMB'000	of revenue
		%		%
Continuing operations				
PC unit manufacturing	1,138,816	83.7%	1,013,335	89.1%
PC equipment manufacturing	221,389	16.3%	54,455	4.8%
Revenue	1,360,205	100.0%	1,067,790	93.9%
Discontinued operation				
Construction contracting	–	–	69,710	6.1%
Total revenue	1,360,205	100.0%	1,137,500	100.0%

Continuing operations

Revenue from PC unit manufacturing business increased by 12.4% from RMB1,013.3 million for the six months ended June 30, 2020 to RMB1,138.8 million for the six months ended June 30, 2021. The increase in revenue was mainly due to continuous growth in demand for PC units in the prefabricated construction market and our continuous focus on and expansion of the scale of PC unit manufacturing business.

Revenue from PC equipment manufacturing business increased by 306.6% from RMB54.5 million for the six months ended June 30, 2020 to RMB221.4 million for the six months ended June 30, 2021. The increase in revenue was mainly due to the completion of equipment installation and acceptance of the Joint Factories affected by the pandemic last year during the reporting period ended June 30, 2021.

Management Discussion and Analysis

Cost of sales

Our total cost of sales for continuing and discontinued operations increased by 23.3% from RMB815.6 million for the six months ended June 30, 2020 to RMB1,005.5 million for the six months ended June 30, 2021.

The table below sets out a breakdown of the cost of sales by business segment for the periods indicated (in absolute terms and as a percentage of our total cost of sales):

	Six months ended			
	June 30, 2021		June 30, 2020	
	Amount	As a percentage	Amount	As a percentage
	RMB'000	of total cost	RMB'000	of total cost
		%		%
Continuing operations				
PC unit manufacturing	868,006	86.3%	718,027	88.0%
PC equipment manufacturing	137,477	13.7%	38,388	4.7%
Cost of sales	1,005,483	100.0%	756,415	92.7%
Discontinued operation				
Construction contracting	–	–	59,217	7.3%
Total cost of sales	1,005,483	100.0%	815,632	100.0%

Continuing operations

The cost of sales of PC unit manufacturing business increased by 20.9% from RMB718.0 million for the six months ended June 30, 2020 to RMB868.0 million for the six months ended June 30, 2021, which was mainly due to (i) the increase in revenue resulting in corresponding increase in costs; and (ii) the increase in costs due to increase in raw material prices.

The cost of sales of PC equipment manufacturing business increased by 258.1% from RMB38.4 million for the six months ended June 30, 2020 to RMB137.5 million for the six months ended June 30, 2021, primarily attributable to a parallel increase in revenue.

Management Discussion and Analysis

Gross profit and gross profit margin

Our total gross profit generated from continuing and discontinued operations increased by 10.2% from RMB321.9 million for the six months ended June 30, 2020 to RMB354.7 million for the six months ended June 30, 2021. Our gross profit margin decreased from 28.3% for the six months ended June 30, 2020 to 26.1% for the six months ended June 30, 2021.

The table below sets out a breakdown of gross profit by business segment for the periods indicated, and as a percentage of revenue (i.e. gross profit margin) of each business segment:

	Six months ended			
	June 30, 2021		June 30, 2020	
	Amount RMB'000	Gross profit margin %	Amount RMB'000	Gross profit margin %
Continuing operations				
PC unit manufacturing	270,810	23.8%	295,308	29.1%
PC equipment manufacturing	83,912	37.9%	16,067	29.5%
Gross profit and gross profit margin	354,722	26.1%	311,375	29.2%
Discontinued operation				
Construction contracting	-	-	10,493	15.1%
Total gross profit and gross profit margin	354,722	26.1%	321,868	28.3%

Continuing operations

The gross profit of our PC unit manufacturing business decreased by 8.3% from RMB295.3 million for the six months ended June 30, 2020 to RMB270.8 million for the six months ended June 30, 2021; and the gross profit margin decreased from 29.1% for the six months ended June 30, 2020 to 23.8% for the six months ended June 30, 2021, which was mainly due to factors such as the decrease in sales prices and increase in raw material prices, which had certain impact on the gross profit and gross profit margin of the PC unit manufacturing business.

The gross profit of our PC equipment manufacturing business increased by 422.3% from RMB16.1 million for the six months ended June 30, 2020 to RMB83.9 million for the six months ended June 30, 2021; and the gross profit margin increased from 29.5% for the six months ended June 30, 2020 to 37.9% for the six months ended June 30, 2021, which was mainly due to the increase in scale of revenue and the reduction in share of fixed expenses, resulting in the increase in our gross profit and gross profit margin.

Management Discussion and Analysis

Valuation gains on investment properties

We recorded gains of RMB9.1 million from the appreciation of our investment properties for the six months ended June 30, 2020. For the six months ended June 30, 2021, the valuation of our investment properties did not increase and therefore we did not record such gains.

Other income

Our other income consists primarily of government grants and gains, operating lease income from rental of investment properties and dividend income.

The table below sets out a breakdown of the main components of our other income for the periods indicated:

	Sixth months ended	
	June 30, 2021 RMB'000	June 30, 2020 RMB'000
Government grants	20,357	15,706
Gain/(loss) on disposal of property, plant and equipment	244	(1,063)
Gain/(loss) on disposal of investment properties	109	(3,347)
Operating lease income from rent of investment properties	4,122	1,717
Loss on disposal of financial assets at fair value through profit or loss	–	(657)
Gain on disposal of other financial assets	272	1,294
Dividend income	6,986	1,980
Others	(4,022)	(1,661)
Total	28,068	13,969

Our other income increased by 100.9% from RMB14.0 million for the six months ended June 30, 2020 to RMB28.1 million for the six months ended June 30, 2021, which was mainly due to (i) the increase in government grants; (ii) the increase in dividend income; and (iii) the increase in gain on disposal of investment properties and operating lease income.

Management Discussion and Analysis

Sales and marketing expenses

Our sales and marketing expenses mainly include staff remuneration, operation cost, promotion fee, after-sale service fee and depreciation and amortization, etc. Such expenses increased by 27.6% from RMB51.6 million for the six months ended June 30, 2020 to RMB65.8 million for the six months ended June 30, 2021, and accounted for 4.8% of our revenue for the same period. The increase in sales and marketing expenses was mainly due to the growth of the PC business, which led to an increase in related market development, promotion, after-sales service expenses and salaries of marketing staff.

The table below sets out a breakdown of our sales and marketing expenses for the periods indicated:

	Six months ended	
	June 30, 2021 RMB'000	June 30, 2020 RMB'000
Staff remuneration	31,807	28,474
After-sale service fee	4,483	192
Operation cost, promotion fee, etc.	21,478	15,769
Depreciation and amortization	1,540	1,806
Vehicle utilization fee	2,420	1,961
Others	4,095	3,383
Total	65,823	51,585

General and administrative expenses

Our general and administrative expenses consist primarily of remuneration for administrative staff, bad debt provision and amortization and depreciation. Such expenses decreased by 4.3% from RMB161.4 million for the six months ended June 30, 2020 to RMB154.5 million for the six months ended June 30, 2021, and such expenses as a percentage of our revenue decreased from 15.1% to 11.4%, which was mainly due to (i) the increase in intermediary fees incurred for the Company's proposed initial public offering and listing of A Shares; (ii) the increase in depreciation and amortization; and (iii) the decrease in bad debt provision.

Management Discussion and Analysis

The table below sets out a breakdown of our general and administrative expenses for the periods indicated:

	Six months ended	
	June 30, 2021 RMB'000	June 30, 2020 RMB'000
Staff remuneration	27,368	30,825
Business taxes and surcharges	13,784	16,368
Depreciation and amortization	32,990	25,565
Bad debt provision	31,301	53,110
Intermediary consulting fees	20,137	9,796
Utility and property management fee	5,958	4,674
Others	22,962	21,061
Total	154,500	161,399

Research and development expenses

Our research and development expenses consist primarily of staff remuneration, material costs, depreciation and amortization, etc. The total research and development expenses increased by 32.8% from RMB78.7 million for the six months ended June 30, 2020 to RMB104.5 million for the six months ended June 30, 2021. For the six months ended June 30, 2021 and 2020, RMB56.6 million and RMB57.1 million of our research and development expenses were incurred, respectively, and RMB47.9 million and RMB21.6 million of our research and development expenses were capitalized, accounting for 45.8% and 27.5% of our research and development expenses for the same period, respectively.

The table below sets out a breakdown of our research and development expenses for the periods indicated:

	Six months ended	
	June 30, 2021 RMB'000	June 30, 2020 RMB'000
Staff remuneration	47,364	39,524
Material costs	47,880	26,963
Depreciation and amortization	3,587	5,694
Others	5,688	6,539
Total research and development expenses	104,519	78,720
Capitalization of research and development expenses	(47,874)	(21,615)
Total	56,645	57,105

Management Discussion and Analysis

Finance costs

Our finance costs consist primarily of interest expenses on bank loans and other borrowings, interest income, interest on lease liabilities and net foreign exchange gain, etc. Such costs increased by 31.8% from RMB53.0 million for the six months ended June 30, 2020 to RMB69.9 million for the six months ended June 30, 2021, which was mainly due to the increase in foreign exchange gain or loss as a result of exchange rate changes.

