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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:

“AGM”	the 2021 annual general meeting of the Company held at 10:00 a.m. on April 29, 2022
“Articles of Association”	the current prevailing articles of association of the Company
“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
“BOX”	standard modular houses that use high-tech silicon-based composite materials and can be moved, disassembled and reused
“Broad Bathroom”	Changsha Broad Bathroom Co., Ltd. (長沙遠大整體浴室有限公司)
“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

Definitions

“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

Definitions

“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
“Nomination Committee”	the nomination committee of the Company, one of the special committees of the Board
“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
“Prospectus”	the prospectus of the Company dated October 24, 2019
“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
“Reporting Period”	six months ended June 30, 2022
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Company, one of the special committees of the Board
“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)
“Shenzhen SASAC”	the State-owned Assets Supervision and Administration Commission of the People’s Government of Shenzhen (深圳市人民政府國有資產監督管理委員會)

Definitions

“Strategy Committee”	the strategy committee of the Company, one of the special committees of the Board
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee 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
“Xinpu Broad Homes”	Henan Xinpu Broad Homes Residential Industry Co., Ltd. (河南新蒲遠大住宅工業有限公司)
“%”	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*)
Mr. Hu Shengli (*Co-President*)
(appointed on April 29, 2022)
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 (ceased on April 29, 2022)

Independent Non-executive Directors

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

Supervisors

Mr. Zhou Feng
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
Mr. Hu Shengli (appointed on April 29, 2022)

AUTHORIZED REPRESENTATIVES

Ms. Shi Donghong
Ms. Ng Ka Man

JOINT COMPANY SECRETARIES

Ms. Shi Donghong
Ms. Ng Ka Man (ACG, HKACG)

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

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

1. FINANCIAL PERFORMANCE

	Six months ended		
	June 30, 2022 RMB'000	June 30, 2021 RMB'000	Year-on-year change %
Revenue	959,621	1,360,205	-29.5%
Gross profit	182,858	401,114	-54.4%
(Loss)/profit from operations	(162,890)	105,822	-253.9%
(Loss)/profit before income tax	(340,313)	59,396	-673.0%
(Loss)/profit for the period	(331,032)	47,165	-801.9%
(Loss)/profit for the period attributable to Shareholders of the Company	(327,667)	47,165	-794.7%
Non-controlling shareholders	(3,365)	–	–
Gearing ratio (Note)	59.8%	56.0%	3.8 percentage points

Note: Gearing ratio is calculated based on the total liabilities divided by total assets as at the end of the respective reporting period.

2. FINANCIAL INFORMATION BY BUSINESS SEGMENT

	Six months ended					
	June 30, 2022			June 30, 2021		
	PC unit manufacturing (in RMB'000, except %)	PC equipment manufacturing	Modular integrated product manufacturing	PC unit manufacturing	PC equipment manufacturing	Modular integrated product manufacturing
Revenue	893,508	28,702	37,411	1,138,816	221,389	–
Gross profit	174,794	7,569	495	317,202	83,912	–
Gross profit margin	19.6%	26.4%	1.3%	27.9%	37.9%	–

Financial Summary and Operating Highlights

3. FINANCIAL HIGHLIGHTS

Our financial performance highlights for the six months ended June 30, 2022 are set out below:

Total revenue decreased by 29.5% from RMB1,360.2 million for the six months ended June 30, 2021 to RMB959.6 million for the six months ended June 30, 2022.

Revenue of PC unit manufacturing business decreased by 21.5% from RMB1,138.8 million for the six months ended June 30, 2021 to RMB893.5 million for the six months ended June 30, 2022.

Modular integrated product manufacturing business recorded revenue of RMB37.4 million for the six months ended June 30, 2022.

Total gross profit decreased by 54.4% from RMB401.1 million for the six months ended June 30, 2021 to RMB182.9 million for the six months ended June 30, 2022; and gross profit margin decreased from 29.5% for the six months ended June 30, 2021 to 19.1% for the six months ended June 30, 2022.

Gross profit from PC unit manufacturing business decreased by 44.9% from RMB317.2 million for the six months ended June 30, 2021 to RMB174.8 million for the six months ended June 30, 2022; and gross profit margin decreased from 27.9% for the six months ended June 30, 2021 to 19.6% for the six months ended June 30, 2022.

Profit/(loss) from operations decreased by 253.9% from a profit of RMB105.8 million for the six months ended June 30, 2021 to a loss of RMB162.9 million for the six months ended June 30, 2022.

Profit/(loss) for the period decreased by 801.9% from a net profit of RMB47.2 million for the six months ended June 30, 2021 to a net loss of RMB331.0 million for the six months ended June 30, 2022.

Net cash generated from operating activities decreased by 45.5% from RMB326.7 million for the six months ended June 30, 2021 to RMB178.0 million for the six months ended June 30, 2022.

Financial Summary and Operating Highlights

4. OPERATING HIGHLIGHTS

Our operating highlights for the six months ended June 30, 2022 are set out below:

New contracts and backlog

	Six months ended		
	June 30, 2022 RMB million	June 30, 2021 RMB million	Year-on-year change
New contracts of the PC unit manufacturing business	1,117.5	2,373.1	-52.9%
New contracts of the modular integrated product manufacturing business	131.9	–	–
	As at		
	June 30, 2022 RMB million	June 30, 2021 RMB million	Year-on-year change
Backlog of the PC unit manufacturing business	6,575.3	6,300.5	4.4%
Backlog of the modular integrated product manufacturing business	150.6	–	–

Total new contract amount of our PC unit manufacturing business decreased by 52.9% from RMB2,373.1 million for the six months ended June 30, 2021 to RMB1,117.5 million for the six months ended June 30, 2022.

Total new contract amount of our modular integrated product manufacturing business amounted to RMB131.9 million for the six months ended June 30, 2022.

Total backlog of our PC unit manufacturing business increased by 4.4% from RMB6,300.5 million as at June 30, 2021 to RMB6,575.3 million as at June 30, 2022.

Total backlog of our modular integrated product manufacturing business amounted to RMB150.6 million as at June 30, 2022.

Financial Summary and Operating Highlights

Production and sales volume and production line utilization rate of the PC unit manufacturing business

The production volume of our PC units decreased by 15.6% from 437,000 cubic meters for the six months ended June 30, 2021 to 369,000 cubic meters for the six months ended June 30, 2022. The sales volume of our PC units decreased by 14.2% from 457,000 cubic meters for the six months ended June 30, 2021 to 392,000 cubic meters for the six months ended June 30, 2022.

Our production line utilization rate decreased from 46.2% for the six months ended June 30, 2021 to 35.4% for the six months ended June 30, 2022, primarily attributable to the decrease in production and sales volume resulting from the effect of pandemic control measures on factories in the Beijing-Tianjin-Hebei region and the Yangtze River Delta region.

Management Discussion and Analysis

1. BUSINESS REVIEW AND PROSPECT

Business review

In the first half of 2022, due to the downturn in the downstream real estate industry and the recurrence of the pandemic, both the revenue and profit of the Company declined to a certain extent, and in particular, the revenue from PC unit manufacturing business of the subsidiaries in the Beijing-Tianjin-Hebei region and the Yangtze River Delta region, which were severely affected by the COVID-19 pandemic, fell by nearly 40% as compared to the same period of last year. Under such circumstances, the Company withstood the pressure, persisted in prudently selecting projects in the downstream real estate industry, dropped low-quality contract orders, controlled relevant risks and maintained stable operation. In addition, the Company actively explored new markets to reduce the reliance on traditional real estate business. In the first half of 2022, the Company secured contract amount of RMB150 million from the new fully prefabricated business (including apartments, parking buildings, etc.), which was different from the traditional PC business, and secured contract amount of RMB132 million from the modular integrated product manufacturing business. The Company has made certain progress in transformation from a typical PC manufacturer to a manufacturer and service provider of comprehensive and more highly industrialized construction products.

PC unit manufacturing

The revenue from PC unit manufacturing business decreased by 21.5% from RMB1,138.8 million for the six months ended June 30, 2021 to RMB893.5 million for the six months ended June 30, 2022; and the revenue from this segment as a percentage of total revenue increased from 83.7% for the six months ended June 30, 2021 to 93.1% for the six months ended June 30, 2022. The gross profit of PC unit manufacturing business decreased by 44.9% from RMB317.2 million for the six months ended June 30, 2021 to RMB174.8 million for the six months ended June 30, 2022, and the gross profit margin decreased from 27.9% for the six months ended June 30, 2021 to 19.6% for the six months ended June 30, 2022.

PC equipment manufacturing

The revenue from PC equipment manufacturing business decreased by 87.0% from RMB221.4 million for the six months ended June 30, 2021 to RMB28.7 million for the six months ended June 30, 2022.

Modular integrated product manufacturing business

The revenue from modular integrated product manufacturing business amounted to RMB37.4 million for the six months ended June 30, 2022.

The “Broad Homes United Program”

As of June 30, 2022, we had contributed to 62 Joint Factories, 60 of which were capable of commercial production and 6 achieved profitability for the six months ended June 30, 2022.

Management Discussion and Analysis

Prospect and strategies

Closely following the policy of scope expansion with focus on main business on a value-oriented approach

Since the vigorous promotion of prefabricated building, local policies such as “plot ratio incentives”, “financial subsidies”, “loosened financial supervision”, “permission for early pre-sale”, “land supply guarantee”, “provident fund loan support”, “priority for merit and awards” and “financial support” have provided targeted support to address the pain points of all market participants and continue to promote the rapid and healthy development of the prefabricated building industry. In addition, industry players are actively promoting collaboration across the industry chain, and the target of 40% market share by 2030 is expected to be achieved on schedule or even ahead of schedule. During the year, the Ministry of Housing and Urban-Rural Development proposed that it will continue to vigorously increase the supply of subsidized rental housing with a specific target of constructing and collecting 2.4 million units of subsidized rental housing in China; and in the “14th Five-Year Plan” period, China planned to achieve 6.5 million units of subsidized rental housing with a total planned investment of RMB1.35 trillion.

Broad Homes is transforming from a typical PC manufacturer to a manufacturer and service provider of comprehensive and more highly industrialized construction products with focus on the demand of industrial zones, enterprises and schools for apartments and dormitories as well as the demand for rural housing construction. These two major sectors with rigid demand and sizeable market scale are guided and supported by various national land, treasury and financial policies. These two sectors mainly feature multi-storey and low-rise buildings, where standardized multi-storey fully prefabricated building products can be applied, and fully prefabricated building products are highly industrialized with no cast-in-place, less manpower and faster construction speed, and can complete the main body of a six-storey building in as fast as three days, and the cost is equal to or even lower than that of the traditional construction methods, which truly reflects its advantages of high-quality and fast construction with low cost. Unlike property developers, industrial zones, enterprises and individual customers purchase the products for their own use, which makes the fully prefabricated buildings more attractive with their advantages of high-quality and fast construction with low cost, and the idea of standardized, large-scale and industrialized buildings can be more easily conveyed and accepted. The productization and standardization of construction may significantly increase the selling price as compared to PC units. In addition, with better settlement and payment collection terms, the Company may enhance its efficiency by several times with lower cost and stronger profitability, thereby contributing to high-quality and large-scale development.

