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

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

(Stock Code: 2163)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

FINANCIAL PERFORMANCE HIGHLIGHTS

Our financial performance highlights for the six months ended June 30, 2020 are set out below:

Total revenue decreased by 7.1% from RMB1,223.8 million for the six months ended June 30, 2019 to RMB1,137.5 million for the six months ended June 30, 2020.

Total gross profit increased by 1.4% from RMB359.6 million for the six months ended June 30, 2019 to RMB364.6 million for the six months ended June 30, 2020; and gross profit margin increased from 29.4% for the six months ended June 30, 2019 to 32.1% for the six months ended June 30, 2020.

Profit from operations decreased by 53.4% from RMB91.8 million for the six months ended June 30, 2019 to RMB42.7 million for the six months ended June 30, 2020.

Net profit decreased by 115.4% from net profit of RMB140.9 million for the six months ended June 30, 2019 to net loss of RMB21.8 million for the six months ended June 30, 2020.

RESULTS

The Board of Changsha Broad Homes Industrial Group Co., Ltd. is pleased to announce the unaudited interim results of the Group for the six months ended June 30, 2020. These results have been reviewed by the Audit Committee.

REVIEW OF FINANCIAL INFORMATION

The independent auditor of the Company, KPMG, has reviewed the unaudited interim financial information for the six months ended June 30, 2020 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.

I. INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

1. Financial Highlights

	Six months ended				
	June 30, 2020		June 30, 2019		
	Amount	**As a percentage of revenue**	Amount	As a percentage of revenue	Year-on-year change
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*	*(%)*
Revenue	**1,137,500**	**100.0%**	1,223,831	100.0%	-7.1%
Gross profit	**364,592**	**32.1%**	359,582	29.4%	1.4%
Profit from operations	**42,735**	**3.8%**	91,795	7.5%	-53.4%
(Loss)/profit before income tax	**(15,535)**	**-1.4%**	152,040	12.4%	-110.2%
Net (loss)/profit	**(21,757)**	**-1.9%**	140,894	11.5%	-115.4%
(Losses)/earnings per share *(RMB)*	**(0.04)**	**–**	0.39	–	-110.3%

2. Financial Information by Business Segment

	Six months ended					
	June 30, 2020			June 30, 2019		
	PC unit manufacturing	**PC equipment manufacturing**	**Construction work**	PC unit manufacturing	PC equipment manufacturing	Construction work
	(in RMB'000, except percentages)			*(in RMB'000, except percentages)*		
Revenue	**1,013,335**	**54,455**	**69,710**	777,704	341,600	104,527
Gross profit	**338,032**	**16,067**	**10,493**	230,092	105,350	24,140
Gross profit margin	**33.4%**	**29.5%**	**15.1%**	29.6%	30.8%	23.1%

3. Major Operating Information

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

	Six months ended		
	June 30, 2020	June 30, 2019	Year-on-year change
	(RMB'000)	*(RMB'000)*	*(%)*
Revenue	**1,013,335**	777,704	30.3%
Gross profit	**338,032**	230,092	46.9%
Gross profit margin	**33.4%**	29.6%	3.8 percentage points

Production volume of PC unit manufacturing business

	Six months ended		
	June 30, 2020	June 30, 2019	Year-on-year change
	(in ten thousand cubic meters)	*(in ten thousand cubic meters)*	*(%)*
Production volume of PC unit manufacturing business	**32.9**	26.6	23.7%

Net cash (used in)/generated from operating activities

	Six months ended		
	June 30, 2020	June 30, 2019	Year-on-year change
	(RMB'000)	*(RMB'000)*	*(%)*
Net cash (used in)/generated from operating activities	**(19,741)**	275,703	-107.2%

Contribution and operation of Joint Factories

	June 30, 2020	June 30, 2019	Year-on-year change
	(Number)	*(Number)*	*(Number)*
Accumulatively contracted for	**88**	85	3
Contributed	**62**	62	0
Capable of commencing production	**58**	49	9
Profitable	**14**	12	2

OPERATING HIGHLIGHTS

Our operating highlights for the six months ended June 30, 2020 are set out below:

Production and sales volume of PC unit manufacturing business

The production volume of our PC units increased by 23.7% from 266,000 cubic meters for the six months ended June 30, 2019 to 329,000 cubic meters for the six months ended June 30, 2020. The sales volume of our PC units increased by 30.9% from 278,000 cubic meters for the six months ended June 30, 2019 to 364,000 cubic meters for the six months ended June 30, 2020.