The table below sets out a breakdown of our finance costs for the periods indicated:

	Six months ended	
	June 30, 2021 RMB'000	June 30, 2020 RMB'000
Interest income	(7,709)	(7,936)
Interest on bank loans and other borrowings	63,902	67,677
Interest on lease liabilities	2,842	2,627
Net foreign exchange loss/(gain)	10,829	(9,346)
Total	69,864	53,022

Fair value changes on financial assets at fair value through profit or loss

Our gain or loss on fair value changes of financial assets increased by 28.2% from RMB1.1 million for the six months ended June 30, 2020 to RMB1.4 million for the six months ended June 30, 2021.

Share of profits less losses of associates

Our share of profits less losses of associates was calculated by the profit less loss attributable to us from our associates pursuant to our equity interests in such associates. As most of the Joint Factories were at the trial or during start-up stage and had not yet recorded any profit in their operations, we recorded a loss on our investment in the associates as a whole during the Reporting Period. Our share of profits less losses of associates decreased by 63.6% from a negative amount of RMB23.7 million for the six months ended June 30, 2020 to a negative amount of RMB8.6 million for the six months ended June 30, 2021, which was mainly due to the continuous improvement in operating position with the gradual business development of our associates.

Gains on loss of significant influence in associates

Based on our “two-level management strategy” and “two-level management research”, for the six months ended June 30, 2021 and 2020, 2 and 1 Joint Factories that we had made capital contribution to were re-measured as financial assets at fair value through profit or loss, respectively. As such, we recorded gains on loss of significant influence in associates of RMB30.6 million and RMB17.6 million, respectively. The Company confirmed that, the re-measurement and re-classification criteria of the above Joint Factories complied with the reclassification criteria as disclosed in the section headed “Development of the ‘Two-level Management Strategy’ on Our Portfolio of Joint Factories” in the financial section of the Prospectus.

Management Discussion and Analysis

The fair value of Joint Factories, as financial assets at fair value through profit or loss, was determined by valuation. The Company determined the value primarily based on independent valuation reports prepared by the valuer. The Company determined the fair value of the relevant financial assets using the comparable transactions method and the comparable company method under the market approach according to the different development stages of the Joint Factories. Among the Joint Factories re-measured as financial assets at fair value through profit or loss, 38 of which were in the initial operation period while 13 of which were in the rapid development period, and 9 of these 13 Joint Factories were profit-making during the current period. Under the market approach, accumulated losses incurred by a company in the initial operation period cannot be considered as an impairment of the initial investment. On the other hand, the prefabricated construction industry is supported by government policies and has a good prospect. According to the valuation results obtained by the professional body using the above valuation approach, such gains were recorded because the fair value of the financial assets exceeded the amount of interests held in the associates before the loss of significant influence over the target companies.

Income tax

Our income tax expense consists primarily of corporate income tax and movements in deferred tax assets. Our income tax increased by 116.3% from RMB5.7 million for the six months ended June 30, 2020 to RMB12.2 million for the six months ended June 30, 2021.

Profit/(loss) for the period

In view of the above, our profit for the period increased by 316.8% from a net loss of RMB21.8 million for the six months ended June 30, 2020 to a net profit of RMB47.2 million for the six months ended June 30, 2021.

3. WORKING CAPITAL AND CAPITAL RESOURCES

We have met our capital needs through cash flows from operations and financing. As at June 30, 2021, our balance of cash and cash equivalents amounted to RMB611.4 million while as at June 30, 2020, our cash and cash equivalents were RMB829.7 million.

The table below sets out our cash flows for the periods indicated:

	Six months ended	
	June 30, 2021 RMB'000	June 30, 2020 RMB'000
Net cash generated from/(used in) operating activities	326,685	(19,741)
Net cash used in investing activities	(310,393)	(362,734)
Net cash (used in)/generated from financing activities	(222,331)	118,039
Net decrease in cash and cash equivalents	(206,039)	(264,436)
Effect of foreign exchange rate changes	(10,829)	9,346
Cash and cash equivalents at the beginning of the period	828,288	1,084,750
Cash and cash equivalents at the end of the period	611,420	829,660

Management Discussion and Analysis

Net cash generated from/(used in) operating activities

Net cash generated from operating activities mainly includes our profits and non-cash items (such as depreciation and amortization) during the Reporting Period and is adjusted according to changes in working capital.

For the six months ended June 30, 2021, the net cash generated from operating activities was RMB326.7 million, which was mainly due to profit before income tax of RMB59.4 million, and was adjusted according to the following aspects: (i) non-cash items, mainly including RMB118.8 million of depreciation and amortization, gain on disposal of equipment of RMB0.2 million, impairment loss of RMB31.3 million, government grant amortization of RMB2.4 million, finance expenses of RMB69.9 million, share of profits less losses of associates of RMB8.6 million, gains on loss of significant influence in associates of RMB30.6 million, gains on fair value change of financial assets at fair value through profit or loss of RMB1.4 million, gains on disposal of other financial assets of RMB0.3 million, dividend income of RMB7.0 million, and gain on disposal of investment properties of RMB0.1 million; and (ii) changes in working capital, mainly including an increase in inventory of RMB45.4 million, an increase in trade and other receivables of RMB159.5 million, an increase in trade and other payables of RMB416.2 million, a decrease in contract liabilities of RMB112.2 million, and income tax paid of RMB18.4 million.

Net cash used in investing activities

For the six months ended June 30, 2021, our net cash used in investing activities was RMB310.4 million, which was mainly due to: (i) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB335.2 million; (ii) the payment for acquisition of financial assets at fair value through profit or loss of RMB16.5 million; (iii) payment for interests in associates of RMB10.2 million; (iv) proceeds from disposal of property, plant and equipment, of RMB2.2 million; (v) proceeds from disposal of financial assets at fair value through profit or loss of RMB8.1 million; (vi) proceeds from disposal of investment properties of RMB6.8 million; and (vii) dividends received of RMB26.5 million and proceeds from other investing activities of RMB8.0 million.

Net cash (used in)/generated from financing activities

For the six months ended June 30, 2021, our net cash used in financing activities was RMB222.3 million, which was mainly due to (i) proceeds from loans and borrowings of RMB993.4 million; (ii) payment of borrowings and interest of RMB1,198.1 million; and (iii) principal and interest of lease liabilities paid of RMB17.7 million.

Borrowings

Our total borrowings decreased by RMB67.9 million from RMB2,983.3 million as at December 31, 2020 to RMB2,915.4 million as at June 30, 2021. As at June 30, 2021, we had bank facilities of approximately RMB5,660 million (credit facilities), of which approximately RMB2,307 million remains unutilized.

Management Discussion and Analysis

(1) Schedule of repayment of borrowings, including principals and interests

As at June 30, 2021 and December 31, 2020, borrowings are repayable as follows:

	As at	
	June 30, 2021 RMB million	December 31, 2020 RMB million
Within 1 year	1,909.9	2,056.9
1-2 years	752.0	725.8
2-5 years	384.9	316.9
Over 5 years	–	–
Total	3,046.8	3,099.6

(2) Range of interest rates of borrowings

For the six months ended June 30, 2021, the interest rates of our borrowings are within the following range:

	Range of interest rates
Short-term borrowings	0%-6.00%
Long-term borrowings	4.15%-5.23%

Capital expenditures

Our previous capital expenditures were mainly due to the purchase of property, plant and equipment, right-of-use assets and intangible assets, the acquisition of financial assets at fair value through profit or loss and the acquisition of interests in associates. Our capital expenditures decreased by 51.6% from RMB748.5 million for the six months ended June 30, 2020 to RMB362.0 million for the six months ended June 30, 2021.

Net current assets/(liabilities)

We had net current assets of RMB77.6 million as at December 31, 2020 and net current liabilities of RMB70.2 million as at June 30, 2021. We will continue to improve our net current liability position through the measures set forth below: (i) meeting our capital needs from business expansion primarily through the use of equity financing; (ii) controlling our investments and increasing long-term borrowings to meet our capital needs and reduce the use of our own funds for investments; and (iii) converting some of our short-term borrowings to long-term borrowings to improve the capital utilization efficiency.

Pledge of assets

As at June 30, 2021, our restricted and pledged bank deposits were RMB287.3 million, while as at December 31, 2020, our restricted and pledged bank deposits were RMB206.8 million.

Management Discussion and Analysis

Off-balance sheet commitments and arrangements

As at June 30, 2021, we had no off-balance sheet arrangements.

Future plan for significant investments and capital assets

For the six months ended June 30, 2021, save as disclosed in this report, the Group did not have any significant investment or capital asset acquisition approved by the Board.

Major acquisitions and disposals of subsidiaries and associates

For the six months ended June 30, 2021, the Group did not make any major acquisitions and disposals of subsidiaries and associates.

Employees and remuneration policy

For the six months ended June 30, 2021, we had 3,211 full-time employees (average number for January to June 2021). According to our human resources strategy, we offer competitive remuneration to employees. Our total remuneration expenses decreased by 2.7% from RMB209.4 million for the six months ended June 30, 2020 to RMB203.7 million for the six months ended June 30, 2021, which was mainly due to our efforts to control costs and expenses by improving work efficiency and reducing staff.