The Company has launched various products such as talent apartments, Mofang products, rural residences and smart parking buildings, which will all become important components of the green corporate community in the future. Through constantly upgrade of technical means and digital and intelligent management and control, we consider the community as a new product form, which not only provides the overall solution of investment, design, filing, construction, investment solicitation and operation, but also enables the whole society to utilize resources in a more efficient, green and environmentally friendly manner through productization of construction in the community, thereby contributing to more energetic regional development.

Our construction products have mobility with multiple purposes and enable highly efficient and sustainable use of resources. For example, the apartment products can be used for quarantine hotels and emergency medical facilities during pandemic prevention and control period, and as dormitories, apartments and hotels in normal days. The market size of prefabricated construction will enter a phase of steady growth in the future. Facing the urgent need for green transformation of the construction industry, accelerating the development of prefabricated construction is a must rather than an option. Broad Homes will also continue to accelerate its transformation, facilitate the implementation and conversion of its achievements, and create new values with concrete actions.

Management Discussion and Analysis

Supporting urban renewal through innovative development with focus on serving “people’s livelihood”

Nowadays, “urban renewal” has started to bring urban development into a period of rapid transformation from “incremental expansion” to “renewal of existing facilities”, which highlights the priority of addressing the “urgent problems and worries” of the general public. In particular, one of the most critical problems is “parking difficulty”, which has become a common problem in large cities in recent years and is an important part of urban governance. To solve this “urban problem”, an effective way is to increase supply by accelerating the construction of parking facilities in areas with rigid demand and efficiently and conveniently matching the parking demand with parking resources. A number of cities, including Guangzhou, Wuhan, Nanjing, Zhengzhou and Changsha, have issued policies specifying that above-ground parking facilities are not included in the calculation of plot ratio.

In response, Broad Homes launched the intelligent parking building product to repurpose the idle lands in cities, which can be delivered in 100 days through standardized construction, digital management and international design, and is three times faster and 50% lower in cost than traditional car park construction, thereby enabling application in diversified scenarios in an efficient, convenient, affordable and environmental-friendly manner. The Broad Homes intelligent parking building has sufficient natural light, air circulation and low carbon and energy saving features; increases the number of parking spaces by multiple times with high space utilization ratio; and creates a comprehensive parking industry with more commercial and social value, increases commercial area, enhances urban vitality and improves economic benefits.

Broad Homes strives to promote the development of industrialized construction and establishes a green industrialized construction system with low energy consumption, low pollution and low waste, which is different from the traditional building construction model, through the innovation of production methods and construction processes. The biggest change in our fully prefabricated and integrated construction and modular Broad Homes Mofang product series is the significantly enhanced industrialization, with more than 95% of the work being produced and manufactured in factories, resulting in a significant reduction in resource consumption and energy consumption as well as zero use of formwork throughout the construction process, thereby reducing material waste, dust, construction waste and pollution, and basically achieving net zero emission. In the future, we will put efforts in promoting innovation of new technologies, new business models and new modes, adhere to long-term development and continue to facilitate high-quality and sustainable development of urban and rural construction.

Management Discussion and Analysis

Continuously improving the capability of digital operation

Under the current circumstances of the distressed real estate industry and its impact on prefabricated construction and market downturn, effectively resolving the contradiction between the development cycle and financial leverage as well as avoiding risks, thereby creating a new development model and making positive changes to the industry landscape, is becoming a major direction for new development in the future. Through digital quality management of the whole process driven by digital twin technology and highly industrialized manufacturing of construction products, Broad Homes has integrated the Company's design, research and development strength, digital and industrialized production capability and comprehensive supply chain system to achieve leap-forward "fast" delivery and completely change the traditional construction and development model of low efficiency. In particular, by adopting Broad Homes' fully prefabricated and integrated construction technology, a 30-storey high-rise residential building can be delivered in just 10 months from commencement of construction, significantly shortening the project construction period and saving time, manpower and management costs. Compared with the use of traditional methods, it significantly increases the turnaround efficiency, effectively achieves fast turnover, reduces debt, and delivers construction products with higher precision and better quality in a "good, fast and affordable" manner, thereby providing technical and product support for the positive and sustainable development of the real estate industry.

Broad Homes contributes to green and sustainable development by facilitating the modernization of construction industry. Highly standardized, digitalized and advanced production methods enable rapid production and delivery of fully prefabricated and integrated construction products; and based on the modular space product technology, the Broad Homes Mofang product series can be put into use immediately after delivery. During the year, we will continue to facilitate technological research and development, explore and launch diversified application scenarios, capture opportunities from the comprehensive development of industry network, actively connect to the Tencent Cloud, empower industry development in digital and intelligent new infrastructure, digital upgrade of enterprises and development of industry intelligent solutions, lead the industry in establishing the construction industry internet platform and other key digital infrastructure, strengthen information sharing and coordination of supply and demand, enhance the overall efficiency of construction industrial chain and create new value with concrete action.

Management Discussion and Analysis

Revenue

Our total revenue decreased by 29.5% from RMB1,360.2 million for the six months ended June 30, 2021 to RMB959.6 million for the six months ended June 30, 2022.

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, 2022		June 30, 2021	
	Amount RMB'000	As a percentage of total revenue	Amount RMB'000	As a percentage of total revenue
PC unit manufacturing	893,508	93.1%	1,138,816	83.7%
PC equipment manufacturing	28,702	3.0%	221,389	16.3%
Modular integrated product manufacturing business	37,411	3.9%	–	0.0%
Total revenue	959,621	100.0%	1,360,205	100.0%

The revenue from PC unit manufacturing business decreased by 21.5% from RMB1,138.8 million for the six months ended June 30, 2021 to RMB893.5 million for the six months ended June 30, 2022; and the revenue from this segment as a percentage of total revenue increased from 83.7% for the six months ended June 30, 2021 to 93.1% for the six months ended June 30, 2022. The decrease in revenue was primarily attributable to the decrease in production and sales volume resulting from the effect of pandemic control measures on factories in the Beijing-Tianjin-Hebei region and the Yangtze River Delta region.

The revenue from PC equipment manufacturing business decreased by 87.0% from RMB221.4 million for the six months ended June 30, 2021 to RMB28.7 million for the six months ended June 30, 2022; and the revenue from this segment as a percentage of total revenue decreased from 16.3% for the six months ended June 30, 2021 to 3.0% for the six months ended June 30, 2022, which was mainly due to the substantial completion of the nationwide layout of the Joint Factories with the implementation of the “Broad Homes United Program”.

The revenue from modular integrated product manufacturing business amounted to RMB37.4 million for the six months ended June 30, 2022, accounted for 3.9% of the total revenue for the six months ended June 30, 2022.

Management Discussion and Analysis

Cost of sales

Our total cost of sales decreased by 19.0% from RMB959.1 million for the six months ended June 30, 2021 to RMB776.8 million for the six months ended June 30, 2022.

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, 2022		June 30, 2021	
	Amount	As a	Amount	As a
	RMB'000	percentage of	RMB'000	percentage of the
		the cost of sales		cost of sales
PC unit manufacturing	718,714	92.5%	821,614	85.7%
PC equipment manufacturing	21,133	2.7%	137,477	14.3%
Modular integrated product manufacturing business	36,916	4.8%	–	0.0%
Total cost of sales	776,763	100.0%	959,091	100.0%

The cost of sales of PC unit manufacturing business decreased by 12.5% from RMB821.6 million for the six months ended June 30, 2021 to RMB718.7 million for the six months ended June 30, 2022, which was mainly due to a corresponding decrease in costs as a result of the decrease in revenue.

The cost of sales of PC equipment manufacturing business decreased by 84.6% from RMB137.5 million for the six months ended June 30, 2021 to RMB21.1 million for the six months ended June 30, 2022, which was mainly due to a corresponding decrease in costs as a result of the decrease in revenue.

The cost of sales of modular integrated product manufacturing business amounted to RMB36.9 million for the six months ended June 30, 2022.

Management Discussion and Analysis

Gross profit and gross profit margin

Our total gross profit decreased by 54.4% from RMB401.1 million for the six months ended June 30, 2021 to RMB182.9 million for the six months ended June 30, 2022; and gross profit margin decreased from 29.5% for the six months ended June 30, 2021 to 19.1% for the six months ended June 30, 2022.

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, 2022		June 30, 2021	
	Amount RMB'000	Gross profit margin	Amount RMB'000	Gross profit margin
PC unit manufacturing	174,794	19.6%	317,202	27.9%
PC equipment manufacturing	7,569	26.4%	83,912	37.9%
Modular integrated product manufacturing business	495	1.3%	–	–
Total gross profit and gross profit margin	182,858	19.1%	401,114	29.5%

Gross profit from PC unit manufacturing business decreased by 44.9% from RMB317.2 million for the six months ended June 30, 2021 to RMB174.8 million for the six months ended June 30, 2022; and gross profit margin decreased from 27.9% for the six months ended June 30, 2021 to 19.6% for the six months ended June 30, 2022, which was mainly due to (i) the increase in share of fixed unit costs as a result of the decrease in revenue scale; and (ii) the decrease in unit sales price of PC units as compared to the same period of last year.

Gross profit from PC equipment manufacturing business decreased by 91.0% from RMB83.9 million for the six months ended June 30, 2021 to RMB7.6 million for the six months ended June 30, 2022; and gross profit margin decreased from 37.9% for the six months ended June 30, 2021 to 26.4% for the six months ended June 30, 2022, which was mainly due to the increase in share of fixed unit costs as a result of the decrease in revenue scale.

Gross profit from modular integrated product manufacturing business amounted to RMB0.5 million for the six months ended June 30, 2022, and gross profit margin was 1.3% for the six months ended June 30, 2022. The relatively low gross profit margin was mainly due to the fact that this business segment was a new business of the Company and was still in its start-up stage with higher share of fixed unit costs.

Management Discussion and Analysis

Net valuation gains on investment properties

We recorded valuation gains on investment properties of RMB1.2 million for the six months ended June 30, 2022, as compared to nil for the six months ended June 30, 2021.

Other income

Our other income consists primarily of government grants, lease income from investment properties, dividend income and gains or losses on disposal of assets. The table below sets out a breakdown of the main components of our other income for the periods indicated:

	Six months ended	
	June 30, 2022 RMB'000	June 30, 2021 RMB'000
Government grants	9,480	20,357
Operating lease income from lease of investment properties	4,802	4,122
Gains on disposal of property, plant and equipment and right-of-use assets	102	244
Gains on disposal of investment properties	–	109
Gains on disposal of other financial assets	140	272
Dividend income	1,980	6,986
Others	440	(4,022)
Total	16,944	28,068

Our other income decreased by 39.6% from RMB28.1 million for the six months ended June 30, 2021 to RMB16.9 million for the six months ended June 30, 2022, primarily attributable to (i) decrease in government grants; and (ii) decrease in dividend income.