Turnover days of trade debtors and bills receivable

Our overall turnover days of trade debtors and bills receivable increased from 281 days for the six months ended June 30, 2019 to 392 days for the six months ended June 30, 2020, of which the turnover days of trade debtors and bills receivable of PC unit manufacturing business increased from 235 days for the six months ended June 30, 2019 to 307 days for the six months ended June 30, 2020.

Joint Factories

As of June 30, 2020, the Joint Factories we accumulatively contracted for reached 88. We have contributed to 62 Joint Factories, among which, 58 Joint Factories are capable of commencing production. As of June 30, 2020, 14 Joint Factories are profitable, representing an increase in profitable Joint Factories of 2 from 12 for the six months ended June 30, 2019, which reflected continuous improvement of overall profitability of Joint Factories.

New contracts and backlog

	Six months ended		
	June 30, 2020	June 30, 2019	Year-on-year change
	(RMB million)	*(RMB million)*	*(%)*
New contracts	**1,648**	2,954	-44.2%
Including: new contracts of PC unit manufacturing business	**1,512**	2,234	-32.3%

	As at		
	June 30, 2020	December 31, 2019	Change
	(RMB million)	*(RMB million)*	*(%)*
Backlog	**5,303**	4,961	6.9%
Including: backlog of PC unit manufacturing business	**4,150**	3,749	10.7%

Our total new contract value decreased by 44.2% from RMB2,954 million for the six months ended June 30, 2019 to RMB1,648 million for the six months ended June 30, 2020. In particular, the total new contract value of PC unit manufacturing business decreased by 32.3% from RMB2,234 million for the six months ended June 30, 2019 to RMB1,512 million for the six months ended June 30, 2020.

Our total backlog increased by 6.9% from RMB4,961 million as of December 31, 2019 to RMB5,303 million as of June 30, 2020. In particular, the total backlog of PC unit manufacturing business increased by 10.7% from RMB3,749 million as of December 31, 2019 to RMB4,150 million as of June 30, 2020.

II. FINANCIAL INFORMATION AND NOTES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020 (Unaudited)

		Six months ended	
	Notes	**June 30, 2020**	June 30, 2019
		(RMB'000)	*(RMB'000)*
Revenue	*3*	**1,137,500**	1,223,831
Cost of sales		**(772,908)**	(864,249)
Gross profit		**364,592**	359,582
Net valuation gains on investment properties		**9,053**	5,987
Other income		**14,169**	13,300
Sales and distribution expenses		**(96,303)**	(95,810)
General and administrative expenses		**(180,139)**	(129,965)
Research and development expenses		**(68,637)**	(61,299)
Profit from operations		**42,735**	91,795
Finance costs		**(53,329)**	(51,695)
Fair value changes on financial assets at fair value through profit or loss		**1,114**	4,710
Share of profits less losses of associates	*8*	**(23,653)**	(20,639)
Gains on loss of significant influence in associates		**17,598**	120,288
Gains on disposal of partial interest in associates		**–**	7,580
Gains on disposal of associates		**–**	1
(Loss)/profit before taxation	*4*	**(15,535)**	152,040
Income tax	*5*	**(6,222)**	(11,146)
Net (loss)/profit		**(21,757)**	140,894
(Losses)/earnings per share (RMB)	*7*	**(0.04)**	0.39
Basic and diluted (RMB)	*7*	**(0.04)**	0.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2020 (Unaudited)

	Notes	**June 30, 2020 *(RMB'000)***	December 31, 2019 *(RMB'000)*
Non-current assets			
Investment properties		**279,823**	310,169
Property, plant and equipment		**1,781,304**	1,756,894
Intangible assets		**269,814**	262,758
Right-of-use assets		**390,854**	366,529
Deferred tax assets		**47,435**	37,133
Interest in associates	*8*	**339,596**	378,644
Financial assets at fair value through profit or loss	*9*	**1,754,673**	1,740,938
Total non-current assets		**4,863,499**	4,853,065
Current assets			
Inventories	*10*	**263,416**	265,664
Contract assets	*11*	**266,566**	564,554
Trade and other receivables	*12*	**2,536,914**	2,521,624
Other financial assets		**230,883**	–
Restricted and pledged bank deposits		**178,974**	277,769
Cash and cash equivalents		**829,660**	1,084,750
Total current assets		**4,306,413**	4,714,361
Total assets		**9,169,912**	9,567,426
Current liabilities			
Short-term borrowings	*13*	**2,336,149**	2,345,233
Trade and other payables	*14*	**1,719,416**	2,406,703
Contract liabilities	*11*	**206,453**	237,976
Lease liabilities	*15*	**36,890**	22,211
Deferred income		**4,839**	4,839
Current taxation		**13,910**	13,759
Total current liabilities		**4,317,657**	5,030,721
Net current liabilities		**(11,244)**	(316,360)
Total assets less current liabilities		**4,852,255**	4,536,705