4. COMMITMENTS

Capital Commitments

Our capital commitments outstanding as of the dates indicated are set forth below:

	As at	
	June 30, 2021 RMB'000	December 31, 2020 RMB'000
Contracted for		
– Construction and renovation of production facilities	230,756	318,923
– Capital contributions to Joint Factories	244,445	232,965
Total	475,201	551,888

Management Discussion and Analysis

5. FINANCIAL RATIOS

The following table sets forth the summary of our key financial ratios as of the dates indicated:

	Six months ended	
	June 30, 2021	June 30, 2020
Current ratio ⁽¹⁾	1.0	1.0
Quick ratio ⁽²⁾	0.9	0.9
Loan-to-equity ratio ⁽³⁾	69.6%	81.6%
Return on total assets ⁽⁴⁾	1.0%	-0.5%
Return on equity ⁽⁵⁾	2.3%	-1.1%
Interest coverage ratio ⁽⁶⁾	1.9	0.7

Notes:

- (1) Current ratio equals to current assets divided by current liabilities as of the end of the period.
- (2) Quick ratio equals to current assets (excluding inventories) divided by current liabilities as of the end of the period.
- (3) Loan-to-equity ratio equals to total interest-bearing bank and other borrowings divided by total equity as of the end of the period.
- (4) Return on total assets equals to the annualized profits divided by average of total assets at the beginning and end of the period.
- (5) Return on equity equals to the annualized profits divided by average of total equity at the beginning and end of the period.
- (6) Interest coverage ratio equals to profit before interest and taxation divided by finance costs.
- (7) Key financial ratios are presented on an annualized basis and are calculated by dividing the financial data (including continuing and discontinued operations) for the six months ended June 30, 2021 and 2020 by 180, and multiplying by 365.

Current Ratio

Our current ratio was 1.0 as at June 30, 2020 and 2021. For further details regarding the movements of our current assets and current liabilities, please refer to the section headed “Management Discussion and Analysis – Working capital and capital resources – Net Current Liabilities”.

Quick Ratio

Our quick ratio was 0.9 as at June 30, 2020 and 2021. For further details regarding the movements of our current assets and current liabilities, please refer to the section headed “Management Discussion and Analysis – Working capital and capital resources – Net Current Liabilities”.

Loan-to-equity Ratio

Our loan-to-equity ratio decreased from 81.6% as at June 30, 2020 to 69.6% as at June 30, 2021.

Management Discussion and Analysis

Return on Total Assets

Our return on total assets increased from -0.5% for the six months ended June 30, 2020 to 1.0% for the six months ended June 30, 2021.

Return on Equity

Our return on equity increased from -1.1% for the six months ended June 30, 2020 to 2.3% for the six months ended June 30, 2021.

Interest Coverage Ratio

Our interest coverage ratio increased from 0.7 time for the six months ended June 30, 2020 to 1.9 times for the six months ended June 30, 2021.

6. CONTINGENT LIABILITIES

During the Reporting Period, we did not have any significant contingent liabilities.

7. CREDIT RISK

Our credit risk is primarily attributable to trade debtors and bills receivable and other receivables. We have limited exposure to credit risks from our cash and cash equivalents and restricted and pledged deposits since the counterparties are banks which we assess with low credit risk. Furthermore, we believe that we are exposed to limited bad debt risks. Our major customers are investment entities and large-scale real estate developers controlled by the government, the credit risk of which is assessed to be insignificant.

We have established credit policies to continuously monitor our credit risks. Our credit risk is mainly affected by the individual characteristics of each customer rather than the industries or country in which the customers operate, and therefore concentration of credit risk primarily arises when we have significant exposure to individual customers. In this regard, we conduct individual credit assessment on customers requiring credit over a certain amount to manage the risks. Those assessments focus on the payment history and the current payment ability of customers, and take into account information specific to the customer as well as in relation to economic environment in which the customer operates. Trade debtors are due within 30 days from the date of billing. Normally, we do not obtain collateral from customers. We continuously monitor the condition of our receivables balance.

Turnover days of trade debtors and bills receivable

Our overall turnover days of trade debtors and bills receivable decreased from 392 days for the six months ended June 30, 2020 to 341 days for the six months ended June 30, 2021. The implementation of centralized land supply in certain cities in the first half of 2021 pooled significant amount of funds from our major developer customers for land reserves, which impacted our payment collection in relevant period. As a result, the turnover days of trade debtors and bills receivable of PC unit manufacturing business increased from 307 days for the six months ended June 30, 2020 to 361 days for the six months ended June 30, 2021.



Management Discussion and Analysis

8. LIQUIDITY RISK

Our objective is to ensure continuity of sufficient funding and funding flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that our outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Our subsidiaries may arrange their liquidity, including short-term investment of cash surplus and obtaining loans to satisfy their cash requirement, at their discretion according to their operating conditions and business needs, subject to the approval from the Board in the event beyond their entitlement. We constantly monitor current and expected liquidity requirements to ensure that we maintain sufficient cash reserve and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer terms.

Moreover, we actively and regularly review and manage our capital structure and adjust our capital structure in light of changes in economic condition. As at June 30, 2021, we did not make any changes in the objectives, policies or process of capital management.

9. INTEREST RATE RISK

Our risk from interest rate movements primarily arises from long-term borrowings. We are exposed to cash flow interest rate risk and fair value interest rate risk relating to our borrowings with floating rates and fixed rate, respectively. Our management controls our interest rate risk by reviewing the borrowings with fixed rates and floating rates. During the Reporting Period, we did not consider it necessary to use interest rate swaps to hedge our exposure to interest rate risk.

As at June 30, 2021, balance of fixed-rate borrowings amounted to RMB1,959.5 million, with the fixed interest rate ranging from 0% to 6.0% per annum and balance of floating-rate borrowings amounted to RMB955.9 million, with floating interest rate ranging from 4.05% to 4.75% per annum.

10. CURRENCY RISK

In respect of cash at bank and on hand denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. No material foreign exchange exposure and foreign currency risk are recognized as at June 30, 2021.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On August 23, 2021, we have completed the capital increase in Henan Xinpu Broad Homes Residential Industry Co., Ltd. (河南新蒲遠大住宅工業有限公司), which has become our subsidiary and included in our consolidated financial statements. For details, please refer to the Company's announcement of "Inside Information – Potential Transaction in Relation to Capital Increase in Xinpu Broad Homes" dated July 27, 2021, the announcement of "Discloseable Transaction – Capital Increase in Xinpu Broad Homes" dated July 30, 2021 and the announcement of "Voluntary Announcement – Completion of Capital Increase in Xinpu Broad Homes" dated August 23, 2021.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and implementing strict corporate governance standards. The principle of corporate governance of the Company is to implement effective internal control measures and improve the transparency and accountability of the Board to all Shareholders.

The Company has adopted the principles and code provisions in the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules as the basis for the Company's corporate governance practices.

During the Reporting Period, the Company has complied with all the applicable code provisions contained in the Corporate Governance Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for Directors and Supervisors in securities transactions. Upon making specific inquiries to all Directors and Supervisors of the Company, all of them confirmed that they had complied with the required standards contained in the Model Code during the six months ended June 30, 2021.

INTERIM DIVIDEND

On August 27, 2021, the Board resolved not to declare any interim dividend for the six months ended June 30, 2021.

AUDIT COMMITTEE

The Board has established the Audit Committee which comprises three independent non-executive Directors, namely Mr. Chen Gongrong (chairman), Mr. Li Zhengnong and Mr. Wong Kai Yan Thomas. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee, together with the management and the Auditor of the Company, has reviewed the unaudited interim consolidated results and the interim report of the Company for the six months ended June 30, 2021. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and has discussed on matters such as audit, risk management, internal control and financial reporting.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, the Directors, Supervisors and chief executive officer confirmed that no information is subject to disclosure as required by Rule 13.51B(1) of the Hong Kong Listing Rules.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's H Shares.

USE OF PROCEEDS FROM LISTING

The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on November 6, 2019, and the Company issued a total of 122,035,400 H Shares in Global Offering (including 167,400 H Shares issued upon partial exercise of the Over-allotment Option) at an offer price of HK\$9.68 per Share with a nominal value of RMB1.00 each. For details, please refer to the announcements of the Company dated November 5, 2019 and November 28, 2019. In addition, reference is made to the announcement of the Company dated April 27, 2021 (the "Announcement"), the Board considered and approved the change in use of proceeds from H Share offering on April 20, 2021. Net proceeds from the Global Offering (including the partial exercise of the Over-allotment Option) aggregated to approximately HK\$1,111.7 million (net of underwriting commission and related Listing expenses). As at June 30, 2021, balance of the unutilized net proceeds was approximately HK\$499.13 million.