Management Discussion and Analysis

Sales and distribution expenses

Our sales and distribution expenses mainly include freight, staff remuneration, operation cost, promotion fee, after-sale service fee and depreciation and amortization, etc. Such expenses increased by 5.7% from RMB112.2 million for the six months ended June 30, 2021 to RMB118.6 million for the six months ended June 30, 2022, and such expenses as a percentage of our revenue for the corresponding period increased from 8.2% to 12.4%, which was mainly due to (i) increase in freight due to significant increase in oil prices; (ii) increase in remuneration under sales expenses due to expansion of our modular integrated products and PC fully prefabricated businesses; and (iii) which was partially offset by the decrease in certain expenses due to active implementation of our cost reduction and efficiency enhancement measures and strict control of all expenses.

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

	Six months ended	
	June 30, 2022 RMB'000	June 30, 2021 RMB'000
Freight	47,066	46,392
Staff remuneration	39,041	31,807
After-sale service fee	1,716	4,483
Operation cost, promotion fee, etc.	21,839	21,478
Depreciation and amortization	1,902	1,540
Vehicle utilization fee	1,037	2,420
Others	5,962	4,095
Total	118,563	112,215

Management Discussion and Analysis

General and administrative expenses

Our general and administrative expenses consist primarily of remuneration for administrative staff, bad debt provision and depreciation and amortization. Such expenses increased by 23.8% from RMB154.5 million for the six months ended June 30, 2021 to RMB191.2 million for the six months ended June 30, 2022, and such expenses as a percentage of our revenue for the corresponding period increased from 11.4% to 19.9%, which was mainly due to (i) certain bad debt provision in view of the credit risk profile of certain customers; (ii) increase in staff remuneration due to expansion of our modular integrated products and PC fully prefabricated businesses; and (iii) which was partially offset by the significant decrease in office expenses and travel expenses due to active implementation of our cost reduction and efficiency enhancement measures.

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

	Six months ended	
	June 30, 2022 RMB'000	June 30, 2021 RMB'000
Staff remuneration	35,911	27,368
Business taxes and surcharges	11,728	13,784
Depreciation and amortization	34,894	32,990
Bad debt provision	74,200	31,301
Office expenses, travel expenses	8,516	15,130
Intermediary consulting fees	13,338	20,137
Others	12,662	13,790
Total	191,249	154,500

Management Discussion and Analysis

Research and development expenses

Our research and development expenses primarily consist of staff remuneration, experiment and material costs and depreciation and amortization. The total research and development expenses decreased by 20.1% from RMB104.5 million for the six months ended June 30, 2021 to RMB83.5 million for the six months ended June 30, 2022. For the six months ended June 30, 2022 and 2021, RMB54.1 million and RMB56.6 million of our research and development expenses were incurred, respectively, and RMB29.4 million and RMB47.9 million of our research and development expenses were capitalized, accounting for 35.2% and 45.8% of our research and development expenses for the same year, respectively. We continued to invest in research and development for our existing businesses and new businesses such as modular integrated product and PC fully prefabricated construction.

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

	Six months ended	
	June 30, 2022 RMB'000	June 30, 2021 RMB'000
Staff remuneration	38,489	47,364
Experiment and material costs	34,730	47,880
Depreciation and amortization	3,659	3,587
Others	6,612	5,688
Total research and development expenses	83,490	104,519
Capitalization of research and development expenses	(29,430)	(47,874)
Total	54,060	56,645

Finance costs

Our finance costs consist primarily of interest on bank loans and other borrowings, interest expenses and interest on lease liabilities. Such costs decreased by 10.6% from RMB69.9 million for the six months ended June 30, 2021 to RMB62.5 million for the six months ended June 30, 2022, which was mainly due to (i) increase in interest expense; and (ii) which was offset by foreign exchange gain 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, 2022 RMB'000	June 30, 2021 RMB'000
Interest on bank loans and other borrowings	67,481	63,902
Interest expense on lease liabilities	4,151	2,842
Interest income	(5,601)	(7,709)
Net foreign exchange (gain)/loss	(3,541)	10,829
Total	62,490	69,864

Management Discussion and Analysis

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

Our loss on such fair value changes amounted to RMB99.7 million for the six months June 30, 2022, as compared to gain on such fair value changes of RMB1.4 million for the six months June 30, 2021, which was mainly due to the decrease in fair value of financial assets at fair value through profit or loss affected by the industry environment.

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. We recorded a loss on our investment in the associates as a whole during the Reporting Period. Share of profits less losses of associates increased by 102.1% from a loss of RMB8.6 million for the six months ended June 30, 2021 to a loss of RMB17.4 million for the six months ended June 30, 2022, which was mainly due to the decrease in overall revenue of primary factories as compared to the same period of last year affected by the industry environment.

Gains on loss of significant influence in associates

Considering that our “two-level management strategy” and “two-level management research” were basically completed, for the six months ended June 30, 2022, no Joint Factories that we had made capital contribution to were re-measured as financial assets at fair value through profit or loss, and therefore no such gains were recorded. For the six months ended June 30, 2021, 2 Joint Factories that we had made capital contribution to were re-measured as financial assets at fair value through profit or loss, and therefore gains of RMB30.6 million were recorded. Since 2018, to better cope with the management resources pressure as a result of the implementation of the “Broad Homes United Program”, and activate cooperative partners, taking into comprehensive account of management cost, decision-making efficiency and intention of partners, the Company adjusted the management and control mode of certain Joint Factories and the majority of Joint Factories completed such shift in management mode in 2018 and 2019. 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.

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 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 and the net asset method under the cost approach according to the different development stages of the Joint Factories. Among the 53 Joint Factories re-measured as financial assets at fair value through profit or loss, 37 were in the initial operation period while 14 were in the rapid development period and 4 of these 51 Joint Factories were profitable, and we recorded loss on such fair value change of RMB81.8 million. 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. The remaining 2 Joint Factories were measured using net asset method under the cost approach as the market approach was no longer applicable, and we recorded loss on such fair value change of RMB17.9 million taking into account certain discount for lack of liquidity.

Management Discussion and Analysis

Gains on disposal of a subsidiary

For the six months ended June 30, 2022, we recorded gains of RMB2.1 million from disposal of one subsidiary, and for the six months ended June 30, 2021, we did not dispose of any subsidiaries and therefore did not record such gains. Please refer to “Management Discussion and Analysis – Major acquisitions and disposals of subsidiaries and associates”.

Income tax

Our income tax expense consists primarily of corporate income tax and movements in deferred tax assets. Our income tax decreased by 175.9% from RMB12.2 million for the six months ended June 30, 2021 to a negative amount of RMB9.3 million for the six months ended June 30, 2022.

(Loss)/profit for the period

In view of the above, our (loss)/profit for the period decreased by 801.9% from a profit of RMB47.2 million for the six months ended June 30, 2021 to a loss of RMB331.0 million for the six months ended June 30, 2022.

3. WORKING CAPITAL AND CAPITAL RESOURCES

We have met our capital needs through cash flows from operations and financing. As at June 30, 2022, our balance of cash and cash equivalents amounted to RMB347.2 million while as at June 30, 2021, our cash and cash equivalents were RMB611.4 million.

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

	Six months ended	
	June 30, 2022 RMB'000	June 30, 2021 RMB'000
Net cash generated from operating activities	178,012	326,685
Net cash used in investing activities	(329,178)	(310,393)
Net cash used in financing activities	(45,782)	(222,331)
Net decrease in cash and cash equivalents	(196,948)	(206,039)
Effect of foreign exchange rate changes	3,541	(10,829)
Cash and cash equivalents at the beginning of the period	540,656	828,288
Cash and cash equivalents at the end of the period	347,249	611,420

Management Discussion and Analysis

Net cash generated from 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, 2022, net cash generated from operating activities was RMB178.0 million, mainly due to loss before income tax of RMB340.3 million, which was adjusted according to the following aspects: (i) non-cash items, mainly including RMB147.3 million of depreciation and amortization, losses on disposal of property, plant and equipment and right-of-use assets of RMB0.1 million, bad debt provision and inventory provision of RMB74.2 million, government grant amortization benefit of RMB2.8 million, finance expenses of RMB62.5 million, gains on disposal of subsidiaries of RMB2.1 million, share of profits less losses of associates of RMB17.4 million, losses on fair value change of financial assets at fair value through profit or loss of RMB99.7 million, dividend income of RMB2.0 million, net valuation gains on investment properties of RMB1.2 million, and gain on disposal of other financial assets of RMB0.1 million; and (ii) changes in working capital, mainly including an increase in inventory of RMB3.1 million, a decrease in trade and other receivables of RMB159.2 million, a decrease in trade and other payables of RMB118.2 million, an increase in contract liabilities of RMB92.8 million, and income tax paid of RMB5.1 million.

Net cash used in investing activities

For the six months ended June 30, 2022, net cash used in investing activities was RMB329.2 million, mainly attributable to (i) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB300.6 million; (ii) payment for acquisition of financial assets at fair value through profit or loss of RMB91.4 million; (iii) proceeds from disposal of financial assets at fair value through profit or loss of RMB50.5 million; (iv) proceeds from disposal of property, plant and equipment of RMB0.3 million; (v) proceeds from disposal of interests in subsidiaries of RMB2.0 million; (vi) proceeds from disposal of investment properties of RMB4.5 million; and (vii) proceeds from other investing activities of RMB5.6 million.

Net cash used in financing activities

For the six months ended June 30, 2022, net cash used in financing activities was RMB45.8 million, mainly due to (i) proceeds from loans and borrowings of RMB925.5 million; (ii) repayment of borrowings of RMB816.7 million; (iii) payment of interest on borrowings of RMB67.3 million; (iv) payment for repurchase of treasury shares of RMB55.8 million; and (v) principal and interest of lease liabilities paid of RMB31.5 million.

Borrowings

Our total borrowings increased by RMB290.3 million from RMB2,890.5 million as at December 31, 2021 to RMB3,180.8 million as at June 30, 2022. As at June 30, 2022, we had bank facilities of approximately RMB5,208.0 million (credit facilities), of which approximately RMB1,677.3 million remains unutilized.

Management Discussion and Analysis

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

As at June 30, 2022 and December 31, 2021, borrowings (including principal and interest) are repayable as follows:

	As at	
	June 30, 2022 RMB million	December 31, 2021 RMB million
Within 1 year	1,756.2	1,426.9
1-2 years	1,366.5	1,088.6
2-5 years	200.3	567.4
Over 5 years	-	-
Total	3,323.1	3,082.9

(2) Range of interest rates of borrowings

As at June 30, 2022, the interest rates of our borrowings are within the following range:

	Range of interest rates
Short-term borrowings	0.00%-14.40%
Long-term borrowings	4.20%-13.74%

The above interest rates include the interest rates of borrowings made by Xinpu Broad Homes before it was consolidated into the Group. Our average interest rate¹ of bank borrowings other than those made by Xinpu Broad Homes was 4.55% per annum, please refer to “Management Discussion and Analysis – Interest Rate Risk”.