	Notes	**June 30, 2020** *(RMB'000)*	December 31, 2019 *(RMB'000)*
Non-current liabilities			
Lease liabilities	*15*	**50,362**	43,335
Deferred tax liabilities		**15,128**	14,911
Deferred income		**40,560**	38,958
Long-term borrowings	*13*	**845,741**	273,460
Total non-current liabilities		**951,791**	370,664
NET ASSETS		**3,900,464**	4,166,041
CAPITAL AND RESERVES			
Share capital		**487,639**	487,639
Reserves		**3,412,825**	3,678,402
Total equity attributable to equity Shareholders of the Company		**3,900,464**	4,166,041
TOTAL EQUITY		**3,900,464**	4,166,041

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2020 (Unaudited)

	Six months ended 30 June	
	2020	2019
	(RMB'000)	*(RMB'000)*
Operating activities		
(Loss)/profit before taxation	**(15,535)**	152,040
Adjustments for:		
Depreciation and amortisation	**113,824**	84,153
Loss on disposal of property, plant and equipment	**1,063**	3,005
Loss on disposal of investment properties	**3,347**	2,530
Equity-settled share-based payment expenses	**–**	8,184
Impairment losses	**69,511**	44,472
Amortisation of government grants	**(2,398)**	(2,676)
Finance costs	**53,329**	60,482
Share of profits less losses of associates	**23,653**	20,639
Gains on disposal of associates	**–**	(1)
Gains on disposal of partial interest in associates	**–**	(7,580)
Gains on loss of significant influence in associates	**(17,598)**	(120,288)
Fair value changes on financial assets at fair value through profit or loss	**(1,997)**	(4,710)
Loss on disposal of financial assets at fair value through profit or loss	**657**	–
Gains on disposal of other financial assets	**(1,294)**	(318)
Dividend income	**(1,980)**	–
Net valuation gains on investment properties	**(9,053)**	(5,987)
Changes in working capital:		
Increase in inventories	**(4,714)**	(2,706)
Increase in trade and other receivables	**(125,709)**	(235,704)
(Decrease)/increase in trade and other payables	**(360,217)**	139,445
Decrease in contract assets	**298,068**	122,995
(Decrease)/increase in contract liabilities	**(31,523)**	44,049
Increase in deferred income	**4,000**	–
Cash (used in)/generated from operations	**(4,566)**	302,024
Income tax paid	**(15,175)**	(26,321)
Net cash (used in)/generated from operating activities	**(19,741)**	275,703

	Six months ended 30 June	
	2020	2019
	(RMB'000)	*(RMB'000)*
Investing activities		
Payment for purchase of property, plant and equipment, right-of-use assets and intangible assets	**(143,793)**	(342,956)
Payment for purchase of financial assets at fair value through profit or loss	**(594,695)**	(83,280)
Payment for interest in associates	**(10,008)**	(54,133)
Proceeds from disposal of property, plant and equipment	**3,290**	1,386
Proceeds from sales of financial assets at fair value through profit or loss	**351,644**	–
Proceeds from sales of interest in associates	**–**	15,000
Proceeds from sales of investments in subsidiaries	**–**	46,600
Proceeds from sales of investment properties	**20,855**	5,606
Proceeds from other investing activities	**9,973**	2,113
Net cash used in investing activities	**(362,734)**	(409,664)
Financing activities		
Proceeds from loans and borrowings	**1,736,556**	1,122,515
Repayment of loans and borrowings	**(1,285,764)**	(581,003)
Interest paid	**(68,006)**	(61,079)
Payment for dividends	**(240,040)**	(185,093)
Capital element of lease rentals paid	**(22,080)**	(8,688)
Interest element of lease rentals paid	**(2,627)**	(828)
Net cash generated from financing activities	**118,039**	285,824
Net (decrease)/increase in cash and cash equivalents	**(264,436)**	151,863
Cash and cash equivalents at 1 January	**1,084,750**	296,475
Effect of foreign exchange rate changes	**9,346**	–
Cash and cash equivalents at 30 June	**829,660**	448,338

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2020 (Unaudited)