Net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in the same manner as set out in the Prospectus and the Announcement. The table below sets out the planned use of net proceeds and the actual use as at June 30, 2021:

Use of Proceeds	Allocation of Net Proceeds (%)	Allocation of Net Proceeds (HK\$ million)	Amount Utilized (as at June 30, 2021) (HK\$ million)	Amount Unutilized (as at June 30, 2021) (HK\$ million)	Expected Time for Utilization of Unutilized Amount
(I) Expanding PC unit manufacturing business	45%	500.29	339.75	160.54	Before December 31, 2022
(1) Establishing wholly-owned regional production centers in key strategic regions	37%	410.97	250.43	160.54	Before December 31, 2022
(2) Expanding factories and upgrading equipment in existing regional production centers	8%	89.32	89.32	0	–
(II) Expansion in overseas and domestic markets, establishing technology and production centers targeting overseas and domestic markets	20%	222.30	43.86	178.44	Before December 31, 2022
(III) Developing and expanding intelligent equipment business	15%	166.71	36.20	130.51	Before December 31, 2022
(IV) Developing and establishing an intelligent service platform in the prefabricated construction industry	4%	49.07	49.07	0	–
(V) Working capital and general corporate purposes	16%	173.33	143.69	29.64	Before December 31, 2022
Total	100%	1,111.70	612.57	499.13	

Corporate Governance and Other Information

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of June 30, 2021, the Directors, Supervisors and the chief executives of the Company had the following interests and/or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to be notified to the Company and the Hong Kong Stock Exchange according to the Model Code:

Name of the Directors, Supervisors and the chief executive	Class of Shares	Nature of interest	Number of Shares held	Approximate	Approximate	Approximate percentage of the total issued H Shares of the Company %	Long position/ Short position/ Lending pool
				percentage of the issued Shares of the Company %	percentage of the total issued Shares of the Company %		
Mr. Zhang Jian	Domestic Shares	Beneficial owner	171,507,840	35.17	46.91	-	Long position
		Interest held by controlled corporations	101,912,160 (Note 2)	20.90	27.88	-	Long position
	H Shares	Interest held by spouse	122,700 (Note 3)	0.03	-	0.10	Long position
Ms. Tang Fen	Domestic Shares	Beneficial owner	1,800,000 (Note 4)	0.37	0.49	-	Long position
Ms. Shi Donghong	Domestic Shares	Beneficial owner	1,800,000	0.37	0.49	-	Long position
		Interest held by spouse	9,012,000 (Notes 4 and 5)	1.85	2.46	-	Long position
Mr. Zhang Kexiang	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.23	-	Long position
Mr. Tan Xinming	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.23	-	Long position
Mr. Zhang Quaxun	Domestic Shares	Interest held by controlled corporations	25,404,000 (Note 6)	5.21	6.95	-	Long position



Corporate Governance and Other Information

Notes:

- (1) The above disclosure is primarily based on the information published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
- (2) Hunan Broad Lingmu House Equipment Co., Ltd. ("**Broad Lingmu**") directly holds 66,176,160 Domestic Shares, Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership) ("**Daxin Investment**") directly holds 18,600,000 Domestic Shares, Hunan Dazheng Investment Co., Ltd. ("**Dazheng Investment**") directly holds 12,000,000 Domestic Shares, and Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership (Limited Partnership) ("**Fuyang Shangjiu**") directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Mr. Zhang Jian. Mr. Zhang Jian is the general partner of Daxin Investment and holds 66% partnership interest in Daxin Investment. Mr. Zhang Jian directly holds 0.3% interest and indirectly holds 70.9% interest (through Broad Lingmu) in Dazheng Investment. Mr. Zhang Jian indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Mr. Zhang Jian is deemed to be interested in the Domestic Shares held by Broad Lingmu, Daxin Investment, Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.
- (3) Ms. Liu Hui (柳慧女士), the spouse of Mr. Zhang Jian, directly holds 122,700 H Shares. Therefore, Mr. Zhang Jian is deemed to be interested in 122,700 H Shares for the purpose of Part XV of the SFO.
- (4) Each of Ms. Tang Fen, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming has been granted certain Shares through Daxin Investment and Dazheng Investment, being employee stock ownership platforms of the Company.
- (5) Mr. Zhou Bin (周斌先生), the spouse of Ms. Shi Donghong, directly holds 3,876,000 Domestic Shares, and Fuyang Shangjiu directly holds 5,136,000 Domestic Shares. Mr. Zhou Bin is the general partner of Fuyang Shangjiu. Therefore, Ms. Shi Donghong is deemed to be interested in 9,012,000 Domestic Shares for the purpose of Part XV of the SFO.
- (6) Shenzhen Yuanzhi Fuhai Equity Investment Enterprise (Limited Partnership) ("**Yuanzhi Fuhai**") directly holds 25,404,000 Domestic Shares. The general partners of Yuanzhi Fuhai is Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)) which is ultimately controlled by Mr. Zhang Quanxun and Mr. Cheng Houbo (程厚博先生). Therefore, Mr. Zhang Quanxun is deemed to be interested in such Domestic Shares held by Yuanzhi Fuhai for the purpose of Part XV of the SFO.

Save as those disclosed above, as of June 30, 2021, none of the Directors, Supervisors or the chief executive of the Company had any interests and/or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to be notified to the Company and the Hong Kong Stock Exchange according to the Model Code.

Corporate Governance and Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended June 30, 2021 was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2021, as far as the Directors of the Company are aware, the following persons (other than the Directors, the Supervisors and chief executive of the Company) had interests and/or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of the issued Shares of the Company %	Approximate percentage of the total issued Domestic Shares of the Company %	Approximate percentage of the total issued H Shares of the Company %	Long position/ Short position/ Lending pool
Broad Lingmu	Domestic Shares	Beneficial owner	66,176,160	13.57	18.10	-	Long position
		Interest held by controlled corporations	17,136,000 (Note 3)	3.51	4.69	-	Long position
Daxin Investment	Domestic Shares	Trustee	18,600,000 (Note 4)	3.81	5.09	-	Long position
Yuanzhi Fuhai	Domestic Shares	Trustee	25,404,000 (Note 5)	5.21	6.95	-	Long position
Franchise Fund LP	H Shares	Beneficial owner	34,194,300	7.01	-	28.02	Long position
Cassini Partners, L.P.	H Shares	Beneficial owner	7,958,027 (Notes 6 and 7)	1.63	-	6.52	Long position
Massachusetts Institute of Technology	H Shares	Interest held by controlled corporations	7,535,911 (Note 6)	1.55	-	6.18	Long position
OceanLink Management Ltd.	H Shares	Interest held by controlled corporations	19,531,500 (Note 7)	4.01	-	16	Long position
OceanLink Partners Fund, LP	H Shares	Beneficial owner	11,573,473 (Note 7)	2.37	-	9.48	Long position
UBS Group AG	H Shares	Interest held by controlled corporations	34,410,849 (Note 8)	7.06	-	28.2	Long position



Corporate Governance and Other Information

Notes:

- (1) The above disclosure is primarily based on the information published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
- (2) According to section 336 of the SFO, the Shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. If the Shareholder's shareholding in the Company changes, unless certain criteria are fulfilled, the Shareholder need not notify the Company and the Hong Kong Stock Exchange. Therefore, the latest Shareholder's shareholding in the Company may be different from that filed with the Hong Kong Stock Exchange.
- (3) Broad Lingmu directly holds 66,176,160 Domestic Shares, Daxin Investment directly holds 18,600,000 Domestic Shares, Dazheng Investment directly holds 12,000,000 Domestic Shares, and Fuyang Shangjiu directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Mr. Zhang Jian. Mr. Zhang Jian is the general partner of Daxin Investment and holds 66% partnership interest in Daxin Investment. Mr. Zhang Jian directly holds 0.3% interest and indirectly holds 70.9% interest (through Broad Lingmu) in Dazheng Investment. Mr. Zhang Jian indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Mr. Zhang Jian is deemed to be interested in the Domestic Shares held by Broad Lingmu, Daxin Investment, Dazheng Investment and Fuyang Shangjiu, and Broad Lingmu is deemed to be interested in the Domestic Shares held by Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.
- (4) Daxin Investment is an employee stock ownership platform of the Company.
- (5) The general partners of Yuanzhi Fuhai are Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)). Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) is ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司); and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)) is ultimately controlled by Mr. Zhang Quanzun and Mr. Cheng Houbo (程厚博先生). The limited partner of Yuanzhi Fuhai holding over one third of partnership interest in Yuanzhi Fuhai is Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併購投資基金合夥企業(有限合夥)), which is also ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司).
- (6) Cassini Partners, L.P. directly holds 7,958,027 H Shares and Massachusetts Institute of Technology holds 96.8% equity interests of Cassini Partners, L.P. Therefore, Massachusetts Institute of Technology is deemed to be interested in the 7,958,027 H Shares held by Cassini Partners, L.P., for the purpose of the SFO.
- (7) OceanLink Partners Fund, LP directly holds 11,573,473 H Shares and Cassini Partners, L.P. directly holds 7,958,027 H Shares. OceanLink Management Ltd. is the general partner of OceanLink Partners Fund, LP and the investment advisor and contingent interest partner of Cassini Partners, L.P. Cassini Partners, L.P. is accustomed or obliged to act in accordance with the directions of OceanLink Management Ltd. Therefore, OceanLink Management Ltd. is deemed to be interested in the 11,573,473 H Shares held by OceanLink Partners Fund, LP and 7,958,027 H Shares held by Cassini Partners, L.P., for the purpose of the SFO.
- (8) UBS AG directly holds 34,264,000 H Shares, UBS Switzerland AG directly holds 117,149 H Shares, and UBS Asset Management Switzerland AG directly holds 29,700 H Shares. UBS Group AG holds 100% equity interests in UBS AG, UBS Switzerland AG and UBS Asset Management Switzerland AG. Therefore, UBS Group AG is deemed to be interested in the 34,264,000 H Shares held by UBS AG, 117,149 H Shares held by UBS Switzerland AG, and 29,700 H Shares held by UBS Asset Management Switzerland AG, for the purpose of the SFO.