Note 1: The average interest rate of bank borrowings is equal to the arithmetic average of the contractual interest rates of bank borrowings.

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 purchase of wealth management products, and the capital injection in associates. Our capital expenditures increased from RMB362.0 million for the six months ended June 30, 2021 to RMB392.0 million for the six months ended June 30, 2022.

Management Discussion and Analysis

Net current (liabilities)/assets

Our net current (liabilities)/assets decreased by 171.7% from net current assets of RMB331.8 million as at December 31, 2021 to net current liabilities of RMB237.9 million as at June 30, 2022. We will improve our net current assets/liabilities position and maintain our operation as a going concern through the following measures: (i) the Group plans to negotiate with our customers to expedite the implementation of relevant projects in order to recognize the prepayments received from customers as revenue in a timely manner; (ii) the Group plans to expedite the sale of investment properties to provide additional working capital for the Group; (iii) the Group plans to strictly control the expenditure of investing activities and implement various measures of cost reduction and efficiency enhancement to control the expenditure of operating activities; and (iv) the Group forecasts that the net cash flow from operating activities will be higher than the net current liabilities for the next twelve months after the period.

Pledge of assets

As at June 30, 2022, our restricted bank deposits were RMB361.8 million, as compared to restricted bank deposits of RMB312.9 million as at December 31, 2021.

Off-balance sheet commitments and arrangements

For the six months ended June 30, 2022, we had no off-balance sheet arrangements.

Future plan for significant investments and capital assets

For the six months ended June 30, 2022, 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

On May 20, 2022, the Company entered into equity transfer agreements with Hunan Broad Lingmu House Equipment Co., Ltd. and Zhangjiajie Blue Harbor Real Estate Development Co., Ltd. Pursuant to the equity transfer agreements, the Company disposed of 99% and 1% of its equity interest in Broad Bathroom to Hunan Broad Lingmu House Equipment Co., Ltd. and Zhangjiajie Blue Harbor Real Estate Development Co., Ltd., respectively.

As a result, Broad Bathroom ceased to be a subsidiary of the Company. Hunan Broad Lingmu House Equipment Co., Ltd. and Zhangjiajie Blue Harbor Real Estate Development Co., Ltd. are both related party companies controlled by Mr. Zhang Jian, the de facto controller of the Group. These related party transactions constitute connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as all the applicable percentage ratios are below the de minimis threshold under Rule 14A.76(1).

As at June 30, 2022, the shareholders' meeting of Broad Bathroom has considered and approved the proposal to amend the articles of association and the relevant procedures for change of industrial and commercial registration have been completed. Please refer to "Management Discussion and Analysis – Gains on disposal of a subsidiary".

Save as disclosed above, during the six months ended June 30, 2022, the Group did not make any major acquisition and disposal of subsidiaries and associates.

Management Discussion and Analysis

Employees and remuneration

For the six months ended June 30, 2022, we had 3,242 full-time employees (average number for January to June 2022). Our total remuneration expenses increased by 0.7% from RMB203.7 million for the six months ended June 30, 2021 to RMB205.1 million for the six months ended June 30, 2022, primarily attributable to (i) the increase in remuneration expenses for expansion of modular integrated products and PC fully prefabricated businesses; and (ii) the year-on-year increase in number of employees and remuneration expenses due to consolidation of Xinpu Broad Homes.

Medium and Long-term Incentive Plan

In order to establish and improve the incentive and restrictive mechanism for the Company, and to attract, retain and motivate Directors, senior management members of the Company and outstanding key business personnel that the Company considers should be motivated, facilitate the effective implementation of the Company's strategic objectives and ensure the long-term stable development of the Company, a medium and long-term incentive plan (the "**2021 Medium and Long-Term Incentive Plan**"), including the restricted share incentive plan and the share option incentive plan (which do not constitute a share option scheme under Chapter 17 of the Hong Kong Listing Rules, but rather discretionary plans of the Company), was approved for implementation by the Board of Directors and at the shareholders' general meeting of the Company on September 28, 2021 and October 22, 2021, respectively. For details of the 2021 Medium and Long-Term Incentive Plan, please refer to the Company's 2021 annual report, announcement dated September 28, 2021 and circular dated October 6, 2021.

Since the details of the 2021 Medium and Long-term Incentive Plan are subject to the approval of the Board or the Remuneration and Appraisal Committee and therefore the Company did not account for the related share based payment in 2021. There were no restricted shares or share options granted to any incentive recipients during the Reporting Period.

4. COMMITMENTS

Capital Commitments

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

	Six months ended	
	June 30, 2022 RMB'000	June 30, 2021 RMB'000
Contracted for		
– Construction and renovation of production facilities	305,773	230,756
– Capital contributions to Joint Factories	121,430	244,445
Total	427,203	475,201

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, 2022	June 30, 2021
Current ratio ⁽¹⁾	0.9	1.0
Quick ratio ⁽²⁾	0.9	0.9
Loan-to-equity ratio ⁽³⁾	82.5%	69.6%
Return on total assets ⁽⁴⁾	-6.9%	1.0%
Return on equity ⁽⁵⁾	-16.6%	2.3%
Interest coverage ratio ⁽⁶⁾	-4.4	1.9

Notes:

- ⁽¹⁾ Current ratio equals to current assets divided by current liabilities as of the end of the year.
- ⁽²⁾ Quick ratio equals to current assets (excluding inventories) divided by current liabilities as of the end of the year.
- ⁽³⁾ Loan-to-equity ratio equals to total interest-bearing bank and other borrowings divided by total equity as of the end of the year.
- ⁽⁴⁾ Return on total assets equals to the annualized profits divided by average of total assets at the beginning and end of the year.
- ⁽⁵⁾ Return on equity equals to the annualized profits divided by average of total equity at the beginning and end of the year.
- ⁽⁶⁾ Interest coverage ratio equals to profit before interest and taxation divided by finance costs.
- ⁽⁷⁾ Key financial ratios as at June 30, 2022 are presented on an annualized basis and are calculated by dividing the financial data for the six months ended June 30, 2022 by 180, and multiplying by 365.

Current Ratio

Our current ratio decreased from 1.0 as at June 30, 2021 to 0.9 as at June 30, 2022. 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)/ assets".

Management Discussion and Analysis

Quick Ratio

Our quick ratio remained at 0.9 as at June 30, 2021 and June 30, 2022. 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)/assets”.

Loan-to-equity Ratio

Our loan-to-equity ratio increased from 69.6% as at June 30, 2021 to 82.5% as at June 30, 2022.

Return on Total Assets

Our return on total assets decreased from 1.0% for the six months ended June 30, 2021 to -6.9% for the six months ended June 30, 2022.

Return on Equity

Our return on equity decreased from 2.3% for the six months ended June 30, 2021 to -16.6% for the six months ended June 30, 2022.

Interest Coverage Ratio

Our interest coverage ratio decreased from 1.9 times for the six months ended June 30, 2021 to -4.4 times for the six months ended June 30, 2022.

6. 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, 2022, we did not make any changes in the objectives, policies or process of capital management.

Management Discussion and Analysis

7. CREDIT RISK

Our credit risk is primarily attributable to trade debtors and bills receivable. We have limited exposure to credit risks from our cash and cash equivalents and use of restricted bank 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 construction enterprises 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 increased from 341 days for the six months ended June 30, 2021 to 542 days for the six months ended June 30, 2022, of which the turnover days of the PC unit manufacturing business increased from 361 days for the six months ended June 30, 2021 to 535 days for the six months ended June 30, 2022, and the turnover days of the modular integrated product manufacturing business were 37 days for the six months ended June 30, 2022. The increase in turnover days of the PC unit manufacturing business was mainly due to the year-on-year increase of 16.3% in average balance of trade debtors and bills receivable to RMB2,656.4 million and the year-on-year decrease of 21.5% in revenue to RMB893.5 million for the six months ended June 30, 2022.

8. 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, 2022, balance of fixed-rate borrowings amounted to RMB2,113.9 million, with the fixed interest rate ranging from 0% to 14.4% per annum, which was mainly attributable to the fixed interest rate of 8.3% to 14.4% per annum of the borrowings of Xinpu Broad Homes prior to its consolidation into the Group. As at June 30, 2022, the balance of such fixed-rate borrowings of Xinpu Broad Homes amounted to RMB2.6 million. Excluding Xinpu Broad Homes, the fixed interest rate of our borrowings ranged from 0% to 5.2% per annum. The balance of floating-rate borrowings amounted to RMB1,066.9 million, with floating interest rate ranging from 3.8% to 5.17% per annum. In view of the above, except for Xinpu Broad Homes, the average interest rate¹ of our bank borrowings was 4.55% per annum.

Note 1: The average interest rate of bank borrowings is equal to the arithmetic average of the contractual interest rates of bank borrowings.

Management Discussion and Analysis

9. FOREIGN EXCHANGE 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, 2022.

10. CONTINGENT LIABILITIES

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

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

From the end of the Reporting Period to the date of this interim report, there were no adjusted or non-adjusting significant events with a significant financial impact on the Group.

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 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, 2022.

INTERIM DIVIDEND

On August 31, 2022, the Board resolved not to declare any interim dividend for the six months ended June 30, 2022.

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, 2022. 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.

Corporate Governance and Other Information

CHANGES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, the Company elected the new session of the Board and the Supervisory Committee and formed the third session of the Board and the Supervisory Committee.

On March 30, 2022, the Board has considered and passed the resolution in relation to the proposed appointment of Directors of the third session of the Board of the Company and agreed to nominate Mr. Zhang Jian, Ms. Tang Fen, Mr. Hu Shengli, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming as candidates for executive Directors of the third session of the Board, Mr. Zhang Quanxun as candidate for non-executive Director of the third session of the Board, and Mr. Chen Gongrong, Mr. Li Zhengnong, Mr. Wong Kai Yan Thomas and Mr. Zhao Zhengting as candidates for independent non-executive Directors of the third session of the Board, and agreed to separately submit the same to the AGM for consideration and approval by way of ordinary resolution; and considered and passed the resolution in relation to the proposed appointment of Shareholder representative Supervisors of the third session of the Supervisory Committee of the Company and agreed to nominate Mr. Zhou Feng and Mr. Li Gen as candidates for Shareholder representative Supervisors of the third session of the Supervisory Committee, and agreed to separately submit the same to the AGM for consideration and approval by way of ordinary resolution.

Upon consideration and approval by the Shareholders at the AGM held on April 29, 2022, Mr. Zhang Jian, Ms. Tang Fen, Mr. Hu Shengli, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming were elected as the executive Directors of the third session of the Board, Mr. Zhang Quanxun was elected as the non-executive Director of the third session of the Board, Mr. Chen Gongrong, Mr. Li Zhengnong, Mr. Wong Kai Yan Thomas and Mr. Zhao Zhengting were elected as the independent non-executive Directors of the third session of the Board. The Directors of the third session of the Board shall hold office with effect from the date of their election at the AGM until the expiry of the term of office of the third session of the Board of the Company.