	Attributable to equity Shareholders of the Company *(RMB'000)*					
	Share capital	Capital reserve	Statutory surplus reserve	Fair value reserve (recycling)	Retained earnings	Total equity
Balance at January 1, 2019	304,670	1,515,569	115,501	5,208	941,775	2,882,723
Changes in equity for the six months ended June 30, 2019						
Profit for the period	–	–	–	–	140,894	140,894
Other comprehensive income	–	–	–	(204)	204	–
Total comprehensive income	–	–	–	(204)	141,098	140,894
Equity settled share-based transactions	–	8,184	–	–	–	8,184
Conversion of capital reserve to share capital	60,934	(60,934)	–	–	–	–
Appropriation of profit	–	–	–	–	(365,604)	(365,604)
Balance at June 30, 2019	365,604	1,462,819	115,501	5,004	717,269	2,666,197
Changes in equity for the six months ended December 31, 2019						
Profit for the period	–	–	–	–	536,025	536,025
Other comprehensive income	–	–	–	(2,981)	2,981	–
Total comprehensive income	–	–	–	(2,981)	539,006	536,025
Issuance of H Shares	122,035	833,600	–	–	–	955,635
Equity settled share-based transactions	–	8,184	–	–	–	8,184
Appropriation for surplus reserve	–	–	24,917	–	(24,917)	–
Balance at December 31, 2019	487,639	2,304,603	140,418	2,023	1,231,358	4,166,041

	Attributable to equity Shareholders of the Company *(RMB'000)*					
	Share capital	**Capital reserve**	**Statutory surplus reserve**	**Fair value reserve (recycling)**	**Retained earnings**	**Total equity**
Balance at January 1, 2020	**487,639**	**2,304,603**	**140,418**	**2,023**	**1,231,358**	**4,166,041**
Changes in equity for the six months ended June 30, 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 for surplus reserve	–	–	–	–	–	–
Equity settled share-based transactions	–	–	–	–	–	–
Appropriation of profit	–	–	–	–	(243,820)	(243,820)
Balance at June 30, 2020	**487,639**	**2,304,603**	**140,418**	**(1,171)**	**968,975**	**3,900,464**

NOTES

(Expressed in Renminbi unless otherwise indicated)
For the six months ended June 30, 2020

1. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Hong Kong Listing Rules, 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 28 August 2020.

This interim financial information has been prepared on the going concern basis. As at June 30, 2020, the Group's current liabilities exceeded its current assets by RMB11,244 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.

This interim financial information has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial information 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 information 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 2019 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").

This interim financial information 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.

2. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendment to IFRS 3 – Definition of a Business
- Amendment to IFRS 16 – Covid-19-Related Rent Concessions

None of the amendments 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 financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. **REVENUE AND SEGMENT INFORMATION**

Segmental results for the six months ended June 30, 2020 and the six months ended June 30, 2019 are set out below:

	Six months ended					
	June 30, 2020			June 30, 2019		
	PC Unit Manufacturing	**PC Equipment Manufacturing**	**Construction work**	PC Unit Manufacturing	PC Equipment Manufacturing	Construction work
		(RMB'000, except in %)			*(RMB'000, except in %)*	
Revenue	**1,013,335**	**54,455**	**69,710**	777,704	341,600	104,527
Cost of sales	**675,303**	**38,388**	**59,217**	547,612	236,250	80,387
Gross profit	**338,032**	**16,067**	**10,493**	230,092	105,350	24,140
Gross profit margin	**33.4%**	**29.5%**	**15.1%**	29.6%	30.8%	23.1%

4. **(LOSS)/PROFIT BEFORE TAXATION**

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

Finance costs:

	Six months ended	
	June 30, 2020	June 30, 2019
	(RMB'000)	*(RMB'000)*
Interest on bank loans and other borrowings	**68,041**	52,663
Interest expense on lease liabilities	**2,627**	828
Interest income	**(7,993)**	(1,796)
Net foreign exchange gain	**(9,346)**	–
Total	**53,329**	51,695

Staff costs:

	Six months ended	
	June 30, 2020	June 30, 2019
	(RMB'000)	*(RMB'000)*
Salaries, wages, bonuses and other benefits	**207,198**	211,590
Equity-settled share-based payment expenses	**–**	8,184
Contributions to defined contribution retirement plan	**2,198**	11,701
Total	**209,396**	231,475

Other items:

	Six months ended	
	June 30, 2020	June 30, 2019
	(RMB'000)	*(RMB'000)*
Amortisation		
– intangible assets	**15,139**	7,033
Depreciation		
– property, plant and equipment	**79,224**	63,924
– right-of-use assets	**19,461**	13,196
Impairment losses		
– trade and other receivables and contract assets	**62,548**	44,472
– inventories	**6,963**	–
Cost of inventories	**513,247**	599,685

5. TAXATION

5.1 VAT

According to PRC tax laws and regulations, the Group is primarily subject to 6%, 9% and 13% VAT and VAT-based surcharges.