Save as those disclosed above, as at June 30, 2021, as far as the Directors are aware, no other persons (other than the Directors, the Supervisors and chief executive of the Company) had interests and/or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

Independent Auditor's Report

Review report to the board of directors of Changsha Broad Homes Industrial Group Co., Ltd.

(Incorporated in the People's Republic of China)

INTRODUCTION

We have reviewed the interim financial report set out on pages 41 to 74 which comprises the consolidated statement of financial position of Changsha Broad Homes Industrial Group Co., Ltd. (the "Company") as of 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 August 2021

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000 (restated)
Continuing operations:			
Revenue	4	1,360,205	1,067,790
Cost of sales		(1,005,483)	(756,415)
Gross profit		354,722	311,375
Net valuation gains on investment properties	10	–	9,053
Other income	5	28,068	13,969
Sales and distribution expenses		(65,823)	(51,585)
General and administrative expenses		(154,500)	(161,399)
Research and development expenses		(56,645)	(57,105)
Profit from operations		105,822	64,308
Finance costs	6(a)	(69,864)	(53,022)
Fair value changes on financial assets at fair value through profit or loss	24	1,428	1,114
Share of profits less losses of associates	13	(8,613)	(23,653)
Gains on loss of significant influence in associates		30,623	17,598
Profit before taxation	6	59,396	6,345
Income tax	7	(12,231)	(5,654)
Profit from continuing operations		47,165	691
Discontinued operation:			
Loss from discontinued operation	8	–	(22,448)
Profit/(loss) for the period		47,165	(21,757)
Total comprehensive income/(loss) for the period		47,165	(21,757)
Basic and diluted earnings/(losses) per share (RMB)			
– continuing operations	9	0.10	(0.04)
– discontinued operation		0.10	–*
		–	(0.04)

* The amount represents less than RMB0.01.

The notes on pages 48 to 74 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2021 – unaudited
(Expressed in Renminbi)

	Note	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Non-current assets			
Investment properties	10	263,672	270,935
Property, plant and equipment	11	2,038,498	1,892,145
Intangible assets		305,497	275,171
Right-of-use assets	12	594,696	466,350
Interest in associates	13	345,705	354,750
Financial assets at fair value through profit or loss	14	1,971,988	1,912,755
Deferred tax assets		39,863	35,383
Total non-current assets		5,559,919	5,207,489
Current assets			
Inventories	15	302,546	257,937
Trade and other receivables	16	2,758,789	2,690,691
Restricted and pledged bank deposits	17	287,264	206,763
Cash and cash equivalents	18	611,420	828,288
Total current assets		3,960,019	3,983,679
Total assets		9,519,938	9,191,168
Current liabilities			
Short-term borrowings	19(a)	1,853,947	1,970,713
Trade and other payables	20	1,940,661	1,587,698
Contract liabilities	21	180,953	293,172
Lease liabilities	22	35,082	32,898
Deferred income		4,847	4,847
Current taxation		14,728	16,740
Total current liabilities		4,030,218	3,906,068
Net current (liabilities)/assets		(70,199)	77,611
Total assets less current liabilities		5,489,720	5,285,100

The notes on pages 48 to 74 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2021 – unaudited
(Expressed in Renminbi)

	Note	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Non-current liabilities			
Long-term borrowings	19(b)	1,061,449	1,012,578
Lease liabilities	22	148,805	37,866
Deferred income		77,556	79,976
Deferred tax liabilities		16,103	16,038
Total non-current liabilities		1,303,913	1,146,458
NET ASSETS		4,185,807	4,138,642
CAPITAL AND RESERVES			
Share capital		487,639	487,639
Reserves		3,698,168	3,651,003
Total equity attributable to equity shareholders of the Company		4,185,807	4,138,642
TOTAL EQUITY		4,185,807	4,138,642

Approved and authorised for issue by the board of directors on 27 August 2021.

Zhang Jian
Chairman

Shi Donghong
Chief Financial Officer

The notes on pages 48 to 74 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company					Total equity RMB'000
		Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained earnings RMB'000	
Balance at 1 January 2020		487,639	2,304,603	140,418	2,023	1,231,358	4,166,041
Changes in equity for the six months ended 30 June 2020							
Loss for the period		-	-	-	-	(21,757)	(21,757)
Other comprehensive income		-	-	-	(3,194)	3,194	-
Total comprehensive income		-	-	-	(3,194)	(18,563)	(21,757)
Appropriation of profit	23	-	-	-	-	(243,819)	(243,819)
Balance at 30 June 2020 and 1 July 2020		487,639	2,304,603	140,418	(1,171)	968,976	3,900,465
Changes in equity for the six months ended 31 December 2020							
Profit for the period		-	-	-	-	238,177	238,177
Other comprehensive income		-	-	-	(1,704)	1,704	-
Total comprehensive income		-	-	-	(1,704)	239,881	238,177
Appropriation for surplus reserve		-	-	7,084	-	(7,084)	-
Appropriation of profit		-	-	-	-	-	-
Balance at 31 December 2020		487,639	2,304,603	147,502	(2,875)	1,201,773	4,138,642

The notes on pages 48 to 74 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company					Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained earnings RMB'000	
Balance at 1 January 2021	487,639	2,304,603	147,502	(2,875)	1,201,773	4,138,642
Changes in equity for the six months ended 30 June 2021						
Profit for the period	-	-	-	-	47,165	47,165
Other comprehensive income	-	-	-	(705)	705	-
Total comprehensive income	-	-	-	(705)	47,870	47,165
Balance at 30 June 2021	487,639	2,304,603	147,502	(3,580)	1,249,643	4,185,807

The notes on pages 48 to 74 form part of this interim financial report.

Consolidated Cash Flow Statement

For the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Operating activities			
Profit/(Loss) before taxation		59,396	(15,535)
Adjustments for:			
Depreciation and amortisation	6(c)	118,823	113,824
(Gain)/loss on disposal of property, plant and equipment	5	(244)	1,063
(Gain)/Loss on disposal of investment properties	5	(109)	3,347
Impairment losses		31,301	69,511
Amortisation of government grants		(2,420)	(2,398)
Finance costs		69,864	53,329
Share of profits less losses of associates	13	8,613	23,653
Gains on loss of significant influence in associates		(30,623)	(17,598)
Fair value changes on financial assets at fair value through profit or loss		(1,428)	(1,997)
Loss on disposal of financial assets at fair value through profit or loss	5	–	657
Gains on disposal of other financial assets	5	(272)	(1,294)
Dividend income	5	(6,986)	(1,980)
Net valuation gains on investment properties	10	–	(9,053)
Changes in working capital:			
Increase in inventories		(45,403)	(4,714)
Increase in trade and other receivables		(159,493)	(125,709)
Increase/(decrease) in trade and other payables		416,239	(360,217)
Decrease in contract assets		–	298,068
Decrease in contract liabilities		(112,219)	(31,523)
Increase in deferred income		–	4,000
Cash generated from/(used in) operations		345,039	(4,566)
Income tax paid		(18,354)	(15,175)
Net cash generated from/(used in) operating activities		326,685	(19,741)

The notes on pages 48 to 74 form part of this interim financial report.

Consolidated Cash Flow Statement

For the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2021	2020
Note		RMB'000	RMB'000
Investing activities			
	Payment for purchase of property, plant and equipment, right-of-use assets and intangible assets	(335,241)	(143,793)
24	Payment for purchase of financial assets at fair value through profit or loss	(16,505)	(594,695)
	Payment for interest in associates	(10,245)	(10,008)
	Proceeds from disposal of property, plant and equipment	2,175	3,290
	Proceeds from sales of financial assets at fair value through profit or loss	8,125	351,644
	Proceeds from sales of investment properties	6,836	20,855
	Dividends received	26,480	1,980
	Proceeds from other investing activities	7,982	7,993
Net cash used in investing activities		(310,393)	(362,734)
Financing activities			
	Proceeds from loans and borrowings	993,440	1,736,556
	Repayment of loans and borrowings	(1,133,529)	(1,285,764)
	Interest paid	(64,579)	(68,006)
	Payment for dividends	–	(240,040)
	Capital element of lease rentals paid	(14,821)	(22,080)
	Interest element of lease rentals paid	(2,842)	(2,627)
Net cash (used in)/generated from financing activities		(222,331)	118,039
Net decrease in cash and cash equivalents		(206,039)	(264,436)
Cash and cash equivalents at 1 January		828,288	1,084,750
Effect of foreign exchange rate changes		(10,829)	9,346
18	Cash and cash equivalents at 30 June	611,420	829,660

The notes on pages 48 to 74 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

Changsha Broad Homes Industrial Group Co., Ltd. (“the Company”) was established in Changsha, Hunan Province, People’s Republic of China (the “PRC”) on 30 April 2006 as a limited liability company. The registered office and principal place of business of the Company is No. 248 Yinshuang Road, Yuelu District, Changsha, Hunan Province, PRC.