In addition, Mr. Zhou Feng and Mr. Li Gen were elected as the Shareholder representative Supervisors of the third session of the Supervisory Committee. The Shareholder representative Supervisors of the third session of the Supervisory Committee shall hold office with effect from the date of election at the AGM and serve for a term of three years from the date of being considered and approved at the AGM.

After the Directors and the Shareholder representative Supervisors of the third session of the Board and the Supervisory Committee held office, Ms. Hu Keman ceased to serve as a non-executive Director and Ms. Zhang Mingxin ceased to serve as a Shareholder representative Supervisor.

For details of formation of the third session of the Board and the Supervisory Committee of the Company, please refer to the Company's announcement dated March 30, 2022, circular dated March 31, 2022 and announcement dated April 29, 2022.

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, 2022, save for those described in the 2021 Medium and Long-Term Incentive Plan in the Management Discussion and Analysis, 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, respectively. In addition, as disclosed in the announcements of the Company dated April 20, 2021 and November 30, 2021 and the supplemental announcement dated December 24, 2021 (collectively, the "Relevant Announcements"), the Board has considered and approved the change of use of proceeds from the H Shares offering on April 20, 2021 and November 30, 2021, respectively. 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, 2022, balance of the unutilized net proceeds was approximately HK\$43.35 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 Relevant Announcements. The table below sets out the planned use of net proceeds and the actual use as at June 30, 2022:

Use of Proceeds	Allocation of Net Proceeds (%)	Allocation of Net Proceeds (HK\$ million)	Amount Utilized (as at June 30, 2022) (HK\$ million)	Amount Unutilized (as at June 30, 2022) (HK\$ million)	Expected Time for Utilization of Unutilized Amount
(I) Expanding PC Unit Manufacturing Business	45	500.30	469.16	31.14	
(1) Establishing Wholly-owned Regional Production Centers in Key Strategic Regions	36.97	410.97	379.83	31.14	Before December 31, 2022
(2) Expanding Factories and Upgrading Equipment in Existing Regional Production Centers	8.03	89.32	89.32	0	-
(II) Expansion in Overseas and Domestic Markets, Establishing Technology and Production Centers Targeting Overseas and Domestic Markets	7.04	78.28	78.28	0	-
(III) Developing and Expanding Intelligent Equipment Business	5.09	56.56	56.56	0	-
(IV) Developing and Establishing an Intelligent Service Platform in the Prefabricated Construction Industry	4.41	49.07	49.07	0	-
(V) Working Capital and Other General Corporate Purposes	38.45	427.50	415.28	12.21	Before December 31, 2022
Total	100	1,111.70	1,068.34	43.35	

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, 2022, the Directors, Supervisors and the chief executive 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 Domestic Shares of the Company %		
Mr. Zhang Jian	Domestic Shares	Beneficial owner	14,053,540	2.88	7.90	–	Long position
		Interest held by controlled corporations	116,648,160 (Note 2)	23.92	65.60	–	Long position
	H Shares	Beneficial owner	150,000,000	30.76	–	48.42	Long position
		Interest held by spouse	430,200 (Note 3)	0.09	–	0.14	Long position
Ms. Tang Fen	Domestic Shares	Beneficial owner	1,800,000 (Note 4)	0.37	1.01	–	Long position
Ms. Shi Donghong	Domestic Shares	Beneficial owner	1,800,000	0.37	1.01	–	Long position
		Interest held by spouse	5,136,000 (Notes 4 and 5)	1.05	2.89	–	Long position
	H Shares	Interest held by spouse	3,876,000 (Note 6)	0.79	–	1.25	Long position
Mr. Zhang Kexiang	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.47	–	Long position
Mr. Tan Xinming	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.47	–	Long position
Mr. Zhang Quanxun	Domestic Shares	Interest held by controlled corporations	25,404,000 (Note 7)	5.21	14.29	–	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 80,912,160 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 430,200 H Shares. Therefore, Mr. Zhang Jian is deemed to be interested in 430,200 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) Fuyang Shangjiu directly holds 5,136,000 Domestic Shares, and Mr. Zhou Bin (周斌先生), the spouse of Ms. Shi Donghong, is the general partner of Fuyang Shangjiu. Therefore, Ms. Shi Donghong is deemed to be interested in 5,136,000 Domestic Shares for the purpose of Part XV of the SFO.
- (6) Mr. Zhou Bin (周斌先生), the spouse of Ms. Shi Donghong, directly holds 3,876,000 H Shares. Therefore, Ms. Shi Donghong is deemed to be interested in 3,876,000 H Shares for the purpose of Part XV of the SFO.
- (7) 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 Shenzhen SASAC 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, 2022, 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, 2022 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, 2022, 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 total 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 Interest held by controlled corporations	80,912,160	16.59	45.50	-	Long position
			17,136,000 (Note 3)	3.51	9.64	-	Long position
Daxin Investment	Domestic Shares	Trustee	18,600,000 (Note 4)	3.81	10.46	-	Long position
Yuanzhi Fuhai	Domestic Shares	Trustee	25,404,000 (Note 5)	5.21	14.29	-	Long position
Hunan Caixin Fund	Domestic Shares	Interest held by controlled corporations	10,000,000 (Note 6)	2.05	5.62	-	Long position
Dazheng Investment	Domestic Shares	Beneficial owner	12,000,000	2.46	6.75	-	Long position
Cassini Partners, L.P.	H Shares	Beneficial owner	7,939,418 (Note 7)	1.63	-	2.56	Long position
Massachusetts Institute of Technology	H Shares	Interest held by controlled corporations	7,939,418 (Note 7)	1.63	-	2.56	Long position
UBS Group AG	H Shares	Interest held by controlled corporations	40,199,305 (Note 8)	8.24	-	12.98	Long position

Corporate Governance and Other Information

Name of substantial Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of the total 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
Franchise Fund LP	H Shares	Beneficial owner	37,245,900	7.64	–	12.02	Long position
OceanLink Partners Fund, LP	H Shares	Beneficial owner	12,200,782	2.50	–	3.94	Long position
Li Richard	H Shares	Interest held by controlled corporations	20,140,200 (Note 9)	4.13	–	6.50	Long position
OLP Capital Management Limited	H Shares	Investment manager	20,140,200 (Note 9)	4.13	–	6.50	Long position
RCWL Inc.	H Shares	Interest held by controlled corporations	20,140,200 (Note 9)	4.13	–	6.50	Long position
SHEN Di Fan	H Shares	Interest held by controlled corporations	20,140,200 (Note 10)	4.13	–	6.50	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 80,912,160 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, 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 Quanxun 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) Hunan Caixin Jingyuan Equity Investment Partnership (Limited Partnership) indirectly holds 5,000,000 Domestic Shares, and Hunan Caixin Jingjin Equity Investment Partnership (Limited Partnership) indirectly holds 5,000,000 Domestic Shares. Hunan Caixin Fund directly holds 100% equity interest in Hunan Caixin Jingyuan Equity Investment Partnership (Limited Partnership) and Hunan Caixin Jingjin Equity Investment Partnership (Limited Partnership). Therefore, Hunan Caixin Fund is deemed to be interested in the 5,000,000 Domestic Shares held by Hunan Caixin Jingyuan Equity Investment Partnership (Limited Partnership) and 5,000,000 Domestic Shares held by Hunan Caixin Jingjin Equity Investment Partnership (Limited Partnership), for the purpose of the SFO.
- (7) According to the interest disclosure form filed by Massachusetts Institute of Technology on January 11, 2021, Massachusetts Institute of Technology holds 96.80% equity interests of Cassini Partners, L.P. According to the interest disclosure forms filed by LI Richard, OLP Capital Management Limited, RCWL Inc. and SHEN Di Fan on December 25, 2021, Cassini Partners, L.P. directly holds 7,939,418 H Shares. Therefore, Massachusetts Institute of Technology is deemed to be interested in the 7,939,418 H Shares held by Cassini Partners, L.P. for the purpose of the SFO.
- (8) UBS AG directly holds 40,137,206 H Shares, UBS Switzerland AG directly holds 32,399 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 40,137,206 H Shares held by UBS AG, 32,399 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.

Corporate Governance and Other Information

- (9) OceanLink Partners Fund directly holds 12,200,782 H Shares. OLP Capital Management Limited is the investment manager of OceanLink Partners Fund, LP and Cassini Partners, L.P. RCWL Inc. holds 35% equity interest in OLP Capital Management Limited. Li Richard holds 100% equity interest in RCWL Inc. and 35% equity interest in OLP Capital Management Limited. Therefore, Li Richard is deemed to be interested in the 20,140,200 H Shares held by RCWL Inc. and 20,140,200 H Shares held by OLP Capital Management Limited, for the purpose of the SFO.
- (10) SHEN Di Fan holds 65% equity interest in OLP Capital Management Limited. Therefore, SHEN Di Fan is deemed to be interested in the 20,140,200 H Shares held by OLP Capital Management Limited for the purpose of the SFO.

Save as those disclosed above, as at June 30, 2022, 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 45 to 76 which comprises the consolidated statement of financial position of Changsha Broad Homes Industrial Group Co., Ltd. (the "Company") as of 30 June 2022, 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 2022 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

31 August 2022

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022 (Unaudited)
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	4	959,621	1,360,205
Cost of sales		(776,763)	(959,091)
Gross profit		182,858	401,114
Net valuation gains on investment properties	9	1,180	–
Other income	5	16,944	28,068
Sales and distribution expenses		(118,563)	(112,215)
General and administrative expenses		(191,249)	(154,500)
Research and development expenses		(54,060)	(56,645)
(Loss)/profit from operations		(162,890)	105,822
Finance costs	6(a)	(62,490)	(69,864)
Fair value changes on financial assets at fair value through profit or loss	23	(99,668)	1,428
Share of profits less losses of associates	12	(17,411)	(8,613)
Gains on disposal of a subsidiary		2,146	–
Gains on loss of significant influence in associates		–	30,623
(Loss)/profit before taxation	6	(340,313)	59,396
Income tax	7	9,281	(12,231)
(Loss)/profit from operations		(331,032)	47,165
(Loss)/profit for the period		(331,032)	47,165
Total comprehensive (loss)/income for the period		(331,032)	47,165
Attributable to:			
Equity shareholders of the Company		(327,667)	47,165
Non-controlling interests		(3,365)	–
Basic and diluted (loss)/earnings per share (RMB)	8	(0.67)	0.10

The notes on pages 51 to 76 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2022 (Unaudited)
(Expressed in Renminbi)