5.2 Income tax

According to PRC tax laws and regulations, the Company and its subsidiaries are required to calculate and accrue the current income tax through the applicable tax rate for taxable profits in the year. The general enterprise income tax rate in the PRC is 25%. Of the Company and its subsidiaries, 12 have been approved as high-tech enterprises, and therefore can enjoy a preferential income tax rate of 15%.

An analysis of the Group's income tax expenses as of the years indicated is as follows:

	Six months ended	
	June 30, 2020	June 30, 2019
	(RMB'000)	*(RMB'000)*
Current income tax – PRC income tax	**16,307**	12,468
Deferred income tax	**(10,085)**	(1,322)
Total	**6,222**	11,146

6. DIVIDEND

As approved at the annual general meeting held on June 6, 2019, a cash dividend of RMB1 per share was distributed based on 365,604,000 ordinary shares for the year ended December 31, 2018, totaling RMB365,604,000, which were fully paid in 2019.

As approved at the annual general meeting held on May 15, 2020, a cash dividend of RMB0.5 per share was distributed based on 487,639,400 ordinary shares for the year ended December 31, 2019, totaling RMB243,819,700, among which RMB240,039,700 were paid in May and June 2020.

On August 28, 2020, the Board of the Company resolved not to distribute interim dividend for the six months ended June 30, 2020.

7. (LOSSES)/EARNINGS PER SHARE

The calculation of basic and diluted (losses)/earnings per share is based on the (loss)/profit attributable to equity Shareholders of the Company of net loss of RMB21,757 thousand and net profit of RMB140,894 thousand, respectively, for the six months ended June 30, 2020 and 2019, and the weighted average number of issued shares of 487,639,400 shares and 365,604,000 shares (after adjusting for the conversion of capital reserve to share capital in 2019), respectively, for the six months ended June 30, 2020 and 2019, details of which are as follows:

	Six months ended	
	June 30, 2020	June 30, 2019
Number of ordinary shares at the beginning of the year	**487,639,400**	304,670,000
Effect of issuing of shares		
Number of shares increased due to conversion of capital reserve to share capital	**–**	60,934,000
Weighted average number of issued shares	**487,639,400**	365,604,000
Earnings per share *(RMB)*		
Basic *(RMB)*	**(0.04)**	0.39
Diluted *(RMB)*	**(0.04)**	0.39

8. INTEREST IN ASSOCIATES

	June 30, 2020	December 31, 2019
	(RMB'000)	*(RMB'000)*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**339,596**	378,644

	Six months ended	
	June 30, 2020	June 30, 2019
Aggregate amounts of the Group's share of those associates		
Losses from operations	**(23,653)**	(20,639)
Other comprehensive income	**–**	–
Total comprehensive income	**(23,653)**	(20,639)

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020 *(RMB'000)*	December 31, 2019 *RMB'000*
Financial assets at fair value through profit or loss – Equity investment	**1,754,673**	1,740,938
	1,754,673	1,740,938

10. INVENTORIES

	June 30, 2020 *(RMB'000)*	December 31, 2019 *(RMB'000)*
Raw materials	**128,901**	118,539
Work in progress	**67,190**	63,839
Finished goods	**72,442**	80,018
Consignment stock	**873**	2,502
Materials in transit	**2,543**	2,337
	271,949	267,235
Provision for impairment of inventories	**(8,533)**	(1,571)
	263,416	265,664

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

The following table sets out the details of our contract assets as of the indicated dates:

	June 30, 2020 *(RMB'000)*	December 31, 2019 *(RMB'000)*
Arising from performance under construction contracts	**270,071**	577,370
Less: loss allowance provision	**(3,505)**	(12,816)
	266,566	564,554

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group also typically agrees to a five year retention period for 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

The following table sets out the details of our contract liabilities as of the indicated dates:

	June 30, 2020	December 31, 2019
	(RMB'000)	*(RMB'000)*
Billings in advance of performance	**206,453**	237,976

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.