The Company and its subsidiaries (together, “the Group”) are principally engaged in the industrialisation of construction industry in the PRC, including prefabricated concrete unit manufacturing (“PC Unit Manufacturing”) and prefabricated concrete equipment manufacturing (“PC Equipment Manufacturing”). Before sale of 100% equity interest in Hunan Broad Construction & Industrial Co., Ltd. in September 2020, it was also engaged in construction activities.

The H shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6 November 2019.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 27 August 2021.

The interim financial report has been prepared on the going concern basis. As at 30 June 2021, the Group’s current liabilities exceeded its current assets by RMB70,199 thousand. Taking into the Group’s available banking facilities and history of obtaining external financing, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, it is appropriate to prepare the financial statements on a going concern basis.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform-phase 2*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim review report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments, being (i) PC Unit Manufacturing segment, (ii) PC Equipment Manufacturing segment and (iii) Construction contracts segment. After the Group disposed 100% equity interest in Hunan Broad Construction & Industrial Co., Ltd. in September 2020, it ceased to carry out construction activities. No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
Continuing operations:		
– Sales of PC units	1,138,816	1,013,335
– Sales of PC equipment	221,389	54,455
	1,360,205	1,067,790
Discontinued operation:		
– Revenue from construction contracts	–	69,710
	1,360,205	1,137,500

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Continuing operation						Discontinued operation			
	PC Unit Manufacturing		PC Equipment Manufacturing		Subtotal		Construction contracts		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<i>For the six months ended 30 June</i>										
Disaggregated by timing of revenue recognition										
Point in time	1,138,816	1,013,335	221,389	54,455	1,360,205	1,067,790	-	-	1,360,205	1,067,790
Over time	-	-	-	-	-	-	-	69,710	-	69,710
Revenue from external customers	1,138,816	1,013,335	221,389	54,455	1,360,205	1,067,790	-	69,710	1,360,205	1,137,500
Inter-segment revenue	-	-	-	-	-	-	-	21,248	-	21,248
Reportable segment revenue	1,138,816	1,013,335	221,389	54,455	1,360,205	1,067,790	-	90,958	1,360,205	1,158,748
Reportable segment profit/(loss)	78,971	126,464	57,366	(26,625)	136,337	99,839	-	(21,880)	136,337	77,959
Finance costs	(69,864)	(53,022)	-	-	(69,864)	(53,022)	-	(307)	(69,864)	(53,329)
Depreciation and amortisation for the period	(118,562)	(110,807)	(2,631)	(1,998)	(121,193)	(112,805)	-	(1,019)	(121,193)	(113,824)
As at 30 June/31 December										
Reportable segment assets	6,864,095	6,541,305	338,150	382,358	7,202,245	6,923,663	-	-	7,202,245	6,923,663
Reportable segment liabilities	2,248,219	1,955,332	170,516	259,236	2,418,735	2,214,568	-	-	2,418,735	2,214,568

The measure used for reporting segment profit is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes". To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, gains on loss of significant influence in associates, fair value changes on financial assets at fair value through profit or loss, dividend income and head office and corporate expenses.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue		
Continuing operations:		
Reportable segment revenue	1,360,205	1,067,790
Discontinued operations:		
Reportable segment revenue	–	90,958
Elimination of inter-segment revenue	–	(21,248)
Consolidated revenue	1,360,205	1,137,500
Profit		
Total reportable segment profit	136,337	77,959
Elimination of discontinuing operations	–	21,880
Gross profit from continuing operations	136,337	99,839
Finance costs	(69,864)	(53,022)
Unallocated head office and corporate expenses	(37,501)	(36,854)
Fair value changes on financial assets at fair value through profit or loss	1,428	1,114
Share of profits less losses of associates	(8,613)	(23,653)
Gains on loss of significant influence in associates	30,623	17,598
Loss on disposal of financial assets at fair value through profit or loss	–	(657)
Dividend income	6,986	1,980
Profit before taxation from continuing operations	59,396	6,345

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

5 OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Continuing operations:		
Government grants	20,357	15,706
Gain/(loss) on disposal of property, plant and equipment	244	(1,063)
Gain/(loss) on disposal of investment properties	109	(3,347)
Operating lease income from rent of investment properties	4,122	1,717
Loss on disposal of financial assets at fair value through profit or loss	-	(657)
Gains on disposal of other financial assets	272	1,294
Dividend income	6,986	1,980
Others	(4,022)	(1,661)
	28,068	13,969
Discontinued operation:		
Government grants	-	200
	-	200
	28,068	14,169

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Continuing operations:		
Interest on bank loans and other borrowings	63,902	67,677
Interest on lease liabilities	2,842	2,627
Interest income	(7,709)	(7,936)
Net foreign exchange loss/(gain)	10,829	(9,346)
	69,864	53,022
Discontinued operation:		
Interest on bank loans and other borrowings	-	364
Interest income	-	(57)
	-	307
	69,864	53,329

(b) Staff costs:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Continuing operations:		
Salaries, wages, bonuses and other benefits	201,757	205,381
Contributions to defined contribution retirement plan	1,932	2,150
	203,689	207,531
Discontinued operation:		
Salaries, wages, bonuses and other benefits	-	1,817
Contributions to defined contribution retirement plan	-	48
	-	1,865
	203,689	209,396

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Continuing operations:		
Amortisation		
– intangible assets	15,924	14,237
Depreciation		
– property, plant and equipment (note 11)	76,948	79,108
– right-of-use assets	25,951	19,461
Impairment losses		
– trade and other receivables	30,507	62,627
Cost of inventories (note 15(b))	676,452	520,210
Discontinued operation:		
Amortisation		
– intangible assets	–	902
Depreciation		
– property, plant and equipment	–	116
Impairment losses		
– trade and other receivables and contract assets	–	(79)
Cost of inventories	–	–

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

(a) Continuing operations:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current tax – PRC income tax		
Provision for the period	16,646	16,307
Deferred tax		
Origination and reversal of temporary differences	(4,415)	(10,653)
	12,231	5,654

(b) Discontinuing operation:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current tax – PRC income tax		
Provision for the period	–	–
Deferred tax		
Origination and reversal of temporary differences	–	568
	–	568

8 DISCONTINUED OPERATION

On 29 September 2020, the Group entered into an equity transfer agreement with two independent third parties, pursuant to which, the Group agreed to sell and the third parties agreed to acquire 100% equity interest in Hunan Broad Construction & Industrial Co., Ltd. (湖南遠大建工股份有限公司) at a total cash consideration of RMB292 million. Mr. Zhang Jian voluntarily provided on irrevocable guarantee with joint liabilities for the performance of the Group and Hunan Broad Construction & Industrial Co., Ltd. of their respective obligations under the equity transfer agreement. Upon completion of the disposal on 30 September 2020, the Group ceased to hold any equity interest in Hunan Broad Construction & Industrial Co., Ltd., it ceased to be a subsidiary of the Group, and its financial statements ceased to be consolidated into the financial statements of the Group.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

8 DISCONTINUED OPERATION (CONTINUED)

(a) Results of discontinued operation

	Six months ended 30 June 2020 RMB'000
Revenue	69,710
Cost of sales	(59,217)
Sales and distribution expenses	(2,013)
General and administrative expenses	(18,721)
Research and development expenses	(11,532)
Other income	200
Finance costs	(307)
Result from operating activities	(21,880)
Income tax	(568)
Loss from discontinued operation for the period	(22,448)

(b) Cash flows used in from discontinued operation

	Six months ended 30 June 2020 RMB'000
Net cash generated from operating activities	28,786
Net cash used in investing activities	–
Net cash used in financing activities	(30,312)
Net cash outflow for the period	(1,526)

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

9 EARNINGS/(LOSSES) PER SHARE

The calculation of basic and diluted earnings/(losses) per share is based on the profit attributable to equity shareholders of the Company of RMB47,165 thousand (six months ended 30 June 2020: loss of RMB21,757 thousand) and the weighted average number of shares of 487,639,400 (six months ended 30 June 2020: 487,639,400). There were no potential dilutive ordinary shares during the six-month period and therefore dilutive earnings per share are the same as the basic earnings per share.