	Note	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Non-current assets			
Investment properties	9	252,095	250,915
Property, plant and equipment	10	2,431,674	2,287,564
Intangible assets		320,738	307,239
Right-of-use assets	11	626,198	626,776
Goodwill		7,799	7,799
Interest in associates	12	278,781	296,192
Financial assets at fair value through profit or loss	13	1,881,188	1,939,836
Restricted and pledged bank deposits	16	5,000	5,004
Deferred tax assets		60,037	49,145
Total non-current assets		5,863,510	5,770,470
Current assets			
Inventories	14	323,773	339,052
Trade and other receivables	15	2,692,466	2,904,972
Restricted and pledged bank deposits	16	356,769	307,886
Cash and cash equivalents	17	347,249	540,656
Total current assets		3,720,257	4,092,566
Total assets		9,583,767	9,863,036
Current liabilities			
Short-term borrowings	18(a)	1,667,283	1,290,454
Trade and other payables	19	2,028,128	2,295,114
Contract liabilities	20	208,184	118,299
Lease liabilities	21	44,934	41,999
Deferred income		5,618	5,467
Current taxation		4,050	9,420
Total current liabilities		3,958,197	3,760,753
Net current (liabilities)/assets		(237,940)	331,813
Total assets less current liabilities		5,625,570	6,102,283

The notes on pages 51 to 76 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2022 (Unaudited)
(Expressed in Renminbi)

	Note	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Non-current liabilities			
Long-term borrowings	18(b)	1,513,556	1,600,000
Lease liabilities	21	153,208	153,946
Deferred income		77,107	80,158
Deferred tax liabilities		25,552	25,250
Total non-current liabilities		1,769,423	1,859,354
NET ASSETS		3,856,147	4,242,929
CAPITAL AND RESERVES			
Share capital		487,639	487,639
Reserves		3,279,487	3,662,904
Total equity attributable to equity shareholders of the Company		3,767,126	4,150,543
Non-controlling interests		89,021	92,386
TOTAL EQUITY		3,856,147	4,242,929

Approved and authorized for issue by the board of directors on 31 August 2022.

Zhang Jian
Chairman

Shi Donghong
Chief Financial Officer

The notes on pages 51 to 76 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 (Unaudited)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021	487,639	-	2,304,603	147,502	(2,875)	1,201,773	4,138,642	-	4,138,642
Changes in equity for the six months ended 30 June 2021									
Profit for the period	-	-	-	-	-	47,165	47,165	-	47,165
Other comprehensive income	-	-	-	-	(705)	705	-	-	-
Total comprehensive income	-	-	-	-	(705)	47,870	47,165	-	47,165
Balance at 30 June 2021 and 1 July 2021	487,639	-	2,304,603	147,502	(3,580)	1,249,643	4,185,807	-	4,185,807
Changes in equity for the six months ended 31 December 2021									
Profit for the period	-	-	-	-	-	(14,738)	(14,738)	(895)	(15,633)
Other comprehensive income	-	-	-	-	(1,058)	1,058	-	-	-
Total comprehensive income	-	-	-	-	(1,058)	(13,680)	(14,738)	(895)	(15,633)
Acquisition of a subsidiary	-	-	-	-	-	-	-	93,281	93,281
Appropriation for surplus reserve	-	-	-	317	-	(317)	-	-	-
Treasury shares	-	(20,526)	-	-	-	-	(20,526)	-	(20,526)
Balance at 31 December 2021	487,639	(20,526)	2,304,603	147,819	(4,638)	1,235,646	4,150,543	92,386	4,242,929
Balance at 1 January 2022	487,639	(20,526)	2,304,603	147,819	(4,638)	1,235,646	4,150,543	92,386	4,242,929
Changes in equity for the six months ended 30 June 2022									
Loss for the period	-	-	-	-	-	(327,667)	(327,667)	(3,365)	(331,032)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(327,667)	(327,667)	(3,365)	(331,032)
Treasury shares	-	(55,750)	-	-	-	-	(55,750)	-	(55,750)
Balance at 30 June 2022	487,639	(76,276)	2,304,603	147,819	(4,638)	907,979	3,767,126	89,021	3,856,147

The notes on pages 51 to 76 form part of this interim financial report.

Consolidated Cash Flow Statement

For the six months ended 30 June 2022 (Unaudited)
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Operating activities			
(Loss)/profit before taxation		(340,313)	59,396
Adjustments for:			
Depreciation and amortization	6(c)	147,262	118,823
Gain on disposal of property, plant and equipment	5	(102)	(244)
Gain on disposal of investment properties	5	-	(109)
Impairment losses		74,200	31,301
Amortization of government grants		(2,833)	(2,420)
Finance costs	6(a)	62,490	69,864
Gain on disposal of a subsidiary		(2,146)	-
Share of profits less losses of associates	12	17,411	8,613
Gains on loss of significant influence in associates		-	(30,623)
Fair value changes on financial assets at fair value through profit or loss	23	99,668	(1,428)
Gains on disposal of other financial assets	5	(140)	(272)
Dividend income	5	(1,980)	(6,986)
Net valuation gains on investment properties	9	(1,180)	-
Changes in working capital:			
Increase in inventories		(3,067)	(45,403)
Decrease/(increase) in trade and other receivables		159,212	(159,493)
(Decrease)/increase in trade and other payables		(118,191)	416,239
Increase/(decrease) in contract liabilities		92,836	(112,219)
Cash generated from operations		183,127	345,039
Income tax paid		(5,115)	(18,354)
Net cash generated from operating activities		178,012	326,685

The notes on pages 51 to 76 form part of this interim financial report.

Consolidated Cash Flow Statement

For the six months ended 30 June 2022 (Unaudited)
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Investing activities			
Payment for purchase of property, plant and equipment, right-of-use assets and intangible assets		(300,646)	(335,241)
Payment for purchase of financial assets at fair value through profit or loss		(91,370)	(16,505)
Payment for interest in associates		–	(10,245)
Proceeds from disposal of property, plant and equipment		288	2,175
Proceeds from sales of financial assets at fair value through profit or loss		50,490	8,125
Proceeds from sales of investment properties		4,459	6,836
Dividends received		–	26,480
Proceeds from sales of investment in a subsidiary		2,000	–
Proceeds from other investing activities		5,601	7,982
Net cash used in investing activities		(329,178)	(310,393)
Financing activities			
Proceeds from loans and borrowings		925,520	993,440
Repayment of loans and borrowings		(816,723)	(1,133,529)
Interest paid		(67,328)	(64,579)
Payment for purchase of treasury shares		(55,750)	–
Capital element of lease rentals paid		(26,826)	(14,821)
Interest element of lease rentals paid		(4,675)	(2,842)
Net cash used in financing activities		(45,782)	(222,331)
Net decrease in cash and cash equivalents		(196,948)	(206,039)
Cash and cash equivalents at 1 January		540,656	828,288
Effect of foreign exchange rate changes		3,541	(10,829)
Cash and cash equivalents at 30 June	17	347,249	611,420

The notes on pages 51 to 76 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 industrialization of construction industry in the PRC, including prefabricated concrete unit manufacturing (“PC Unit Manufacturing”) and prefabricated concrete equipment manufacturing (“PC Equipment Manufacturing”) and Modular Integrated Products Manufacturing.

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 authorized for issue on 31 August 2022.

The Group incurred a net loss of RMB331,032 thousand for the period ended 30 June 2022 and as at that date, the Group had net current liabilities of RMB237,940 thousand. Notwithstanding the above results, the interim financial report has been prepared on a going concern basis, which is dependent upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its obligations when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

Also, the directors of the Group are of the opinion that the Group will be able to finance its future working capital and financing requirements based on the following considerations:

- Historically, the Group has been able to roll over or obtain replacement borrowings from existing banking facilities for most of its short-term interest-bearing borrowings upon their maturity. The Group has assumed it will continue to be able to do so for the foreseeable future;
- The Group continues adopting strict controls on its operating and investing activities;
- The Group expects to obtain additional cash inflows from disposal of investment properties before year end date of 2022; and
- The directors of the Company have reviewed the working capital forecast of the Group, which included the projected working capitals for the second half year of 2022 and the year of 2023.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 BASIS OF PREPARATION (CONTINUED)

Notwithstanding that there can be uncertainty that the Group will be able to achieve the above plans and measures, the directors of the Company are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities when they fall due and to continue as a going concern. Accordingly, the directors of the Company have prepared the interim financial report on a going concern basis.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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.

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:

- Amendments to IFRS 3, *Reference to the Conceptual Framework*
- Amendment to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*
- Annual Improvements to IFRSs 2018-2020 Cycle

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized 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) Modular Integrated Products segment. 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	
	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales of PC units	893,508	1,138,816
– Sales of PC equipment	28,702	221,389
– Sales of Modular integrated products	37,411	–
	959,621	1,360,205

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.

	PC Unit Manufacturing		PC Equipment Manufacturing		Modular integrated products Manufacturing		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<i>For the six months ended 30 June</i>								
Disaggregated by timing of revenue recognition								
Point in time	893,508	1,138,816	28,702	221,389	37,411	-	959,621	1,360,205
Revenue from external customers	893,508	1,138,816	28,702	221,389	37,411	-	959,621	1,360,205
Inter-segment revenue	7,589	-	-	-	-	-	7,589	-
Reportable segment revenue	901,097	1,138,816	28,702	221,389	37,411	-	967,210	1,360,205
Reportable segment (loss)/profit	(51,343)	78,971	(42,897)	57,366	(39,060)	-	(133,300)	136,337
Finance costs	(60,338)	(69,864)	(2,179)	-	27	-	(62,490)	(69,864)
Depreciation and amortization for the period	(133,825)	(118,562)	(2,580)	(2,631)	(11,615)	-	(148,020)	(121,193)
<i>As at 30 June/31 December</i>								
Reportable segment assets	6,901,525	6,994,720	159,057	240,933	399,501	412,477	7,460,083	7,648,130
Reportable segment liabilities	2,220,230	2,461,541	185,436	169,021	177,398	120,213	2,583,064	2,750,775

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	
	2022 RMB'000	2021 RMB'000
Revenue		
Reportable segment revenue	967,210	1,360,205
Elimination of inter-segment revenue	(7,589)	–
Consolidated revenue	959,621	1,360,205
Profit		
Total reportable segment profit	(133,300)	136,337
Elimination of inter-segment profits	(1,055)	–
Finance costs	(62,490)	(69,864)
Unallocated head office and corporate expenses	(30,515)	(37,501)
Fair value changes on financial assets at fair value through profit or loss	(99,668)	1,428
Share of profits less losses of associates	(17,411)	(8,613)
Gains on loss of significant influence in associates	–	30,623
Gains on disposal of a subsidiary	2,146	–
Dividend income	1,980	6,986
(Loss)/profit before taxation	(340,313)	59,396

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

5 OTHER INCOME

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Government grants	9,480	20,357
Gain on disposal of property, plant and equipment	102	244
Gain on disposal of investment properties	–	109
Operating lease income from rent of investment properties	4,802	4,122
Gains on disposal of other financial assets	140	272
Dividend income	1,980	6,986
Others	440	(4,022)
	16,944	28,068

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest on bank loans and other borrowings	66,957	63,902
Interest on lease liabilities	4,675	2,842
Interest income	(5,601)	(7,709)
Net foreign exchange (gain)/loss	(3,541)	10,829
	62,490	69,864

(b) Staff costs:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Salaries, wages, bonuses and other benefits	193,087	201,757
Contributions to defined contribution retirement plan	12,003	1,932
	205,090	203,689

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	
	2022 RMB'000	2021 RMB'000
Amortization		
– intangible assets	19,308	15,924
Depreciation		
– property, plant and equipment (note 10)	98,334	76,948
– right-of-use assets (note 11)	29,620	25,951
Impairment losses		
– trade and other receivables	63,292	30,507
– inventories	10,908	794
Cost of inventories (note 14(b))	518,304	676,452

7 INCOME TAX

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current tax-PRC income tax		
Provision for the period	1,308	16,646
Deferred tax		
Origination and reversal of temporary differences	(10,589)	(4,415)
	(9,281)	12,231

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

8 (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB327,667 thousand (six months ended 30 June 2021: profit of RMB47,165 thousand) and the weighted average number of shares of 485,520,719 (six months ended 30 June 2021: 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.