12. TRADE AND OTHER RECEIVABLES

The following table sets forth our components of trade and other receivables as of the indicated dates:

	June 30, 2020	December 31, 2019
	(RMB'000)	*(RMB'000)*
Trade debtors	**2,416,865**	2,371,709
Bills receivable	**92,167**	68,593
Less: allowance for doubtful debts	**(158,585)**	(110,008)
	2,350,447	2,330,294
Other receivables	**103,165**	80,839
Less: allowance for doubtful debts	**(10,205)**	(5,735)
	92,960	75,104
Prepayments	**50,986**	58,063
Prepaid expenses	**209**	2,482
Value added tax recoverable	**28,428**	37,476
Prepaid income tax	**8,082**	9,064
Others	**5,802**	9,141
	2,536,914	2,521,624

The following table sets forth the aging analysis of trade debtors and bills receivable (based on the invoice date and net of impairment loss) as of the indicated dates:

	June 30, 2020	December 31, 2019
	(RMB'000)	*(RMB'000)*
Within 1 month	**213,880**	264,213
Over 1 month but less than 1 year	**1,279,887**	1,229,844
1 to 2 years	**435,727**	465,842
2 to 3 years	**371,020**	299,722
3 to 4 years	**44,476**	59,973
4 to 5 years	**5,457**	10,700
More than 5 years	**–**	–
	2,350,447	2,330,294

13. BORROWINGS

The following table sets forth our components of current interest-bearing borrowings as of the indicated dates:

	June 30, 2020	December 31, 2019
	(RMB'000)	*(RMB'000)*
Long-term borrowings due within one year	**532,322**	361,178
Long-term borrowings	**845,741**	273,460
Short-term borrowings	**1,803,827**	1,984,055
	3,181,890	2,618,693

14. TRADE AND OTHER PAYABLES

The following table sets forth our components of trade and other payables as of the indicated dates:

	June 30, 2020	December 31, 2019
	(RMB'000)	*(RMB'000)*
Trade creditors	**1,100,945**	1,372,649
Bills payable	**495,494**	842,962
	1,596,439	2,215,611
Accrued staff costs	**12,373**	30,956
VAT payable	**40,102**	82,137
Sundry taxes payable	**23,879**	5,736
Security deposits	**16,963**	18,826
Interest payable	**3,214**	3,179
Dividend payable	**3,780**	–
Received in advance	**5,104**	23,546
Other accrued expenses and payables	**17,562**	26,712
	1,719,416	2,406,703

The following table sets forth the aging analysis of trade creditors and bills payable (based on the invoice date) as of the indicated dates:

	June 30, 2020	December 31, 2019
	(RMB'000)	*(RMB'000)*
Within 1 year	**1,472,640**	2,025,634
1 to 2 years	**28,021**	77,995
2 to 3 years	**30,079**	28,613
More than 3 years	**65,699**	83,369
	1,596,439	2,215,611

15. 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:

	June 30, 2020		December 31, 2019	
	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	**36,890**	**40,786**	22,211	25,087
After 1 year but within 2 years	**21,050**	**23,215**	19,872	21,551
After 2 years but within 3 years	**16,348**	**17,538**	9,622	10,461
After 3 years	**12,964**	**13,366**	13,841	14,553
	87,252	**94,905**	65,546	71,652
Less: total future interest expenses		**(7,653)**		(6,106)
Present value of lease liabilities		**87,252**		65,546

16. CONTINGENT LIABILITIES

As of the end of the Reporting Period, we did not have any material purchase commitment, guarantees or other material contingent liabilities.

17. EVENTS AFTER THE REPORTING PERIOD

On 28 August 2020, the Board resolved not to declare any interim dividend for the six months ended June 30, 2020.

III. MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

Business highlights of the Company

In 2020, we continued to focus on quality improvement and efficiency enhancement to further promote scale and efficiency. Leveraging the full application of the PC-CPS full-process digital solution for prefabricated construction and with concerted efforts of all the employees, we continued to maintain high-quality development. We continued to deepen our in-depth cooperation with strategic customers of brand real estate enterprises. From providing specialized prefabricated construction full-process solutions to jointly formulating prefabricated construction product standards, we achieved the transformation from "business cooperation" to "standard co-construction" and "Creating Value with Our Client".

At the beginning of 2020, the unexpected pandemic of COVID-19 forced us to make relevant adjustment to our original working plan. We calmly responded to the situation by supporting the national pandemic control measures while actively making preparation in order to quickly resume operation and production after the pandemic becomes under control. For the six months ended June 30, 2020, despite that our total revenue decreased by 7.1% to RMB1,137.5 million as compared to the corresponding period of last year, with our concerted efforts, the revenue from PC unit manufacturing business recorded a significant increase as compared to the corresponding period of last year. As such, our overall gross profit margin reached 32.1%, representing an increase of 2.7 percentage points as compared to 29.4% for the corresponding period of last year.