10 INVESTMENT PROPERTIES

	Commercial real estate
	RMB'000
Balance at 1 January 2020	310,169
Fair value adjustment	17,186
Disposals	(56,420)
	<hr/>
Balance at 31 December 2020	270,935
	<hr style="border-top: 1px dashed black;"/>
Balance at 1 January 2021	270,935
Fair value adjustment	–
Disposals	(7,263)
	<hr/>
Balance at 30 June 2021	263,672
	<hr style="border-top: 3px double black;"/>

Fair value adjustment of investment properties is recognised in the line item “Net valuation gains on investment properties” on the face of the consolidated statement of comprehensive income.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Office furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
Balance at 1 January 2020	839,103	1,301,639	26,053	27,183	19,904	55,259	2,269,141
Additions	10,162	26,736	2,002	5,061	2,255	252,553	298,769
Transferred from construction in progress	18,490	18,182	-	-	678	(37,350)	-
Disposals	-	(6,386)	(1,721)	(855)	(708)	-	(9,670)
Disposal of discontinued operation	-	(118)	(449)	(1,348)	(1)	-	(1,916)
Balance at 31 December 2020	867,755	1,340,053	25,885	30,041	22,128	270,462	2,556,324
Additions	41,562	8,684	1,094	246	230	173,245	225,061
Transferred from construction in progress	432	45	71	-	-	(548)	-
Disposals	-	(3,983)	(166)	(2,048)	(301)	-	(6,498)
Balance at 30 June 2021	909,749	1,344,799	26,884	28,239	22,057	443,159	2,774,887
Accumulated depreciation:							
Balance at 1 January 2020	(82,827)	(386,547)	(16,565)	(12,949)	(13,359)	-	(512,247)
Depreciation charge for the year	(33,765)	(119,521)	(2,959)	(1,783)	(1,505)	-	(159,533)
Written back on disposals	-	3,703	1,575	755	665	-	6,698
Written back on disposal of discontinued operation	-	67	406	429	1	-	903
Balance at 31 December 2020	(116,592)	(502,298)	(17,543)	(13,548)	(14,198)	-	(664,179)
Depreciation charge for the period	(18,021)	(55,821)	(1,471)	(864)	(771)	-	(76,948)
Written back on disposals	-	2,399	156	1,897	286	-	4,738
Balance at 30 June 2021	(134,613)	(555,720)	(18,858)	(12,515)	(14,683)	-	(736,389)
Net book value:							
Balance at 30 June 2021	775,136	789,079	8,026	15,724	7,374	443,159	2,038,498
Balance at 31 December 2020	751,163	837,755	8,342	16,493	7,930	270,462	1,892,145

As at 30 June 2021, property, plant and equipment with carrying amounts of RMB452,592 thousand (2020: RMB476,389 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 19).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

12 RIGHT-OF-USE ASSETS

The Group leases assets including plants, buildings and land use rights. Information about leases for which the Group is a lessee is presented below.

	Property, plant and equipment RMB'000	Land use rights RMB'000	Total RMB'000
Cost:			
Balance at 1 January 2020	86,949	311,165	398,114
Additions	44,069	96,977	141,046
Disposals	(2,781)	–	(2,781)
Balance at 31 December 2020	128,237	408,142	536,379
Additions	128,451	26,293	154,744
Modifications after initial recognition	226	–	226
Disposals	(1,192)	–	(1,192)
Balance at 30 June 2021	255,722	434,435	690,157
Accumulated depreciation:			
Balance at 1 January 2020	(24,503)	(7,082)	(31,585)
Depreciation for the year	(33,428)	(7,797)	(41,225)
Written back on disposals	2,781	–	2,781
Balance at 31 December 2020	(55,150)	(14,879)	(70,029)
Depreciation for the period	(21,009)	(4,942)	(25,951)
Written back on disposals	519	–	519
Balance at 30 June 2021	(75,640)	(19,821)	(95,461)
Net book value:			
Balance at 30 June 2021	180,082	414,614	594,696
Balance at 31 December 2020	73,087	393,263	466,350

As at 30 June 2021, certain land use rights with carrying amounts of RMB187,097 thousand (2020: RMB189,291 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 19).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

13 INTEREST IN ASSOCIATES

The Group has interests in 14 associates (2020:16 associates). None of these associates was individually material to the Group's financial condition or results of operations for the six months ended 30 June 2021 and the year ended 31 December 2020. All of these associates are accounted for using the equity method in the six months ended 30 June 2021 and 2020. The purpose of the investment in the associates is to enable the Group to expand PC units business in the PRC.

Aggregate information of associates that are not individually material:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	345,705	354,750
	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Aggregate amounts of the Group's share of those associates		
Losses from operations	(8,613)	(23,653)
Other comprehensive income	-	-
Total comprehensive income	(8,613)	(23,653)

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Financial assets at fair value through profit or loss – Equity investment	1,971,988	1,912,755

15 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Raw materials	169,180	127,783
Work in progress	59,397	70,411
Finished goods	73,969	58,771
Consignment stock	–	972
	302,546	257,937

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold	675,658	513,247
Write down of inventories	794	6,963
	676,452	520,210

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

16 TRADE AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade debtors	2,517,694	2,422,069
Bills receivable	120,259	99,907
Less: allowance for doubtful debts	(138,063)	(107,452)
	2,499,890	2,414,524
Other receivables	121,082	139,181
Less: allowance for doubtful debts	(2,031)	(2,180)
	119,051	137,001
Prepayments	76,620	77,959
Prepaid expenses	669	954
Value added tax recoverable	60,403	49,184
Prepaid income tax	842	1,146
Others	1,314	9,923
	2,758,789	2,690,691

All of the trade debtors, bills receivable and other receivables are expected to be recovered or recognised as expense within one year.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 month	229,032	307,864
Over 1 month but less than 1 year	1,311,596	1,197,393
1 to 2 years	586,766	489,768
2 to 3 years	209,187	207,941
More than 3 years	163,309	211,558
	2,499,890	2,414,524

Trade debtors and bills receivable are due within 30 days from the date of billing.

As at 30 June 2021, certain trade and other receivables with carrying amounts RMB41,838 thousand (2020: RMB84,433 thousand) was pledged as collateral for certain bank loans and other borrowings (see note 19).

Movement in the loss allowance account in respect of trade debtors and bills receivable during the period is as follows:

	2021 RMB'000	2020 RMB'000
Balance at 1 January	107,452	110,008
Uncollected amounts written off	(1)	(11,370)
Impairment losses recognised	30,612	36,788
Written back on disposal of discontinued operation	-	(27,974)
Balance at 30 June/31 December	138,063	107,452

17 RESTRICTED AND PLEDGED BANK DEPOSITS

The pledged bank deposits primarily represent cash maintained at banks as security for guarantees of payment relating to the issuance of bills payable to certain vendors of the Group, and for bank deposits and for receivables that have been factored to banks. Upon maturity of the bills payable, maturity of bank deposits or upon full repayment of the receivables, the restriction on the bank deposits is released.

Notes to the Unaudited Interim Financial Report

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18 CASH AND CASH EQUIVALENTS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Cash at bank	611,420	828,288

Cash at bank includes time deposits of RMB393,998 thousand (2020: RMB331,455 thousand) placed at banks in mainland China and Hong Kong with original maturities of three months or less.

19 LOANS AND BORROWINGS

(a) Short-term loans and borrowings

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Guaranteed bank loans	(i)	350,000	600,000
Secured bank loans	(ii)	531,837	804,433
Unsecured bank loans		277,529	341,037
Add: Current portion of non-current loans and borrowings		694,581	225,243
		1,853,947	1,970,713

(i) Guaranteed bank loans

As at 30 June 2021, the Group's short-term bank loan of RMB300.0 million were guaranteed by Mr. Zhang Jian and Ms. Liu Hui, of which RMB200.0 million were also co-guaranteed by the Group's subsidiary Broad Homes Industrial (Tianjin) Co., Ltd. The Group's remaining RMB50.0 million were guaranteed by the Group's subsidiary Ningxiang Broad Homes Industrial Co., Ltd..

As at 31 December 2020, the Group's short-term bank loans of RMB550.0 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd., of which RMB400.0 million were also co-guaranteed by the Group's subsidiary Broad Homes Industrial (Tianjin) Co., Ltd. The remaining RMB50.0 million were guaranteed by the Group's subsidiary Ningxiang Broad Homes Industrial Co., Ltd..

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19 LOANS AND BORROWINGS (CONTINUED)

(a) Short-term loans and borrowings (Continued)

(ii) Secured bank loans

As at 30 June 2021, the Group's short-term bank loans of RMB110.0 million were secured by plants and buildings with carrying amounts of RMB49.3 million (see note 11) and land use rights with carrying amounts of RMB37.0 million (see note 12) by the Group's subsidiary Broad Homes Industrial (Hangzhou) Co., Ltd.

As at 30 June 2021, the Group's short-term bank loans of RMB380.0 million were guaranteed by Mr. Zhang Jian and Ms. Liu Hui, and co-secured by plants and buildings of the Company with carrying amounts of RMB12.4 million (see note 11) and land use rights with carrying amounts of RMB7.2 million (see note 12).

As at 30 June 2021, the remaining short-term loans of RMB41.8 million were secured by trade and other receivables with carrying amounts of RMB41.8 (see note 16).

As at 31 December 2020, the Group's short-term bank loans of RMB380.0 million were secured by plants and buildings with carrying amounts of RMB12,752 thousand (see note 11) and land use rights with carrying amounts of RMB7,337 thousand (see note 12).

As at 31 December 2020, the Group's short-term bank loans of RMB340.0 million were secured by plants and buildings with carrying amounts of RMB50,588 thousand (see note 11), land use rights with carrying amounts of RMB37,372 thousand (see note 12) and guaranteed by the Group's subsidiary Broad Homes Industrial (Hangzhou) Co., Ltd..

As at 31 December 2020, the remaining short-term bank loans of RMB84.4 million were secured by trade and other receivables with carrying amounts of RMB84.4 million (see note 16).