9 INVESTMENT PROPERTIES

	Commercial real estate RMB'000
Balance at 1 January 2021	270,935
Fair value adjustment	400
Disposals	(20,420)
Balance at 31 December 2021	250,915
Fair value adjustment	1,180
Balance at 30 June 2022	<u>252,095</u>

Fair value adjustment of investment properties is recognized 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)

10 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 2021	867,755	1,340,053	25,885	30,041	22,128	270,462	2,556,324
Additions	6,313	53,184	2,345	1,797	652	395,418	459,709
Transferred from construction in progress	198,017	106,320	-	-	-	(304,337)	-
Acquired in business combination	-	100,916	1,596	225	-	-	102,737
Disposals	-	(8,263)	(512)	(3,638)	(714)	-	(13,127)
Balance at 31 December 2021	1,072,085	1,592,210	29,314	28,425	22,066	361,543	3,105,643
Additions	-	10,248	531	548	878	240,511	252,716
Transferred from construction in progress	1,750	981	-	-	84	(2,815)	-
Disposals	-	(5,266)	(304)	(115)	(72)	-	(5,757)
Disposal of a subsidiary	-	(104,617)	(191)	-	-	-	(104,808)
Balance at 30 June 2022	1,073,835	1,493,556	29,350	28,858	22,956	599,239	3,247,794
Accumulated depreciation:							
Balance at 1 January 2021	(116,592)	(502,298)	(17,543)	(13,548)	(14,198)	-	(664,179)
Depreciation charge for the year	(30,271)	(123,239)	(2,917)	(4,477)	(1,184)	-	(162,088)
Written back on disposals	-	3,861	409	3,258	660	-	8,188
Balance at 31 December 2021	(146,863)	(621,676)	(20,051)	(14,767)	(14,722)	-	(818,079)
Depreciation charge for the period	(23,572)	(71,032)	(1,361)	(1,565)	(804)	-	(98,334)
Written back on disposals	-	5,124	287	109	65	-	5,585
Written back on disposal of a subsidiary	-	94,526	182	-	-	-	94,708
Balance at 30 June 2022	(170,435)	(593,058)	(20,943)	(16,223)	(15,461)	-	(816,120)
Net book value:							
Balance at 30 June 2022	903,400	900,498	8,407	12,635	7,495	599,239	2,431,674
Balance at 31 December 2021	925,222	970,534	9,263	13,658	7,344	361,543	2,287,564

As at 30 June 2022, property, plant and equipment with carrying amounts of RMB461,732 thousand (2021: RMB309,878 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 18).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

11 RIGHT-OF-USE ASSETS

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset is as follows:

		At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
	Note		
Land use rights, carried at depreciated cost	(i)	434,875	439,997
Plant and buildings, carried at depreciated cost	(ii)	191,323	186,779
		626,198	626,776

Except for interest on lease liabilities as set out in note 6 (a), the analysis of expense items in relation to leases recognized in profit or loss are as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	5,122	9,753
Plant and buildings	24,498	43,050
	29,620	52,803

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	2,814	3,905

During the period, additions to right-of-use assets were RMB32 million. This amount primarily related to the capitalized lease payments payable under new tenancy agreements.

Details of maturity analysis of lease liabilities are set out in note 21, respectively.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

11 RIGHT-OF-USE ASSETS (CONTINUED)

(i) Land use rights

Land use rights are located in the PRC and are held on medium-term leases of 40 to 50 years from the dates of acquisition. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease.

As at 30 June 2022, certain land use rights with carrying amounts of RMB182,742 thousand (2021: RMB184,917 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 18).

(ii) Plant and buildings

The Group leases production plants and buildings under operating leases expiring from 2 to 15 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes an option to purchase the leased equipment at the end of the lease term or includes variable lease payments.

12 INTEREST IN ASSOCIATES

The Group has interests in 12 associates (2021: 12 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 2022 and the year ended 31 December 2021. All of these associates are accounted for using the equity method in the six months ended 30 June 2022 and 2021. 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 2022 RMB'000	At 31 December 2021 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	278,781	296,192
	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Aggregate amounts of the Group's share of those associates		
Losses from operations	(17,411)	(8,613)
Other comprehensive income	-	-
Total comprehensive income	(17,411)	(8,613)

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Financial assets at fair value through profit or loss		
– Equity investment	1,881,188	1,939,835

During the six months ended 30 June 2022, operations of joint factories were adversely affected by the pandemic of COVID-19 and the downturn of industry. Based on a valuation report prepared by the external valuers, the Company recorded fair value losses amounted to RMB99,668 thousands for the period.

14 INVENTORIES

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Raw materials	159,127	156,257
Work in progress	80,401	73,290
Finished goods	96,358	110,353
Consignment stock	–	357
	335,886	340,257
Less: provision for impairment of inventories	(12,113)	(1,205)
	323,773	339,052

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss was presented in note 6(c).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

15 TRADE AND OTHER RECEIVABLES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade debtors	2,771,444	2,825,826
Bills receivable	52,562	132,452
Less: allowance for doubtful debts	(264,950)	(202,338)
	2,559,056	2,755,940
Other receivables	57,416	45,823
Less: allowance for doubtful debts	(1,873)	(1,196)
	55,543	44,627
Prepayments	34,828	44,526
Value added tax recoverable	32,259	48,379
Prepaid income tax	9,396	10,030
Others	1,384	1,470
	2,692,466	2,904,972

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

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 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 month	52,185	136,806
Over 1 month but less than 1 year	1,708,314	1,649,099
1 to 2 years	442,897	592,911
2 to 3 years	265,314	246,675
3 to 4 years	69,264	81,034
4 to 5 years	19,682	49,415
More than 5 years	1,400	-
	2,559,056	2,755,940

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing analysis (Continued)

As at 30 June 2022, certain trade receivables with carrying amounts RMB4,379 thousand (2021: RMB6,299 thousand) and bills receivables with carrying amounts of RMB70.0 million (2021: nil) were pledged as collateral for certain bank loans and other borrowings (see note 18).

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Balance at 1 January	202,338	107,452
Uncollected amounts written off	-	(1)
Impairment losses recognized	62,613	94,487
Increase in business combination	-	400
Written back on disposal of a subsidiary	(1)	-
Balance at 30 June/31 December	264,950	202,338

16 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.

Restricted and pledged bank deposits included in non-current assets was to secure the repayment of long-term borrowings and related interests.

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17 CASH AND CASH EQUIVALENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Cash at bank	347,249	540,656

Cash at bank includes time deposits of RMB64,000 thousand (2021: RMB159,493 thousand) placed at banks in the PRC with original maturities of three months or less. These deposits are guaranteed for principal repayment with fixed or determinable returns.

18 LOANS AND BORROWINGS

(a) Short-term loans and borrowings

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Secured bank loans	(i)	365,379	323,299
Pledged bank loans	(ii)	70,000	–
Unsecured bank loans		519,916	407,693
Add: Current portion of non-current loans and borrowings		711,988	559,462
		1,667,283	1,290,454

(i) Secured bank loans

As at 30 June 2022, the Group's current bank loans of RMB147.0 million were secured by plants and buildings with carrying amounts of RMB58.6 million (see note 10) and land use rights with carrying amounts of RMB36.1 million (see note 11) of the Group's subsidiary Broad Homes Industrial (Hangzhou) Co., Ltd.

As at 30 June 2022, the Group's current bank loans of RMB180.0 million were secured by plants and buildings of the Company with carrying amounts of RMB11.7 million (see note 10) and land use rights with carrying amounts of RMB7.1 million (see note 11) of the Changsha Broad Homes Industrial Group Co., Ltd. and guaranteed by Mr. Zhang Jian and Mrs. Liu Hui.

As at 30 June 2022, the Group's current bank loans of RMB4,379 thousand were secured by trade and other receivables with carrying amounts of RMB4,379 thousand (see note 15).

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18 LOANS AND BORROWINGS (CONTINUED)

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

(i) Secured bank loans (Continued)

As at 30 June 2022, the Group's current bank loans of RMB34.0 million were secured by plants and buildings with carrying amounts of RMB8.3 million (see note 10) and land use rights with carrying amounts of RMB16.4 million (see note 11) of the Group's subsidiary Broad Homes Industrial (Xiangtan) Co., Ltd. and guaranteed by Mr. Zhang Jian and Mrs. Liu Hui.

As at 31 December 2021, the Group's current bank loans of RMB180.0 million were secured by plants and buildings with carrying amounts of RMB12.1 million (see note 10) and land use rights with carrying amounts of RMB7.1 million (see note 11) and guaranteed by Mr. Zhang Jian.

As at 31 December 2021, the Group's current bank loans of RMB137.0 million were secured by plants and buildings with carrying amounts of RMB48.2 million (see note 10) and land use rights with carrying amounts of RMB36.5 million (see note 11) of the Group's subsidiary Broad Homes Industrial (Hangzhou) Co., Ltd..

As at 31 December 2021, the Group's current bank loans of RMB6,299 thousand were secured by trade and other receivables with carrying amounts of RMB6,299 thousand (see note 15).

(ii) Pledged bank loans

As at 30 June 2022, the Group's current bank loans of RMB70.0 million pledged by bank's acceptance bill with carrying amounts of RMB70.0 million.

As at 31 December 2021, the Group has no pledged bank loans.

(b) Long-term loans and borrowings

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Guaranteed bank loans	(i)	695,141	870,343
Secured bank loans and other borrowings	(ii)	1,112,532	817,159
Unsecured bank loans		417,871	471,960
Less: Current portion of non-current loans and borrowings		(711,988)	(559,462)
		1,513,556	1,600,000

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18 LOANS AND BORROWINGS (CONTINUED)

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

(i) *Guaranteed bank loans*

As at 30 June 2022 the Group's non-current bank loans of RMB99.4 million were guaranteed by Mr. Zhang Jian and Mrs. Liu Hui, of which RMB300.0 thousand was due within one year.