PC unit manufacturing

During the Reporting Period, our PC unit manufacturing business strived to overcome the impact from different adverse factors and maintained a fast-growing momentum. The revenue from PC unit manufacturing business increased by 30.3% from RMB777.7 million for the six months ended June 30, 2019 to RMB1,013.3 million for the six months ended June 30, 2020; and the revenue from this segment as a percentage of total revenue increased from 63.6% for the six months ended June 30, 2019 to 89.1% for the six months ended June 30, 2020. The gross profit of PC unit manufacturing business increased by 46.9% from RMB230.1 million for the six months ended June 30, 2019 to RMB338.0 million for the six months ended June 30, 2020, and the gross profit margin increased from 29.6% for the six months ended June 30, 2019 to 33.4% for the six months ended June 30, 2020.

PC equipment manufacturing

During the Reporting Period, our PC equipment manufacturing business recorded revenue of RMB54.5 million, representing a year-on-year decrease of 84.1%, which was primarily due to a shift from rapid layout expansion stage to facilitating Joint Factories to enhance operation and achieve benign operation stage under the Broad Homes United Program, leading to a corresponding deceleration in expansion and construction progress of Joint Factories and PC equipment manufacturing business. In addition, the pandemic of COVID-19 also affected the construction progress of Joint Factories.

As of June 30, 2020, we secured 88 Joint Factories in total, and 58 of which have production capacity; and 14 Joint Factories achieved profit as of June 30, 2020.

Construction work

During the Reporting Period, our construction work business recorded revenue of RMB69.7 million, representing a year-on-year decrease of 33.3%. We decided to focus on PC unit and PC equipment manufacturing business starting from 2016. This focus change in our business is primarily driven by our intention to concentrate our strengths on PC unit and PC equipment manufacturing and to further develop our PC unit design and production management system. As a result, we did not enter into new contracts with external parties regarding construction work business and relevant projects came to the final stage successively.

2. PROSPECT AND STRATEGIES

Continue to invest in domestic regional production centers and Joint Factories

We will continue to implement our strategy of "Scale plus Profits". We intend to continue to lead the market through establishing regional production centers in certain major cities to improve our nationwide layout. Regional production center is a combination of wholly-owned PC factory and technology center, where our PC unit manufacturing capability is fully enhanced with support from our strong research and development capability of technology centers while the research results of the technology centers can be quickly applied in real time manufacturing in our wholly-owned factories and Joint Factories and in turn enhances the production capacity and efficiency while enabling the application and development of our technology. The regional production centers will serve as regional benchmark for our PC units manufacturing and provide technical support to the wholly-owned factories and Joint Factories in the region. As of June 30, 2020, we had established seven regional production centers in Hunan, Zhejiang, Anhui, Jiangsu, Guangdong, Tianjin and Shanghai. Meanwhile, we will build new regional production centers in cities which we believe to have promising market potentials, and further enhance our leadership in the prefabricated construction industry in China by enlarging our production scale and profitability.

As of June 30, 2020, we had invested in 62 Joint Factories and 58 of which have production capacity. We plan to further increase the number of the Joint Factories to realize a full coverage of major prefabricated construction markets in China with funds generated from our business operation and other financial resources available.

Upgrade our digital intelligent platform

We will continue to carry out research, development and upgrade of our soft skills in intelligent manufacturing and forge our core competitiveness. We plan to continue to gradually build our platform-level PC-CPS intelligent manufacturing management system by optimizing BIM design, intelligent manufacturing systems, digitalized construction sites and operational tools. We use the data and information of BIM model to digitalized the buildings in order to informationize the whole process and digitize the control and management of our entire operation. By using big data and digital twin technologies, we plan to establish a virtual PC factory intelligent operations management system and a digital construction site project management system to enhance the PC-CPS management system platform.

Continue to focus on strategic clients

We focus our advantageous resources on clients who are among the top 50 real estate developers in China. Adhering to our philosophy of "Creating Value with Our Client", we plan to assist our target clients to optimize products and implement projects, thereby realizing the effective integration of technologies and market. We plan to establish a nationwide resource linkage and a customer response system, to provide customized comprehensive solutions of prefabricated construction to our customers, and provide all-round technology service and product support, so as to help our customers to improve construction quality, quantify and control construction cost, accelerate the progress and increase the turnover rate. Meanwhile, we believe that we are able to create an overall connection among the product demand of strategic clients, procurement demand of our projects in various locations and demand for information sharing, thus forming a client-reliance on multiple dimensions. In addition, we believe that we are able to adopt a nationwide layout strategy to achieve a rapid expansion in scale magnitude.