(b) Long-term loans and borrowings

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Guaranteed bank loans	(i)	580,200	421,600
Secured bank loans and other borrowings	(ii)	799,930	636,221
Unsecured bank loans		375,900	180,000
Less: Current portion of non-current loans and borrowings		(694,581)	(225,243)
		1,061,449	1,012,578

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19 LOANS AND BORROWINGS (CONTINUED)

(b) Long-term loans and borrowings (Continued)

(i) *Guaranteed bank loans*

As at 30 June 2021, the Group's long-term bank loans of RMB525.2 million were guaranteed by Mr. Zhang Jian and Ms. Liu Hui, of which RMB196 million was co-guaranteed by the Group's subsidiary Broad Homes Industrial (Tianjin) Co., Ltd. and RMB305.5 million was due within one year.

As at 30 June 2021, the remaining long-term bank loans of RMB55 million were guaranteed by Mr. Zhang Jian, of which RMB10 million was due within one year.

As at 31 December 2020, the Group's long-term bank loans of RMB421.6 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd., of which RMB97.0 million was also guaranteed by the Group's subsidiary Broad Homes Industrial (Tianjin) Co., Ltd. and RMB107.8 million was due within one year.

(ii) *Secured bank loans*

As at 30 June 2021, the Group's long-term bank loans of RMB390.9 million were secured by plants and buildings with carrying amounts of RMB49.3 million (see note 11), land use rights with carrying amounts of RMB37.0 million (see note 12) and guaranteed by the Group's subsidiary Broad Homes Industrial (Hangzhou) Co., Ltd., and RMB27.62 million was due within one year.

As at 30 June 2021, the Group's long-term borrowings of RMB304.0 million were secured by plants and buildings with carrying amounts of RMB18.6 million (see note 11), land use rights with carrying amounts of RMB23.4 million (see note 12) and guaranteed by Group's subsidiary Broad Homes Industrial (Yueyang) Co., Ltd. and Broad Homes Industrial (Xiangtan) Co., Ltd., of which RMB264 million was due within one year.

As at 30 June 2021, the remaining long-term borrowings of RMB105.03 million were secured by machinery equipments with carrying amount of RMB256.0 million, plants and buildings with carrying amounts of RMB73.2 thousand, land use rights with carrying amounts of RMB61.5 thousand and guaranteed by the Company, of which RMB29.0 million was due within one year.

As at 31 December 2020, the Group's long-term bank loans of RMB490.9 million were secured by plants and buildings with carrying amounts of RMB107.1 million, of which RMB290.0 million was also guaranteed by Mr. Zhang Jian and Ms. Liu Hui and RMB46.0 million was due within one year.

As at 31 December 2020, the remaining long-term borrowings of RMB145.3 million were secured by machinery equipments with carrying amount of RMB275.1 million, plants and buildings with carrying amounts of RMB75.1 thousand, land use rights with carrying amounts of RMB62.2 thousand and guaranteed by the Company, of which RMB63.2 million was due within one year.

Notes to the Unaudited Interim Financial Report

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20 TRADE AND OTHER PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade creditors	1,107,053	946,416
Bills payable	749,943	535,652
	1,856,996	1,482,068
Accrued staff costs	15,652	25,564
VAT payable	39,466	39,442
Sundry taxes payable	5,091	5,415
Security deposits	6,322	12,907
Interest payable	2,840	3,517
Received in advance	3,361	3,361
Other accrued expenses and payables	10,933	15,424
	1,940,661	1,587,698

All of the trade and other payables are normally settled within one year or are repayable on demand.

As at the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables) of the Group, based on the invoice date, is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 year	1,713,401	1,316,845
1 to 2 years	107,512	122,165
2 to 3 years	6,375	11,562
More than 3 years	29,708	31,496
	1,856,996	1,482,068

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21 CONTRACT LIABILITIES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Billings in advance of performance	180,953	293,172

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The Group typically receives a 10% to 50% deposit before the manufacturing of PC units and PC equipment.

22 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	As at 30 June 2021		As at 31 December 2020	
	Present value of minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of minimum lease payments RMB'000	Total minimum lease payments RMB'000
With 1 year	35,082	45,006	32,898	35,940
After 1 year but within 2 years	21,883	29,378	17,151	18,787
After 2 years but within 3 years	19,544	26,465	15,031	15,803
After 3 years	107,378	145,435	5,684	5,796
	148,805	201,278	37,866	40,386
	183,887	246,284	70,764	76,326
Less: total future interest expenses		(62,397)		(5,562)
Present value of lease liabilities		183,887		70,764

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23 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) *Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period*

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period	–	243,819

24 FAIR VALUE MEASUREMENT

(a) Financial assets and liabilities measured at fair value

- (i) *Fair value hierarchy*

The following table presents the fair value of the Group's properties and financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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24 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

	At 30 June 2021			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Investment properties	–	–	263,672	263,672
Financial assets at fair value through profit or loss				
– Equity investments	–	–	1,971,988	1,971,988
Financial assets at fair value through other comprehensive income				
– Bills receivable	–	–	9,980	9,980
	At 31 December 2020			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Investment properties	–	–	270,935	270,935
Financial assets at fair value through profit or loss				
– Equity investments	–	–	1,912,755	1,912,755
Financial assets at fair value through other comprehensive income				
– Bills receivable	–	–	7,409	7,409

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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24 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation technique(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value	Range	Weighted average/Median/Average
Investment properties	Market comparison approach	Premium (discount) on quality of the buildings	The higher the premium/discount, the higher/lower the fair value	Discount rate: 0% to 70% (2020: 0% to 70%)	Discount rate: 33%
Unlisted equity investments	Comparable transaction method/Comparable company method	Price/Invested Capital ratio and Price/Earnings ratio ("P/IC ratio" and "P/E ratio")	The higher the P/IC ratio and P/E ratio, the higher the fair value	P/IC ratio: 0.84 to 1.32 (2020: 0.84 to 1.32) P/E ratio: 3.31 to 15.66 (2020: 3.51 to 16.19)	P/IC ratio: 1.00 (2020: 1.00) P/E ratio: 8.93 (2020: 8.58)
Bills receivable	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value	0%	0%

The fair value of investment properties is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The movement during the period in the balance of investment properties is disclosed in note 10.

The fair value of unlisted equity investments is determined using the comparable transaction method and comparable company method, the significant unobservable input used in the fair value measurement are P/IC ratio and P/E ratio.

The fair value measurement is positively correlated to the P/IC ratio and P/E ratio. As at 30 June 2021, it is estimated that with all other variables held constant, an increase/decrease in the P/IC ratio and P/E ratio by 1% would have increased/decreased the Group's valuation gains on equity investments by RMB16,762 thousand.

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24 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The movement during the period in the balance of unlisted equity investments is as follows:

	2021 RMB'000	2020 RMB'000
Unlisted equity investments		
At 1 January	1,912,755	1,740,938
Payment for purchases	16,505	116,844
Reclassified from investment in associates	41,300	95,500
Changes in fair value recognised in profit or loss during the period	1,428	4,546
Disposal in the period/year	-	(45,073)
At 30 June/31 December	1,971,988	1,912,755

The fair value of bills receivable is determined by discounting the cash flow associated with the bills using risk-adjusted discount rate. The fair value measurement is negatively correlated to the risk-adjusted discount rate. As at 30 June 2021, it is estimated that with all other variables held constant, a decrease/increase in risk-adjusted discount rate by 1% would not have significant impact on the Group's valuation gains on bills receivable.

(iii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2021 and 31 December 2020.

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25 COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report.

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Contracted for		
– Construction and renovation of production facilities	230,756	318,923
– Capital contributions to joint factories	244,445	232,965
	475,201	551,888

26 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Short-term employee benefits	2,971	4,768
Post-employment benefits	97	24
	3,068	4,792

(b) Significant related party transactions

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Sales of products to associates	99	198
Sales of products to entities controlled by the controlling shareholder	20	(2,467)
Purchase of goods from associates	151	776
Purchase of goods from entities controlled by a close family member of controlling shareholder	12	844
Purchase of services from entities controlled by the controlling shareholder	1,031	679
Lease of properties from entities controlled by the controlling shareholder	399	79
	1,712	109

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26 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balance with related parties

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade debtors	1,316	20,592
Prepayments	104	10,006
Other receivables	–	126
Other current assets	286	286
Trade creditors	(4,405)	(4,344)
Contract liabilities	(177)	(10,535)
Other payables	(2)	(69)
	(2,878)	16,062

(d) Guarantee provided by related parties

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Loans and borrowings		
– Guaranteed by Mr. Zhang Jian and Ms. Liu Hui	1,205,200	430,000
– Guaranteed by Mr. Zhang	55,000	–
	1,260,200	430,000

27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 30 July 2021, the Company entered into a Capital Increase Agreement with Henan Xinpu Broad Homes Residential Industry Co., Ltd. (“Xinpu Broad Homes”), a fair-value-measured joint factory, and its other shareholders, pursuant to which the Company would increase its capital in Xinpu Broad Homes by RMB15,009,020. Upon completion of the capital injection on 23 August 2021, the Company’s shareholding in Xinpu Broad Homes increased from 35% to 42.06% with three seats among five in the board of directors as well as the power to make decisions in the shareholders’ general meeting. Therefore the Company obtained control over Xinpu Broad Homes, and Xinpu Broad Homes became a subsidiary of the Company.