As at 30 June 2022, the Group's non-current bank loans of RMB550.0 million were guaranteed by Mr. Zhang Jian and Mrs. Liu Hui and the Group's subsidiary Broad Homes Industrial (Tianjin) Co., Ltd., of which RMB100.0 million was due within one year.

As at 30 June 2022, the Group's non-current bank loans of RMB45.0 million were guaranteed by Mr. Zhang Jian, of which RMB45.0 million was due within one year.

As at 30 June 2022, non-current bank loans of RMB740.6 thousand of the Groups's subsidiary Xinpu Broad Homes were guaranteed by Mr. Chen Daibao, a supervisor of Xinpu Broad Homes, of which RMB740.6 thousand was due within one year.

As at 31 December 2021, the Group's non-current bank loans of RMB268.8 million were guaranteed by Mr. Zhang Jian and Mrs. Liu Hui, of which RMB129.7 million was due within one year.

As at 31 December 2021, the Group's non-current bank loans of RMB550.0 million were guaranteed by Mr. Zhang Jian and Mrs. Liu Hui and the Group's subsidiary Broad Homes Industrial (Tianjin) Co., Ltd..

As at 31 December 2021, the Group's non-current bank loans of RMB50.0 million were guaranteed by Mr. Zhang Jian.

As at 31 December 2021, non-current bank loans of RMB1.5 million of the Groups's subsidiary Xinpu Broad Homes were guaranteed by Mr. Chen Daibao, a supervisor of Xinpu Broad Homes, of which RMB1.3 million was due within one year.

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18 LOANS AND BORROWINGS (CONTINUED)

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

(ii) Secured bank loans

As at 30 June 2022, the Group's non-current bank loans of RMB286.0 million were secured by plants and buildings with carrying amounts of RMB17.5 million (see note 10), land use rights with carrying amounts of RMB22.8 million (see note 11) of the Group's subsidiary Broad Homes Industrial (Xiangtan) Co., Ltd. and the Group's subsidiary Broad Homes Industrial (Yueyang) Co., Ltd. and guaranteed by Mr. Zhang Jian and Mrs. Liu Hui, of which RMB94.0 million was due within one year.

As at 30 June 2022, the Group's non-current bank loans of RMB428.7 million were secured by plants and buildings with carrying amounts of RMB58.6 million (see note 10), land use rights with carrying amounts of RMB36.1 million (see note 11) of the Group's subsidiary Broad Homes Industrial (Hangzhou) Co., Ltd., of which RMB193.0 million was due within one year.

As at 30 June 2022, the Group's non-current bank loans of RMB299.9 million were secured by plants and buildings with carrying amounts of RMB56.6 million (see note 10), land use rights with carrying amounts of RMB40.6 million (see note 11) of the Changsha Broad Homes Industrial Group Co., Ltd. and guaranteed by Zhang Jian and Mrs. Liu Hui, of which RMB600.0 thousand was due within one year.

As at 30 June 2022, the Group's non-current bank loans of RMB97.9 million were secured by machinery equipments with carrying amount of RMB112.8 million (see note 10), of which RMB10.5 million was due within one year.

As at 31 December 2021, the Group's non-current bank loans of RMB714.6 million were secured by plants and buildings with carrying amounts of RMB66.2 million (see note 10) and land use rights with carrying amounts of RMB59.6 million (see note 11), of which RMB264.0 million was also guaranteed by Mr. Zhang Jian and Mrs. Liu Hui, of which RMB247.0 million was due within one year.

As at 31 December 2021, the Group's non-current borrowings of RMB102.6 million were secured by machinery equipments with carrying amount of RMB115.7 million (see note 10), of which RMB9.5 million was due within one year.

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19 TRADE AND OTHER PAYABLES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade creditors	1,218,445	1,379,620
Bills payable	668,048	766,240
	1,886,493	2,145,860
Accrued staff costs	20,239	35,587
VAT payable	78,559	64,497
Sundry taxes payable	4,059	2,736
Security deposits	11,283	13,759
Interest payable	4,975	5,345
Received in advance	186	212
Other accrued expenses and payables	22,334	27,118
	2,028,128	2,295,114

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 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year	1,695,465	1,974,329
1 to 2 years	103,047	71,442
2 to 3 years	53,877	59,987
More than 3 years	34,104	40,102
	1,886,493	2,145,860

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20 CONTRACT LIABILITIES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Billings in advance of performance	208,184	118,299

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 recognized 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 equipments and a 85% to 100% deposit before the manufacturing of Modular integrated products.

21 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 2022		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	44,934	56,088	41,999	50,965
After 1 year but within 2 years	28,233	36,731	21,904	30,435
After 2 years but within 3 years	18,824	25,242	16,590	23,632
After 3 years	106,151	138,753	115,452	151,242
	153,208	200,726	153,946	205,309
	198,142	256,814	195,945	256,274
Less: total future interest expenses		(58,672)		(60,329)
Present value of lease liabilities		198,142		195,945

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22 EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 28 September and 22 October 2021, a medium and long-term incentive plan (“the Plan”) was approved by the Board and the shareholders’ general meeting of the Company respectively, which includes a restricted share incentive plan and a share option incentive plan. The incentive targets of the Plan include Directors, senior management members of the Company and outstanding key business personnel. The purpose of the Plan is to attract, retain and motivate the incentive targets, to facilitate the effective implementation of the Company’s strategic objectives and to ensure the long-term stable development of the Company. Under the restricted share incentive plan, the total amount of H Shares to be granted to the incentive targets will not exceed 3 million H Shares. The lock-up period of restricted shares shall start from the date on which the restricted shares are granted to the incentive targets till 31 December 2022. Under the share option incentive plan, the total number of H Share options to be granted to the incentive targets will not exceed 7 million options. The incentive targets have the right to purchase H Shares of the Company at the exercise price of the options during the period from 1 January 2023 to 31 December 2027, subject to the fulfilment of the exercise conditions of share options. The exercise price and its conditions will be fixed upon the granting of the share options.

In December 2021 and during the six months period ended 30 June 2022, the Group acquired a total of 2,380,000 shares and 6,502,100 shares of the Company from the open market, at a total consideration of RMB20,526 thousand and RMB55,750 thousand respectively, for the purpose of setting up the Plan. The total shares of 8,882,100 are held as treasury shares and have been deducted from total equity attributable to equity shareholders of the Company.

The Board or the Remuneration and Appraisal Committee of the Board (as the case may be) will identify the incentive targets and implement the grants. No restricted share or share options have been granted under the Plan during the period.

23 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, categorized 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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23 FAIR VALUE MEASUREMENT (CONTINUED)

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

(i) Fair value hierarchy (Continued)

	At 30 June 2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Investment properties	–	–	252,095	252,095
Financial assets at fair value through profit or loss				
– Equity investments	–	–	1,881,188	1,881,188
Financial assets at fair value through other comprehensive income				
– Bills receivable	–	–	1,750	1,750

	At 31 December 2021			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Investment properties	–	–	250,915	250,915
Financial assets at fair value through profit or loss				
– Equity investments	–	–	1,939,836	1,939,836
Financial assets at fair value through other comprehensive income				
– Bills receivable	–	–	700	700

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the Reporting Period in which they occur.

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23 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% (2021: 0% to 70%)	Discount rate: 33%
Unlisted equity investments	Market approach (Comparable transaction method/Comparable company method)	Price/Invested Capital ratio ("P/IC ratio"), Price/Earnings ratio ("P/E ratio"), and Enterprise value/Sales ("EV/S" ratio)	The higher the P/IC ratio, P/E ratio, and EV/S ratio, the higher the fair value	P/IC ratio: 0.82 to 1.32 (2021: 0.84 to 1.32) P/E ratio: 3.36 to 14.69 (2021: 3.31 to 15.66) EV/S ratio: 0.43 to 1.83	P/IC ratio: 1.00 (2021: 1.00) P/E ratio: 9.22 (2021: 8.93) EV/S ratio: 0.99
	Cost approach (Net asset method)	Discount for lack of marketability	The higher the discount for lack of Marketability, the higher the fair value	Discount for lack of Marketability: 0.7	Discount for lack of Marketability: 0.7
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 9.

The fair value of 53 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, P/E ratio and EV/S ratio. The fair value of remaining 2 unlisted equity investments is determined using the net asset method with significant unobservable input of discount for lack of marketability.

There have been changes in valuation technique used in the fair value measurement of 2 equity investments from market approach to cost approach as market approach was no longer applicable for them.

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23 FAIR VALUE MEASUREMENT (CONTINUED)

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

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

In addition, the significant unobservable inputs used in the fair value measurements of 7 equity investments were changed from P/E ratio to EV/S ratio. The reason of change is that these entities are expected to be loss-making in 2022 due to the impact of the pandemic and the overall downturn in the real estate industry in 2022, thus P/E ratio was no longer applicable.

The fair value measurement is positively correlated to the P/IC ratio, EV/S ratio, P/E ratio and discount for lack of marketability. As at 30 June 2022, it is estimated that with all other variables held constant, an increase/decrease in the P/IC ratio, EV/S ratio, P/E ratio and discount for lack of marketability by 1% would have increased/decreased the Group's valuation gains on equity investments by RMB15,990 thousand.

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Unlisted equity investments		
At 1 January	1,939,836	1,912,755
Payment for purchases	41,020	36,205
Reclassified from investment in associates	-	53,337
Changes in fair value recognized in profit or loss during the period	(99,668)	(1,957)
Disposal in the period/year	-	(60,504)
At 30 June/31 December	1,881,188	1,939,836

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 2022, 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 amortized cost were not materially different from their fair values as at 30 June 2022 and 31 December 2021.

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24 COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report.

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Contracted for	427,203	419,582

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Short-term employee benefits	2,874	2,971
Post-employment benefits	158	97
	3,032	3,068

(b) Significant related party transactions

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Sales of products to associates	243	99
Sales of products to entities controlled by the controlling shareholder	6	20
Sales of products to entities controlled by a close family member of controlling shareholder	868	–
Purchase of goods from associates	–	151
Purchase of products to entities controlled by the controlling shareholder	1,872	–
Purchase of goods from entities controlled by a close family member of controlling shareholder	–	12
Purchase of services from entities controlled by the controlling shareholder	34	1,031
Lease of properties from entities controlled by the controlling shareholder	310	399
Disposal of investment in a subsidiary to entities controlled by the controlling shareholder	3,430	–
	6,763	1,712

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25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balance with related parties

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade debtors	5,639	15,402
Prepayments	173	94
Other receivables	2,068	50
Other current assets	286	286
Trade creditors	(3,336)	(3,088)
Bills payable	(350)	(350)
Contract liabilities	(50)	(76)
	4,430	12,318

(d) Guarantee provided by related parties

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Loans and borrowings		
– Guaranteed by Mr. Zhang Jian and Mrs. Liu Hui	1,449,300	1,082,800
– Guaranteed by Mr. Zhang Jian	45,000	230,000
	1,494,300	1,312,800