Expand in overseas markets

Affected by the global outbreak of COVID-19 since the beginning of 2020, we will postpone our plan of expansion in overseas markets. After the material adverse effects from the pandemic subside, we plan to promote and export fully prefabricated villa products or export fully prefabricated building products and relevant construction management, technologies, equipment and services to overseas markets when appropriate. Fully prefabricated building products can substantially reduce construction effort on-site and can be constructed in a more efficient, environmental-friendly and energy-saving manner as compared with traditional buildings. Such products are more competitive in the market as they are in line with the value orientation of the people in the developed countries and popular islands for tourists.

Develop module integration services

We divide our PC prefabricated construction business into two major types, being B2B and B2C. Our prefabricated business department will be responsible for the B2B business, which is primarily engaged in PC unit and PC equipment manufacturing business. Our module integration technology division will be responsible for the B2C business, mainly including the B-house product business, which primarily targets at C-end consumers by adopting the online and offline "Internet +" mode for providing one-stop industrial fully prefabricated rural high-end housing service for production, sales, installation and after-sales service leveraging the establishment of an information platform system and our self-operated factories and Joint Factories across the nation.

The forty-year period since reform and opening up in China witnessed the four decades of urbanization, when vast rural population continuously poured into cities, resulting in an ever-intensifying contradiction in housing among the urban population. With the implementation of such policies as the integration of urban and rural areas and the construction of beautiful countryside as advocated by the government, a growing number of urban elites expect to own an ideal house in proximity to cities. The Ministry of Housing and Urban-Rural Development of the PRC issued the Notice on Carrying out the Pilot Work of Rural Housing Construction (關於開展農村住房建設試點工作的通知) on February 2, 2019, pursuant to which, provinces and cities across the country successively rolled out relevant documents on rural housing construction management to guide the rural housing construction management in a unified and standardized manner. The official implementation of the new Land Administration Law of the PRC (中華人民共和國土地管理法) on January 1, 2020 and policies such as the confirmation of rural land rights significantly promoted the development of the rural self-built housing market, and at the same time laid a legal basis for standardizing rural self-built housing systems.

The upgraded B-house products were launched after the pandemic, which attracted instant and great market attention and response. The B-house products has led the construction industry into the product-based era from the project-based era. We have established an internet platform for residential property trading and pioneered in adopting the marketing model of "housing 4S shops + business agents" in rural areas to utilize external resources in different regions, thereby facilitating rapid business expansion to cover major regions in China. Through active exploration and implementation during this year, we expect that there will be certain breakthrough in our B2C business, thereby laying solid foundation for large-scale development in next year.

IV. 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 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, 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2020.

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 has reviewed the unaudited interim consolidated results of the Company for the six months ended June 30, 2020. 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2020, 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. 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, 2020, balance of the utilized net proceeds was approximately HK$862.3 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. The table below sets out the planned use of net proceeds and the actual use as at June 30, 2020:

Use of Proceeds	Allocation of Net Proceeds *(%)*	Allocation of Net Proceeds *(HK$ million)*	Amount Utilized (as at June 30, 2020) *(HK$ million)*	Amount Unutilized (as at June 30, 2020) *(HK$ million)*	Expected Time for Utilization of Unutilized Amount
(I) Expanding PC Unit Manufacturing Business	45%	500.29	116.38	383.91	Before December 31, 2022
(1) Establishing Wholly-owned Regional Production Centers in Key Strategic Regions	36%	400.23	27.06	373.17	Before December 31, 2020
(2) Expanding Factories and Upgrading Equipment in Existing Regional Production Centers	9%	100.06	89.32	10.74	Before December 31, 2022
(II) Expansion in Overseas Market	20%	222.30	–	222.30	Before December 31, 2021
(III) Developing and Expanding Intelligent Equipment Business	15%	166.71	14.25	152.46	Before December 31, 2022
(IV) Developing and Establishing an Intelligent Service Platform in the Prefabricated Construction Industry	10%	111.20	15.58	95.62	Before December 31, 2021
(V) Working Capital and Other General Corporate Purposes	10%	111.20	103.19	8.01	Before December 31, 2020
Total	100%	1,111.70	249.40	862.30	

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.bhome.com.cn), and the 2020 interim report containing all the information required by the Listing Rules will be despatched to Shareholders and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

On behalf of the Board
Changsha Broad Homes Industrial Group Co., Ltd.
Zhang Jian
Chairman

Changsha, August 28, 2020

As at the date of this announcement, the Board comprises Mr. Zhang Jian, Ms. Tang Fen, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming as Executive Directors; Mr. Zhang Quanxun and Ms. Hu Keman as non-Executive Directors; and Mr. Chen Gongrong, Mr. Li Zhengnong, Mr. Wong Kai Yan Thomas and Mr. Zhao Zhengting as independent non-Executive Directors.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"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
"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 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 announcement 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 it 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

"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, 2020
"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